# THE EXPECTATION GAP BETWEEN TAXPAYERS AND TAX PRACTITIONERS IN A SOUTH AFRICAN CONTEXT

by

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# DEDICATION

This thesis is dedicated to my two fathers,
my heavenly father and my earthly one.

My Heavenly Father:

Lord Jesus, you are the single most important being in my life.
Without you, my life and this thesis would be in vain.

My honoured earthly Father:

Thank you for everything you taught me in life and for being the best dad ever. I thank you especially for teaching me that love is not founded on achievements or success, but is unconditional. Thank you that I have always felt loved by you without needing to perform to earn that love. I always felt content and like the best son a father can have. I was honoured to be your son.

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(2 Corinthians 12:8)

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# ABSTRACT

## THE EXPECTATION GAP BETWEEN TAXPAYERS AND TAX PRACTITIONERS IN A SOUTH AFRICAN CONTEXT

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The relationship between taxpayers and tax practitioners is complex, as many diverse aspects shape their interaction. This explains why taxpayers and tax practitioners hold different expectations regarding tax services, leading to an expectation gap between taxpayers and tax practitioners. The primary objective of this qualitative study was to gain an understanding of the factors that contribute to the expectation gap between taxpayers and tax practitioners in South Africa.

To achieve this primary objective, the Interactive Qualitative Analysis process was used as a research method to identify the factors that contribute to the expectation gap. Data were collected from four different South African focus groups, namely taxpayers, and three separate groups of different types of tax practitioners. Affinities were generated for each focus group, and possible

cause-and-effect relations amongst the affinities were established using theoretical coding. A systems influence diagram was subsequently generated for each group to represent the entire system of influences and outcomes based on the perceptions of that focus group. Meta-themes relating to the key factors were identified by means of a thematic analysis of the affinities in a second coding cycle. These meta-themes led to the development of a conceptual framework of associations that describes the interactive nature of the expectation gap between taxpayers and their tax practitioners. Based on these associations, propositions were generated, and mechanisms and interventions regarding the roles of different groups in reducing the gap were suggested.

A model for reducing the expectation gap was also proposed, based on the main themes that emanated from this study. The overarching theme is communication between taxpayers and their tax practitioners. This theme relates to the remaining six themes. These are capability of taxpayers and tax practitioners, clarity on the nature and scope of tax service, transparency on the fee structure of a tax service, external influences on taxpayers, the collecting agent's systems and processes and finally incompatible compliance behaviour attitudes between taxpayers and tax practitioners.

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# LIST OF ABBREVIATIONS AND ACRONYMS

| Abbreviation/ Acronym | Meaning |
|---|---|
| ART | Affinity Relationship Table |
| CAQDAS | Computer Assisted Qualitative Data Analysis System |
| CPA | Certified Public Accountant |
| IQA | Interactive Qualitative Analysis |
| IRD | Interrelationship Diagram |
| FTA | Forum on Tax Administration |
| OECD | Organisation for Economic Cooperation |
| PAYE | Pay As You Earn |
| PFMA | *Public Finance Management Act, No 1 of 1999* |
| SAICA | South African Institute of Chartered Accountants |
| SAIPA | South African Institute of Professional Accountants |
| SAIT | South African Institute of Tax Practitioners |
| SARS | South African Revenue Service |
| SID | Systems Influence Diagram |
| TQM | Total Quality Management |
| UIF | Unemployment Insurance Fund |
| VAT | Value-Added Tax |

# CHAPTER 1:

# INTRODUCTION TO THE STUDY

## 1.1 INTRODUCTION

> Tax intermediaries [Tax practitioners] are the supply side of a relationship in which taxpayers, their clients, form the demand side. This is a tripartite relationship in which revenue bodies are the other party. (OECD, 2008:53)

According to Klue (2012a), the Chief Executive of the South African Institute of Tax Practitioners (SAIT), tax practitioners are expected to exercise a level of care, skill and diligence that is commensurate with their standing in society. In terms of common law, it is assumed that tax professionals such as tax practitioners owe this duty to taxpayer clients who request a tax service. The Minister of Finance, Mr Pravin Gordhan, has suggested that South African tax practitioners do not always meet acceptable compliance levels (National Treasury, 2012:18), implying that tax practitioners do not meet the demands of their taxpayer clients.

From the supply side, tax practitioners tend to measure the quality of the tax service they provide against determinants such as competitive fees, the expertise of their personnel, the range of tax services offered, the time spent on tax projects, technical competence, creative abilities, client advocacy and advice (Myers & Morris, 1998:29).

Viewing the issue from the demand side of this relationship, Hite and Hasseldine (2003:1) argue that taxpayers' understanding and expectations of the role and responsibilities of tax practitioners differs in many instances from the capabilities and opinions of the tax practitioners. In this regard, Tan (2008:25) has found that, in general, taxpayers have higher expectations regarding tax services than they perceive themselves to receive from their tax practitioners. These discrepancies have a negative impact on taxpayers' satisfaction with the tax service provided. Taxpayers' expectations are sometimes not congruent with their actual experience of the tax service provided by tax practitioners. This leads to an expectation gap between taxpayers' expectations about a tax service provided to them and the tax practitioners' perceptions of those expectations.

This study explores the factors contributing to the expectation gap between taxpayers and tax practitioners in the South African context. It focuses on the difference between taxpayers' expectations about a tax service and the tax practitioners' perceptions of these expectations on the one hand, and on the tax practitioners' expectations about a tax service provided and the taxpayers' perceptions of those expectations on the other hand.

## 1.2 BACKGROUND TO THE STUDY

The background provides an overview of aspects relating to the tax practitioner-taxpayer relationship in the tripartite relationship mentioned by the Organisation for Economic Cooperation (OECD, 2008:53), in order to formulate the research problem, and subsequently the research objective for this particular research.

Of all the powers of government, other than its authority to declare war, none affects the welfare of a country's citizens, both in their private and in their economic enterprise capacities, as materially as the State's power to collect taxes (Lamont, 1992:83). The effect of taxation is that taxpayers are obliged to give up hard-earned earnings or possessions, and this may become a source of serious discontent if they perceive themselves as not receiving adequate visible benefits in return (Coetzee, 1993:5; Theron, 1994:16).

Section 213 of the *Constitution of the Republic of South Africa of 1996* provides for the creation of a National Revenue Fund for the collection of all monies paid to the national government. In addition, section 226 of the *Constitution* deals with Provincial Revenue Funds for the various provinces to collect and pay monies over to the provincial governments.

The discussion above focuses on the tax relationship between the government and the taxpayer. In this study, 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). The OECD (2008:11) also confirms that in any country there is a basic reciprocal relationship between the government (the revenue-collecting body) and the taxpayer. The relationship between a taxpayer and the government can take different forms, such as the following:

- the relationship between the taxpayer as the provider of revenue and the government as a service provider of public goods; and
- the relationship between the taxpayer and the tax agency.

It is the taxpayer's responsibility to pay a compulsory unrequited tax payment to the government, as was mentioned above (OECD, 2008:11). As Coetzee (1993:5) and Theron (1994:16) point out, taxpayers may not always feel that it is fair to demand that they pay the taxes that they are supposed to pay, and they may then try to evade taxes. Hessing, Elffers, Robben and Webley (1992:304) and McBarnet (2001:1-2) argue that taxpayers can be grouped into three categories when it comes to paying taxes, namely those taxpayers who never evade taxes, taxpayers who try to evade tax every now and then, and taxpayers who try to evade tax regularly.

An OECD (2008:7) report states that every country faces its own unique tax environment, which differs from that in other countries in respect of each country's policy and legislative environment and its administrative practices and culture. When one explores taxpayers' behaviour, the uniqueness of every country's tax environment should be borne in mind. According to Adams (1921:536, 556), as early as the 1920s, the honesty of taxpayers was identified as one of the primary factors of a government's success or failure in collecting income tax. Adams (1921:536, 556) also argues that one of the factors that contribute to taxpayers' dishonesty is the complexity of a tax system, which may lead to administrative failure. In the South African context, South African Revenue Services (SARS, 2007) is of the opinion that the history of South Africa has had a strong influence on the compliance culture of the country's taxpayers. SARS (2003:2) claims that the combination of several factors has created a taxpayer compliance culture that is lower than it should be. These factors include the following:

- the economic marginalisation of the majority of the population of South Africa and the resultant lack of sufficient knowledge about tax among a large portion of the population;
- business practices that became prevalent in the era when businesses had to circumvent the imposition of international sanctions;
- the limited ability of the tax authorities to challenge tax evasion; and
- highly arguable or even fanciful tax planning structures and techniques used in the past (SARS, 2003:2).

Hazelhurst (2003:64) expresses a similar opinion, arguing that, due to complicated tax legislation and ineffective tax collection prior to 1994, South African taxpayers managed to (and even appeared to be allowed to) divert large amounts of income to tax shelters and tax havens. In many instances, the legality of the tactics employed was questionable. Historically, the tax authorities were not adequately empowered to deal with some of these transactions and therefore remained frustrated and relatively powerless to deal with the transactions in question.

In 1999, Trevor Manuel (1999:58), the then Minister of Finance of South Africa, stressed that tax evasion amongst taxpayers is the most insidious form of criminality and that it afflicts South African society as a whole. He indicated that such criminals are responsible for the fact that a lot of money destined for the fiscus never reaches its destination. In a similar vein, Ngwenya (1999:10) states: "South Africans have lost respect for the law to such an extent that our new heroes are big time criminals. We don't pay taxes and we happily buy stolen goods". He claims that the lawlessness of many South Africans is to be blamed on the fact that the majority of South Africans are angry – some because those who had wealth in the past are losing it, and others because those who did not have wealth under the old dispensation still do not have it.

It therefore seems reasonable to argue that, although taxes are imposed on taxpayers by the State, there is no guarantee that a taxpayer will behave with absolute honesty, and it is not a given that a government can count on the ethical behaviour and full compliance of its taxpayers.

The discussion in the preceding paragraphs suggests that there is a legal relationship between the State and the taxpayer. However, in order to confirm that such a legal relationship does in fact exist, a brief explanation of the means by which a legal relationship can be created is provided.

The national law of a country can be divided into public law and private law (*Fose v Minister of Safety and Security* 1997 (7) BCLR 851 (CC):par [57]; Hahlo & Kahn, 1968:115; Havenga *et al*., 2004:21). Public law relates to the distribution and exercise of governmental authority (Hahlo & Kahn, 1968:116). It governs the interaction amongst different segments of the State, as well as between the State and its subjects (Hahlo & Kahn, 1968:116;[1] Hosten, Edwards, Bosman & Church, 1977:493; *MEC Department of Education Kwazulu Natal v Khumalo & another* [2010] 11 BLLR 1174 (LC):par 43; *O'Reilly v Mackman and others and other cases* [1982] 3 All ER 680:692). According to Hahlo and Kahn (1968:117), the nature of the public law relationship between the State and its subjects is one of subordination, and therefore the parties are on an unequal footing.

[1] Although this reference is from 1968, the following recent court cases still refer to it:

- *Media 24 Ltd & others v SA Taxi Securitisation (Pty) Ltd (Avusa Media Ltd & others as amici curiae)* [2011] JOL 26339 (SCA) paragraph 34.
- *Weare & another v Ndebele NO & others* [2008] JOL 22751 (CC) paragraph 25.
- *Machingawuta & others (in their Capacities as Trustees for the time being of the Mogale Alloys Trust) & another v Mogale Alloys (Pty) Ltd & others* [2012] JOL 28455 (GSJ) paragraph 25.
- *Fose v Minister of Safety and Security* [1998] JOL 1364 (CC) paragraph 57.
- *Thoroughbred Breeders' Association of South Africa v Price Waterhouse* [2001] 4 All SA 161 (A) paragraph 105.
- *Mayo Foundation for Medical Education & Research v Theatre Mayo Clinic Company (Pty) Ltd & others* [2009] JOL 24226 (GNP) paragraph 26.

Public law can be divided into constitutional, administrative and criminal law (Hahlo & Kahn, 1968:117; Havenga, *et al*., 2004:21). For the purposes of the current study, the fields of constitutional and administrative law are relevant. Administrative law is that part of the law which relates to public administration:

> It is concerned with the legal forms and constitutional status of public authorities; with their powers and duties and with the procedures followed in exercising them; with their legal relationships with one another, with the public and with their employees; and with the wide range of institutions, both internal and external to themselves, which seek, in varied ways, to control their activities. (*Transnet Limited v Goodman Brothers (Pty) Ltd* 2001 (2) BCLR 176 (SCA):par [29])

Administrative and constitutional law impose limits on the State's power to collect taxes by entrenching the right to fair administrative action to all persons in section 33 of the *Constitution*, which the State and its organs are obliged to adhere to in terms of section 8(1) of the *Constitution*. This right to fair administrative action is given effect to in the *Promotion of Administrative Justice Act (3 of 2000)*.

Private law is that part of the law which governs interactions between persons or legal subjects (*Fose v Minister of Safety and Security 1997 (7) BCLR 851 (CC)*:par [17]; Hahlo & Kahn, 1968:116; Havenga *et al*., 2004:21). In these interactions, the parties involved are on an equal footing (Hahlo & Kahn, 1968:116), unlike in a public law relationship. Private law can be divided into the law of persons, family law, law of personality and patrimonial law. Under patrimonial law in the broad sense, one also finds the law of obligations (Havenga *et al*., 2004:21,32), which is a branch of law relevant in the context of this study.

The law of obligations deals with the rights and duties which persons have in relation to one another, known as personal rights (Harms, 2006:par 217). An obligation is a legal tie between two legal subjects in terms of which the one (the creditor) has a right to a particular performance by the other (the debtor), while the debtor has a corresponding duty to render the performance (Harms, 2006:par 217). The main sources of obligations are contract, delict and enrichment (Harms, 2006:par 217).

In this study, it is also important to consider the creation of an obligation by means of a contract. A contract is defined as "an agreement entered into with the intention of creating an obligation or obligations" (Van Rensburg, Lotz & Van Rhijn, 2010:par 370). The law of contract sets out the requirements for the creation of a valid contract (Van Rensburg *et al*., 2010:par 403), determines the rights and obligations of the parties established in terms of a contract (Van Rensburg *et al*., 2010:par 449), as well as circumstances under which a contract may be terminated (Van Rensburg *et al.,* 2010:par 508). This legal relationship is discussed in more detail in Chapter 2.

SARS is an institution which has the power to collect tax in terms of the *South African Revenue Service Act (34 of 1997)* (sections 3 & 4) (hereafter referred to as the *SARS Act*). This Act states that SARS is responsible for collecting revenue by enforcing various pieces of legislation, including the *Income Tax Act (58 of 1962).* The tax collected in terms of the *Income Tax Act* must be paid into the National Revenue Fund referred to in section 213 of the *Constitution.* The *SARS Act* defines SARS as an organ of State, and SARS can also be regarded as an organ of State in terms of section 239(b)(ii) of the *Constitution.* This implies that the legal relationship between the State and a taxpayer is regulated by the provisions of constitutional and administrative law. The tax environment is, however, complicated further by the fact that many individual or corporate taxpayers receive advice and assistance from tax practitioners in order to complete their tax returns. As a result, an additional party, the tax practitioner, is added to the tax relationship. This party should be seen as a mandatory or agent of the taxpayer in terms of the law of agency, which is subject to the principles of the law of agency.

From a South African perspective, a substantial number of individual and business taxpayers receive advice and assistance from tax consultants and advisors (Manuel, 2007:1). According to Lubbe and Nienaber (2012:697), the use of tax practitioners in South Africa has increased significantly – from about 3% during the period from 1970 to 1979, to approximately 68% from 2000 to date. Smulders, Stiglingh, Franzsen and Fletcher (2012:202) have demonstrated that 76% of small businesses in South Africa make use of the services of external tax practitioners.

One of the reasons why taxpayers seek the services of tax practitioners is the need to file accurate tax returns, which taxpayers find difficult to do themselves, due to the complexity of tax legislation (Book, 2008:10; Coolidge, IIic & Kisunko 2009:13; Hite & McGill, 1992:398; Lubbe & Nienaber, 2012:705; Sakurai & Braithwaite, 2001:20; Tan, 1999:445). Another reason for using tax practitioners is the wish to minimise tax liability (Sakurai & Braithwaite, 2001:14-15). This can be achieved by applying the relevant taxation Acts (such as the *Income Tax Act*) conservatively, or by exploiting possible grey areas contained in such Acts. SARS (2012e) thus indicates that tax practitioners play a critical role in shaping taxpayers' attitudes and behaviour, and in shaping taxpayers' actual levels of tax compliance.

Although there is evidence that some taxpayer clients may insist on aggressive tax advice (Schisler, 1994:124-142), other studies suggest that taxpayers favour conservative tax advice, where the taxpayers' main objective is filing an accurate tax return (Hite & McGill, 1992:398; Sakurai & Braithwaite, 2001:20; Tan, 1999:445).

There is still some uncertainty about the extent to which taxpayers contribute to non-compliance and about whether non-compliance is related to the aggressive tax advice that some tax practitioners give to their clients. Moreover, tax practitioners can influence the attitude and behaviour of their clients with regard to tax compliance and, conversely, clients can influence the attitude and behaviour of tax practitioners. Studies on the tax practitioner-client relationship are therefore relevant in order to increase existing knowledge of tax compliance behaviour. Extensive research has already been conducted in countries such as New Zealand and the United States with regard to the role that tax practitioners play in tax compliance (Hite & McGill, 1992:389-403; Tan, 1999:431-447).

There is a dearth of knowledge on the role of South African tax practitioners in respect of South African taxpayer compliance. Smulders *et al*. (2012:202), however, does indicate that small business taxpayers use tax practitioners in order to ensure tax compliance, and that 48.9% of them perceive the services to be of value to them. Another study was performed by Tan (1999:431-447) in New Zealand to determine the preferences of taxpayers for a particular type of advice from tax practitioners.

Although the final responsibility for the contents of a tax return legally rests with the taxpayer, the return is often completed on the advice of a tax advisor, who bears limited responsibility for the advice given (SARS, 2003:2). The OECD (2008:7) recognises the fact that tax practitioners do not work independently of their clients, but supply the services that clients demand. Oberholzer (2007:178) has shown that a large proportion of South African taxpayers tend to rely on the advice of a tax practitioner, even if it is unethical advice.

From the perspective of a taxpayer, unprofessional conduct by a tax practitioner could place a taxpayer's financial, ethical and tax reputation at risk. SARS reports that it is confronted daily with the question of how taxpayers can be compensated for poor advice from their tax advisors, or for funds misappropriated by tax advisors (SARS, 2003:2). According to SARS (2003:2), the South African Institute of Chartered Accountants (SAICA) has received "many complaints" from clients about poor performance or other problems encountered with regard to tax practitioners.

It is therefore clear that in this tripartite relationship, the responsibilities of the State and those of the taxpayer are defined in legislation, but the responsibilities of a tax practitioner are currently not yet defined or regulated by legislation. This lack of clarity on the responsibility of the tax practitioner may give rise to what has been called an "expectation gap". This expectation gap reflects the difference between client expectations regarding a specific service and the professional's perceptions of those expectations (Stephenson, 2006:5).

One of the initiatives that the legislator has taken as a result of such a possible expectation gap was the drafting of the *Draft Regulation of Tax Practitioners*

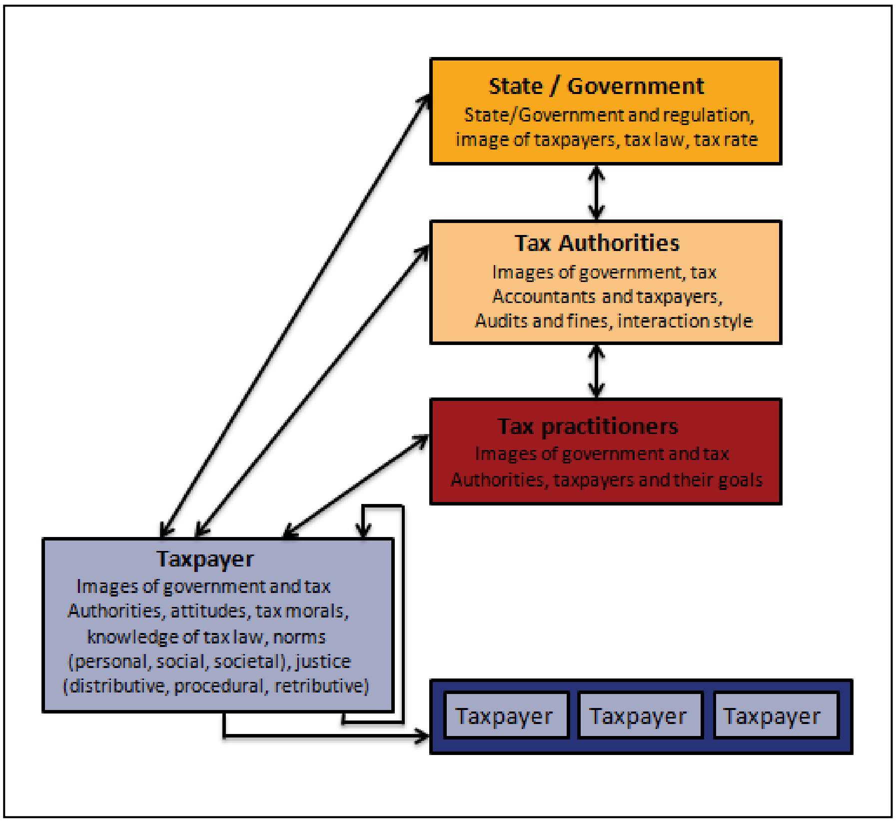
*Bill*, which makes an attempt to regulate the tax practitioners' profession and to make provision for an Independent Regulatory Board for Tax Practitioners. The purpose of this draft legislation, as defined in clause 2 of this draft bill, is to provide for regulation of the tax practitioner's profession and to ensure that tax practitioners are appropriately qualified, have the necessary experience and adhere to a code of ethical practices against which they are held accountable for their professional conduct (SARS, 2008b).

Once the draft Bill has been enacted, the Board will be the guardian of the Act and, amongst other functions, will help to ensure that clear and appropriate requirements exist for the registration of all tax practitioners. The Board will also determine the requirements for the maintenance and development of the professional competence of tax practitioners and, finally, will promote the integrity of the tax profession (SARS, 2008b).

From what has been said above, it is clear that there are three main parties involved in the taxpaying process in South Africa, namely SARS, a taxpayer, and very often a tax practitioner. There also seems to be a growing need among taxpayers to use tax practitioners to supply taxpayers with professional advice. SARS and the South African government have taken pro-active steps to propose the regulation of tax practitioners with the proposed *Draft Regulation of Tax Practitioners Bill*. The proposed regulation of tax practitioners' services may be a step in the right direction, but it remains an open question whether this regulation will address the behaviour of tax practitioners. In order to manage the relationship between taxpayers and tax practitioners, it is important to understand what the factors or issues are that may create or influence the expectation gap between taxpayers and their tax practitioners.

Kirchler (2013:11) provides a useful graphic perspective of the "tax-interaction" context which provides a summary of the key relationships that exist in the tax environment (see Figure 1, overleaf).

**Figure 1: The "tax-interaction" context**




Source: Kirchler (2013:11)

## 1.3 RATIONALE FOR THE STUDY

Numerous informal discussions with both taxpayers and tax practitioners on the quality of tax services rendered and different interpretations of the quality of a tax service expected or rendered by the different parties triggered the researcher's curiosity, and this is where the initial idea for this study originated.

The provision of tax-related advice to taxpayers by tax practitioners in any accounting or tax practice has increasingly become standard practice. One of the main elements of an increase in the business risk for a tax practice involved in providing such tax advice is the discrepancy between taxpayers' objectives and risk preferences, and tax practitioners' objectives in giving tax advice or completing tax returns. It is for this reason that an expectation gap may arise between taxpayers and tax practitioners.

In the United States, Stephenson (2007:411) has provided some insight into the disparity between the tax services that tax practitioners provide and the services that taxpayers seek. This mismatch can be managed by reducing the expectation gap, as is suggested by Wilson, Zeithaml, Bitner and Gremler (2012:97).

Zikmund (2008:1) defines an expectation gap as the "perceived difference between what one is expected to accomplish by others and what one personally believes [one] must accomplish". When the term is applied to the tax environment, it normally refers to the difference between what taxpayers expect tax practitioners to accomplish or deliver and what tax practitioners personally believe must be accomplished or delivered. In this study, the focus is on what taxpayers expect tax practitioners to accomplish or deliver and what tax practitioners think (perceive) taxpayers to expect from them.

Services marketing literature, where the concept of an expectation gap originated, is a helpful source of suggestions for managing the expectation gap. According to Wilson *et al*. (2012:97), the expectation gap needs to be managed in order to know what customers expect so that an appropriate service design can be selected and service quality standards can be set to match service performance to promises and expectations.

Although the expectation gap has not previously been explored in South African tax research, it was assumed for the purposes of this study that an expectation gap does exist in the South African tax environment. In a study by Mocke (2011:47), tax practitioners indicated that their taxpayer clients were not aware of the additional services the practitioners provide by attending to matters with SARS on their behalf in addition to the normal tax services they provide. Furthermore, Mocke's (2011:47) results indicate that tax practitioners are not always willing to attend to these matters, because it is not economically viable for them to do so, but they often still do attend to these matters in order to retain their clientele and not to jeopardise their client relationships.

An in-depth qualitative approach, as recommended by Tan (2008:27), to uncover the issues contributing to the expectation gap between taxpayers and their tax practitioners with the purpose of providing a better understanding of this expectation gap in a South African context, is therefore justified.

## 1.4 RESEARCH PROBLEM

Currently, there is no clear understanding of the factors contributing to the expectation gap between taxpayers and their tax practitioners in a South African context.

Prior research addressing the relationship between taxpayers and tax practitioners is very limited. Tan (2008) has studied this relationship in the New Zealand tax environment. Studies by Myers and Morris (1998) and Stephenson (2006) in the United States context describe aspects contributing to the expectation gap between the services delivered by tax practitioners in small and regional firms and the expectations of the taxpayers who use their services.

The OECD (2008:7) has indicated that each country's tax environment is unique and differs from that of others. The studies of Tan (2008), Myers and Morris (1998) and Stephenson (2006) performed in a first-world, developed country situation do provide useful background, but the specific factors leading to the expectation gap as found in a unique third-world developing country are not known.

The disparity between the expectations of taxpayers regarding tax services and the perceptions of those expectations by their tax practitioners in a South African context is therefore the focus of attention in this particular study.

## 1.5 RESEARCH OBJECTIVES

Therefore, the primary objective of this study is to gain an understanding of the factors that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context. In order to achieve this primary objective, the exploratory understanding of the expectation gap between taxpayers and their tax practitioners in the South African context was pursued from the perspective of South African taxpayers, chartered accountants, Professional Accountants and other tax practitioners.

A number of secondary objectives related to this primary objective were explored (see Table 1, below).

**Table 1: Secondary objectives**

| | |
|---|---|
| Secondary Objective 1: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of taxpayers. |
| Secondary Objective 2: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of Chartered Accountants. |
| Secondary Objective 3: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of Professional Accountants. |
| Secondary Objective 4: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of other tax practitioners. |

## 1.6 RESEARCH QUESTIONS

Based on the research objectives, the research purpose was to explore the factors or issues creating or contributing to the expectation gap between taxpayers and their tax practitioners in the South African context, as perceived by taxpayers, and different groups of tax practitioners.

The research question was divided further into the following sub-questions:

- Which factors contribute to the expectation gap between taxpayers and their tax practitioners as perceived by the following different groups:
  - taxpayers;
  - Chartered Accountants;
  - Professional Accountants; and
  - other tax practitioners in the South African tax environment?
- How do the factors identified by the different groups relate to one another?

## 1.7 IMPORTANCE AND BENEFITS OF THE STUDY

From an academic perspective, this study contributes to the existing knowledge on the taxpayer/tax practitioner relationship in South Africa, where very little prior research has thus far been conducted and published on the interaction between tax practitioners and taxpayers. However, this relationship has become increasingly important, due to the complexity of the country's tax legislation

(Naidoo, 2005:13) and the significant increase in the use of the professional services of tax practitioners. To date, no other formal studies on the expectation gap in the South African tax milieu have been published.

Therefore, the contribution of this study lies in developing an in-depth understanding of the expectation gap between taxpayers and their tax practitioners in the South African context to lay a foundation for future research and possible interventions, for example, the development of an instrument to assist role players to focus their attention on the most important aspects contributing to the expectation gap between taxpayers and tax practitioners.

In future, the understanding gained from this study may be used to develop an instrument that can be used to measure the different determinants of the expectation gap.

This information may be used to introduce different interventions, for example, providing vital information for academics on how to teach and train students as future tax practitioners in order to manage the expectation gap, and it may suggest interventions required by the professional bodies and SARS in order to address the issues.

From a practical perspective, tax practitioners can use the results of the study to manage the relationship between themselves and their taxpaying clients, in order to minimise the expectation gap between them.

The aim of the *Draft Regulation of Tax Practitioners Bill* is to improve the ethical behaviour of tax practitioners. Its implementation will regulate the activities of tax practitioners, which should lead to improved service delivery and improved standards in the tax profession (SARS, 2008b). A tax practitioner is appointed by a taxpayer, and as a result, an interdependent relationship is formed between these two parties on the basis of a contract or mandate – in short, a legal relationship founded in contract, which may include agency. In view of the proposed regulation of tax practitioners, this study could also be used to inform tax practitioners' advocacy, and should therefore aid in increasing client retention and satisfaction as part of tax practitioners' business strategy.

The selection criteria that taxpayers use when they appoint tax practitioners have also not received much attention in the past. This study may thus assist taxpayers to manage their risk when they appoint tax practitioners to handle their tax affairs, and the expectation gap between them and their tax practitioners.

The findings of this study could also be considered by SARS in determining whether its strategy with regard to the proposed regulation of tax practitioners is adequate to fulfil its goals in improving service delivery and improving standards in the tax profession.

## 1.8 SCOPE OF THE STUDY

This research was an exploratory study concerned with an in-depth understanding of factors or issues that create or influence the expectation gap between taxpayers and tax practitioners in the South African tax environment. An understanding of the factors as perceived by the taxpayers and different tax practitioner groups was investigated, using qualitative methodologies. The magnitude of these factors and in what way these factors or issues influence the mentioned expectation gap, fall outside the scope of the current study; therefore a quantitative analysis of perceptions was not undertaken.

## 1.9 DELIMITATIONS

The following delimitations apply to this exploratory study:

- The target population of taxpayers and tax practitioners consisted mainly of participants from the Gauteng Province of South Africa. The Gauteng province was chosen for logistical reasons and the convenience of the participants of the study.
- Variables such as the preferences of different South African population groups, past experiences with tax practitioners, SARS audits and/or tax penalties may have had an impact on taxpayers' expectations of tax practitioners. However, these aspects were not included in this study.

## 1.10 PLAN OF ENQUIRY

In this section, the research paradigm and design used to achieve the overall research objective of gaining an understanding of the expectation gap between taxpayers and their tax practitioners in the South African environment are briefly discussed. Chapter 4 provides more detail on the research design and methods.

### 1.10.1 Research paradigm

In this study, constructivism was adopted as the central research paradigm. With this paradigmatic orientation in mind, the primary objective of the current research was to represent the meaning of a phenomenon (the expectation gap between taxpayers and tax practitioners) in terms of its elements and the relationships present (subjective perceptions by different participants in distinct homogeneous groups), as recommended by Northcut and McCoy (2004:18).

### 1.10.2 Research design

In this study, a qualitative approach was adopted. More specifically, the research strategy followed is phenomenology, which aims to describe what concepts and structures of experience give form and meaning to people's life world[2] (Schurink, Crafford & Schurink, 2011:21; Welman, Kruger & Mitchell 2005:191). Creswell (2009:11) suggests that a phenomenological research strategy is a strategy of inquiry through which a researcher can ascertain the crux of human experiences about a phenomenon (in this case, the expectation gap between taxpayers and their tax practitioners in South Africa), as depicted by participants (in this case, taxpayers and separate groups of tax practitioners).

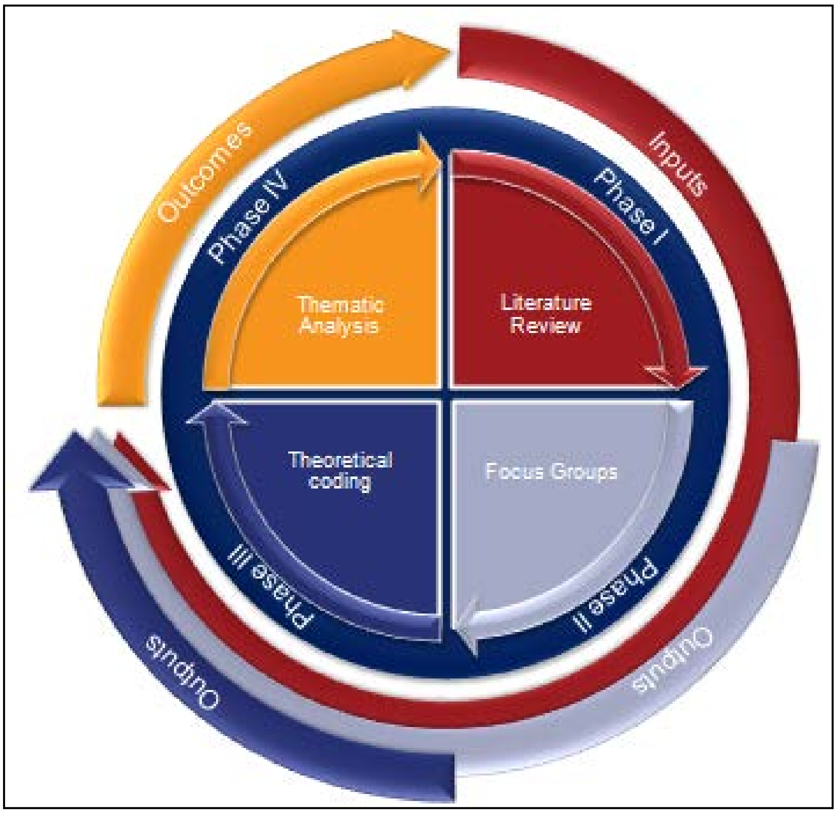
[2] Life world is described as the "the world as lived by a person and not some entity separate from or independent of him or her" (Welman *et al*., 2005:191).

### 1.10.3 Data collection procedures

After considering the research paradigm, and consequently the research design, the following research methods were applied in four phases in order to address the main research questions set out in Section 1.6 (above). Figure 2 (below) depicts a model representing the four phases of this study, namely the explanation phase, the phase of qualitative data collection through focus groups, the theoretical coding phase and, finally, the thematic analysis phase.

The model in Figure 2 shows the inputs, outputs and outcomes of the current research. The inputs refer to those elements of the research that informed the main outcome, namely an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa. In the process of considering inputs, a number of additional outputs are achieved. These include the creation of affinities by different stakeholders in the South African context and the analysis of these affinities. The arrows in the quarters indicate the flow of events in this study and how each element informs the next. These four phases are briefly discussed after Figure 2.

**Figure 2: Model of the phases of the study**



- *Phase One: Literature review phase*

  This phase took the form of a conceptual systematic analysis in order to provide conceptual clarity. The objectives of this analysis were to clarify conceptual categories, explicate theoretical linkages and reveal the conceptual implications of various opinions, as recommended by Mouton (2001:175). This literature review aimed to provide a backdrop to the expectation gap between taxpayers and tax practitioners regarding tax services that led to the need for the current research.

- *Phase Two: Qualitative data collection phase: Focus groups*

  This phase of the research consisted of qualitative research. The formal research process of the Interactive Qualitative Analysis (IQA) described in detail by Northcutt and McCoy (2004:83) was followed in order to identify factors that relate to the expectation gap. The data were collected amongst four different focus groups, namely taxpayers as one focus group, and three separate focus groups of different tax practitioners. The IQA's protocol for designing and conducting focus groups was followed in facilitating these four groups. Each focus group initially held a brainstorming session with the aim of generating data on each group's perceptions. In these sessions, a number of themes, called affinities, emerged. An affinity can be described as a single perception of influences on the expectation gap between taxpayers and their tax practitioners, as described and defined by that particular specific focus group.

- *Phase Three: Qualitative data collection phase: Theoretical coding*

  This phase of the research also consisted of qualitative research and continued the formal research process of the IQA created by Northcutt and McCoy (2004:83).

  After generating the affinities that each focus group perceived to be factors relating to the expectation gap between taxpayers and tax practitioners, the cause-and-effect relationships (influences) amongst all the affinities for each group were determined using theoretical coding. Each group was subsequently asked to indicate the nature of the relationships, if any, amongst the different affinities the group identified. This was done by completing an Affinity Relationship Table (ART). Such a table describes the perceived relationships for the specific focus group. In order to document and determine the degree of consensus in each focus group, the Pareto Protocol was used as an analytical method. The result of the theoretical coding was the construction of an Interrelationship Diagram (IRD) for each of the individual focus groups. This diagram represents a matrix for the relationships amongst the different affinities for each of the four focus groups.

Finally, for this phase, a Systems Influence Diagram (SID) was generated for each focus group. This SID presents the entire system of influences and outcomes on the perceptions of each focus group on this phenomenon, the expectation gap between taxpayers and tax practitioners in South Africa.

- *Phase Four: Qualitative data collection phase: Thematic analysis*

  In order to achieve the primary objective, a thematic analysis was conducted on all the different affinities generated by the four focus groups. The aim of this thematic analysis was to generate overall themes that may determine the expectation gap between taxpayers and their tax practitioners in South Africa in order to provide a conceptual framework of this phenomenon.

## 1.11 PERSONAL ROLE OF THE RESEARCHER

The researcher started the study with the literature review reported in the study. His role in the qualitative phase of the study began with the first written invitation to participants to participate in one of the focus groups in the second phase of the research. The researcher’s role was reinforced when he acted as an observer in the various focus groups and subsequently in various electronic communications during the unfolding of the IQA process. It is important to remember that the sole purpose of the researcher’s interaction with participants was the collection of data in this qualitative process. After the data collection activities were concluded, the role of the researcher became that of an analyst, interpreter and integrator.

## 1.12 TRUSTWORTHINESS OF THE RESEARCH

Broadly speaking, the trustworthiness of qualitative research depends on the following criteria: credibility, transferability, dependability and confirmability (Lincoln & Guba, 1985:301-331). These criteria are dealt with in more detail in Chapter 4. In the current research, the IQA research method that was adopted emphasises that the data collection and analysis have to be public, as well as non-idiosyncratic. Furthermore, it should be, within reasonable limits, replicable, and it should not depend on the nature of the elements themselves (Northcutt & McCoy, 2004:38). In the IQA research process, the data collection and data analysis are performed as part of the same process and are conducted by the participants themselves. From a trustworthiness perspective, this provides assurance that the data generated are the authentic voice of the focus group displayed.

## 1.13 ETHICAL CONSIDERATIONS

Table 2 (below) outlines the ethical requirements that the researcher considered and adhered to in this study, as set out by Creswell (2009:63-67), Henning, Van Rensburg and Smit (2004:7) and Ritchie and Lewis (2003:66-71). These requirements are discussed in more detail in Chapter 4.

**Table 2: Ethical requirements**

| Ethical requirements | Method to adhere to ethical consideration |
|---|---|
| Informed consent | The objectives of the current research, together with the procedures in which the participants would participate, were provided to all participants. |
| Voluntary participation and withdrawal | Participants were informed that participation was voluntary and that they had the right to withdraw from participating in the research process at any stage if they wished to do so. |
| Anonymity and confidentiality | Participants were informed that partial anonymity would be maintained in the research. Because of the data collection method applied (focus groups), full anonymity could not be guaranteed. Participants were, however, assured of anonymity in the final report and publication of results. |
| Ethical approval from the University of Pretoria | The research topic of the current research was approved by the Faculty of Economic and Business Sciences' Postgraduate Research Committee. This faculty's Ethics Committee provided ethical clearance which ensured that the researcher did not coerce participants into participating in the current research. |

## 1.14 DEFINITION OF KEY TERMS

Underlying concepts important for this study are defined in this section.

### 1.14.1 Expectation gap

The "expectation gap", also referred to as the "customer gap", is a concept that originated in the marketing environment, where it refers to the difference between clients' expectations and professionals' perceptions of those expectations regarding a specific service (in this particular study, a tax service), and *vice versa* (Stephenson, 2006:1; Wilson *et al*., 2012:94).

### 1.14.2 Expectations

According to Wilson *et al*. (2012:105), expectations can be seen as that which taxpayers believe should or will happen when they receive a tax service. It is what taxpayers want or aspire to regarding tax services provided to them, with specific reference to a service's attributes and quality (Lamb *et al.,* 2010:5).

### 1.14.3 Perceptions

The *South African Concise Oxford Dictionary* (2005:864) defines perception as "the ability to see, hear, or become aware of something through the senses" or as "a way of regarding, understanding or interpreting something". Lumsden and Lumsden (2000:382) explain perception to be "[t]he process by which people sense, select and interpret stimuli". Perceptions, therefore, affect our cognisance of our surroundings and depend largely on the impressions that objects or conditions leave on the different senses. Therefore perceptions represent the way things look, sound, feel, taste or smell, as experienced by an individual (Allport, 1955:14).

The main implied components of this definition are therefore the five senses and their uses. The senses, an individual's beliefs and other factors in a situation influence an individual's perception. Furthermore, Lumsden and Lumsden (2000:93) believe that perception is subjective, because an individual's perception is a selective process and is influenced by that individual's background, and thus perceptions tend to magnify misconceptions regarding others.

According to Robbins (2001:122-124), perception stems from different sources such as the perceiver, the target and the situation, as set out in Table 3.

**Table 3: Sources of perception**

| Source | Description |
|---|---|
| **The perceiver** | The individual that perceives a situation or item is influenced by his or her unique characteristics in the interpretation of the situation or item. These unique characteristics may include expectations, experiences and attitudes. |
| **The target** | The target of perception is the thing that the perceiver interprets. The qualities and characteristics of the target influence how and what is perceived during the interpretation. Additional influences to target perceptions can be considered, such as separation from background, physical or time proximity and similarity – perceiving events, situations or objects that are the same together, and interpreting them as similar, with similar perceptions levied on them. |
| **The situation** | The circumstances and setting in which an event or object is inspected and the resultant interpretation thereof influences perspective and perceptions (e.g. a work environment versus a social environment). |

Source: Adapted from Robbins (2001:122-124)

It is thus clear that perceptions depend on many factors, and that perceptions are essentially not real, but reflect a state of mind. An individual's view and expectations with regard to a specific service therefore influence the person's perception of that particular service. Taxpayers and tax practitioners tend to have specific perceptions regarding a particular tax service they expect to receive or provide, versus the actual tax service that has been received or provided. Taxpayers and tax practitioners therefore have a subjective view of the perceived tax service, and employment of cognitive judgement is defined by the difference in performance delivered and expectations, judged according to the different satisfaction levels.

### 1.14.4 Tax service

Although Wilson *et al*. (2012:15) indicate that the difference between goods and services are not always clear, they classify services into four unique and generally accepted characteristics, distinguishing them from goods. Services are generally

- intangible – implying that services do not necessarily have a physical manifestation and as result cannot be inventoried, easily patented or readily displayed or communicated (Boshoff, 1990; Eiglier & Langeard, 1977; Fisk, Brown & Bitner, 1993; Grönroos, 1978; Schneider & White, 2004; Upah & Fulton, 1985; Wilson *et al*., 2012:15);
- heterogeneous – meaning that no two services are exactly the same, due to the uniqueness of each individual that the service is provided for (Anthony & Govindarajan, 2000; Eiglier & Langeard, 1977; Fisk *et al*., 1993; Gaster & Squires, 2003; Haywood-Farmer, 1988; Schneider & White, 2004; Wilson *et al*., 2012:15);
- inseparable – indicating that services are marketed first, and are only subsequently simultaneously delivered and consumed (Eiglier & Langeard, 1977; Fisk *et al*., 1993; Gaster & Squires, 2003; Grönroos, 1978; Schneider & White, 2004; Wilson *et al*., 2012:15); and
- perishable – this means that, in general, a service cannot be saved and stored in inventory, it cannot be resold or returned, and it is consumed as and when the service is provided. Therefore a “defective” service encounter cannot be replaced (Fisk *et al*., 1993; Wilson *et al*., 2012:15).

Tax services display all these qualities. Although a tax service may have a physical output in the form of a completed tax return or written tax opinion, the physical service does not necessarily have a physical manifestation, and as a result cannot be inventoried, patented, displayed or communicated. These services are heterogeneous, in the sense that the interaction between the taxpayer (the user of services) and the tax practitioner (the service provider) differs for every single client and, in many instances, even for every encounter. In order to obtain relevant information to provide a tax service, an interview with the client is usually held. This interview forms part of the production/consumption of the service, as does the final debriefing meeting after the return has been completed. Tax services are also perishable, since they are only applicable for a specific period, after which they expire and cannot be returned or re-used. Furthermore, tax services are intangible. Due to this intangibility, tax practitioners make decisions that are difficult to communicate clearly to taxpayers. For example, a tax practitioner, in an ambiguous tax scenario, may make an aggressive decision; even if he or she explains it thoroughly to the taxpayer, the taxpayer may still not have the tax knowledge or understanding of tax to be able to truly assess the level of risk taken in that particular context.

A tax service can thus be defined as deeds, processes and performances tax practitioners provide to taxpayers regarding taxpayers' tax matters (Wilson *et al*., 2012:23).

### 1.14.5 Taxpayer

For purposes of this study, the definition of a taxpayer stipulated in section 151 of the *Tax Administration Act (28 of 2011)* is applicable. In terms of this Act, a taxpayer refers to any person chargeable for tax, a representative taxpayer, withholding agent, a responsible third party, or a person who is the subject of a request to provide assistance under an international agreement. The terms "taxpayer" and "client" are used interchangeably in this study.

### 1.14.6 Tax practitioner

A tax practitioner is a person, be it a lawyer, accountant or any other relevant professional, who provides sophisticated tax advice to and/or acts on behalf of a taxpayer in respect of that taxpayer's tax affairs (OECD; 2008:14). In the South African context, the definition of a tax practitioner stipulated in section 240 of the *Tax Administration Act (28 of 2011*) includes any natural person who provides taxation advice or who completes or assists any person with the finalisation of any document which should be submitted to SARS and is registered as a tax practitioner with SARS.  For the purposes of this particular study, this term is used inclusively – it includes other terms used in other studies, such as "tax professional", "tax adviser", "tax preparer", "tax consultant", "tax agent" and "tax intermediary".

### 1.14.7 Aggressive tax advice

If a tax practitioner is tax aggressive and provides aggressive tax advice, he or she is likely to take a tax position where there is a reasonable probability that the decisions based on such advice will not be upheld in a SARS audit. Such a stance is risky because of the possibility of a tax return's being subject to an audit, with possible legal implications (Hite & McGill, 1992:400). Stephenson (2006:5) indicates that being tax aggressive involves using every possible legal opportunity to minimise tax, but she also stipulates that her definition specifically excludes tax evasion or fraud. There are many tax situations in which the interpretation and presentation of facts can lead to different tax liabilities. An aggressive tax practitioner is more likely to interpret facts to the benefit of the client, so that the client incurs the minimum possible tax liability, as long as there is at least a reasonable chance of success if there were to be any litigation (OECD, 2008:87; Stephenson, 2006:5).

### 1.14.8 Conservative tax advice

If tax practitioners are tax conservative and provide such advice, they would exclude income or use deductions in determining taxable income which could easily be defended in the South African context if SARS performed an audit on the taxpayer's return (Tan, 1999:432).

### 1.14.9 Tax ambiguity

A tax situation is ambiguous if its proper tax treatment is uncertain, for example, if no clear authority exists, or there is conflicting authority on a tax issue (Schmidt, 2001:158).

### 1.14.10 Taxpayer compliance

Various definitions of taxpayer compliance have been used in tax compliance research (Devos, 2008:3). For the purposes of this study, this term means the complete, accurate and timely filing of the required tax returns, more specifically, the accurate reflection of amounts relating to the calculation of the tax liability, which is done by complying with tax legislation, and any regulations and court decisions applicable when a return is filed (Devos, 2008:3).

## 1.15 STRUCTURE OF THE THESIS

The study is structured as set out below.

### 1.15.1 Chapter 1: Introduction to the study

Chapter 1 provides the background for the study as well as the rationale for the current research. It clarifies the problem statement and objectives of the study. The importance of the study is highlighted, definitions of key terms are provided and the research design and methodology are briefly summarised. Finally, in this chapter, the study is demarcated and an outline of the chapters in the study is provided.

### 1.15.2 Chapter 2: Contextual background in understanding the expectation gap between taxpayers and tax practitioners

Chapter 2 presents a literature review in order to provide a contextual background to enhance understanding of the expectation gap between taxpayers and their tax practitioners.

### 1.15.3 Chapter 3: Compliance behaviour of taxpayers and tax practitioners

The objective of this chapter is to first provide clarity on the concept of tax compliance and subsequently explore taxpayers' tax compliance conduct, considering both economic and psychological theories, as well as the findings of previous research. Finally, this chapter also deals with factors affecting the tax compliance behaviour of tax practitioners.

### 1.15.4 Chapter 4: Research design and methodology

Chapter 4 covers the research paradigm framing the research design and methodology used in this study. It provides a rationale for the research process and strategies adopted. The data analysis process is outlined and explained. Issues relating to establishing the trustworthiness of the current research are also addressed and discussed. This chapter explains the IQA process in detail, including methodological aspects. It also explains the steps followed in the thematic analysis.

### 1.15.5 Chapter 5: Data analysis and research findings: taxpayers

In order to address Secondary Objective 1, namely “To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of South African taxpayers” (see Section 1.5), the fifth chapter presents the data analysis relating to Focus Group 1: Taxpayers, and reports on the results and findings for Focus Group 1: Taxpayers. First, the affinities generated by this group are described, followed by a description of the relationships between the affinities that were identified.

### 1.15.6 Chapter 6: Data analysis and research findings: Chartered Accountants

Chapter 6 presents the data analysis relating to the second focus group and reports on the results and findings of Focus Group 2: Chartered Accountants. The affinities generated, as well as how they may be systematically related to each other from the perspective of Chartered Accountants, are presented in this chapter.

### 1.15.7 Chapter 7: Data analysis and research findings: Professional Accountants

Chapter 7 presents the data analysis relating to Professional Accountants, and reports on the results and findings relating to Focus Group 3: Professional Accountants. The affinities that the Professional Accountants deemed to contribute to the expectation gap are set out in this chapter, after which the perceived systematic relation of these affinities is depicted.

#### 1.15.8 Chapter 8: Data analysis and research findings: other tax practitioners

Chapter 8 presents the data analysis for the remaining tax practitioners, and reports on Focus Group 4: Other Tax Practitioners. As in the previous three chapters, the affinities generated are presented and the perceived relationships between them are indicated.

#### 1.15.9 Chapter 9: Thematic analysis and interpretation of data

Chapter 9 reports on a thematic analysis based on the steps set out in the methodology provided in Chapter 4. This analysis was performed in order to identify themes that emerged from the affinities generated by the different groups, and that relate to factors that create or contribute to the expectation gap between taxpayers and their tax practitioners in the South African context, as a whole. In this chapter, the identified themes are also compared to existing research, and some conclusions are reached. Finally, the themes generated in the study as a whole are applied to develop a conceptual framework for the phenomenon under scrutiny.

#### 1.15.10 Chapter 10: Summary, discussion, limitations, recommendations and conclusion

Chapter 10 concludes the study and also reflects on the limitations and contributions of the study. A number of recommendations for future research are also provided.

## 1.16 RELATIONSHIP OF THE FOUR RESEARCH PHASES TO THE PRIMARY AND SECONDARY RESEARCH OBJECTIVES AND THE CHAPTERS OF THE STUDY

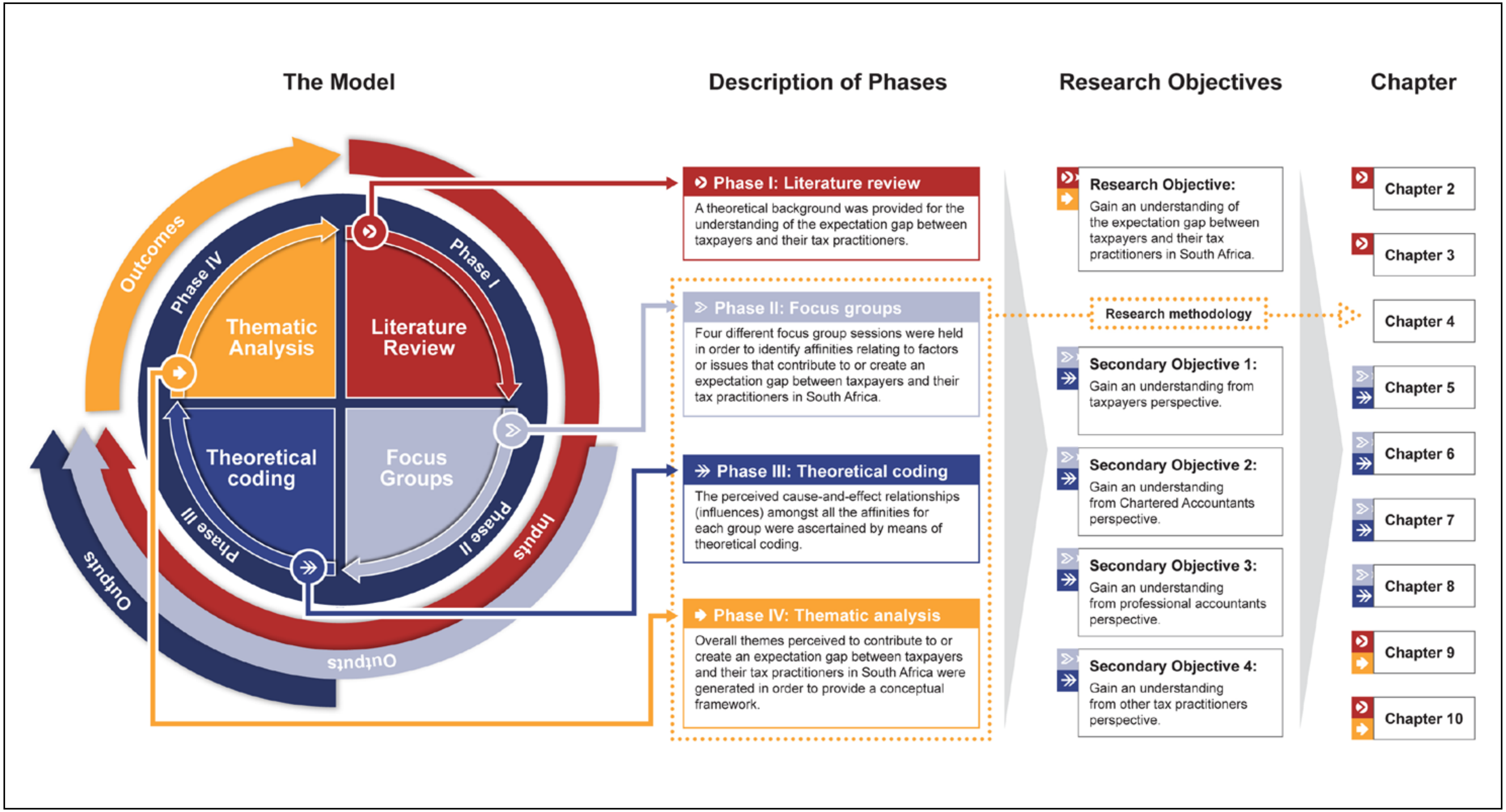
In an attempt to address the primary and secondary research objectives listed in Section 1.5, in Table 4 (overleaf) the research objectives are outlined and the table shows which phase of the study focuses on which particular primary and secondary objective and how it corresponds to the chapters of the study.

**Table 4: Phases applicable to the primary and secondary research objectives**

| Primary and Secondary Research Objectives | Phases | Chapters |
|---|---|---|
| **Primary objective:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa. | Phases I & IV | Chapters 2, 3, 9 & 10 |
| **Secondary Objective 1:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of South African taxpayers. | Phases II & III | Chapters 4 & 5 |
| **Secondary Objective 2:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of Chartered Accountants in South Africa. | Phases II & III | Chapters 4 & 6 |
| **Secondary Objective 3:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of Professional Accountants in South Africa. | Phases II & III | Chapters 4 & 7 |
| **Secondary Objective 4:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of other tax practitioners in South Africa. | Phases II & III | Chapters 4 & 8 |

Figure 3 (overleaf) depicts the relationship of the phases discussed in Section 1.10.3 to the research objectives of the study to enhance understanding of the complexity and nature of the research.

**Figure 3: The relationship between the phases model and the research objectives of this study**



# CHAPTER 2:
# CONTEXTUAL BACKGROUND IN UNDERSTANDING THE EXPECTATION GAP BETWEEN TAXPAYERS AND TAX PRACTITIONERS

## 2.1 INTRODUCTION

The primary objective of this particular study is to gain an understanding of the expectation gap between taxpayers and tax practitioners. Phase 1 of this study consists of a review of the South African tax environment, as covered in this chapter, and an in-depth coverage of theory and frameworks developed to explain the behaviour of taxpayers and tax practitioners mainly from economic and psychological perspectives. The theoretical background enables a better understanding of the reasons for the expectation gap between taxpayers and their tax practitioners. The second and third chapters form part of the systematic research process, with the aim of describing the complex context of the study – the tax environment (the focus of Chapter 2), and the theoretical perspectives and previous findings explaining the behaviour of taxpayers and tax practitioners (the focus of Chapter 3). These two chapters serve as the conceptual mirror which is used to reflect on the findings of this study, as recommended by Northcutt and McCoy (2004:309), as part of the interpretation of the results in Chapters 9 and 10.

Chapter 2 commences with a general orientation on the concept of tax. In this general orientation, the relationship between the State and the taxpayer is explained, since this relationship serves as a foundation for the relationship between taxpayers and tax practitioners. After the nature of this relationship has been explained, the role of tax practitioners and the services they provide are explored in Section 2.3. Then, Section 2.4 covers the disparity between what taxpayers expect regarding tax services and the service that is provided by tax practitioners. The disparities relating to expectations about services lead to the expectation gap between taxpayers and their tax practitioners, as explained in Section 2.5.

## 2.2 GENERAL ORIENTATION

In a modern economy, the existence and need for taxation are generally recognised as both a certainty and a necessity (Lymer & Oats, 2012:2; Muller, 2010:63). In order to enable a contextual understanding of the tax environment in which the current study was conducted, it is important to shed some light on the role players in the tax environment, and to explain the relationship between the State and taxpayers. Although this study is not, strictly speaking, about the relationship between the State and the taxpayer, it is essential to clarify this relationship, because it serves as the foundation and is also a prerequisite for the relationship between taxpayers and tax practitioners, which is the focus of interest in this study.

It is therefore important to consider the concept of tax and to evaluate different scholarly views of the relationship between the State and the taxpayer in this chapter. The State's powers and responsibilities are also addressed.

### 2.2.1 The tax concept

Given that this study was conducted in the tax environment, it is appropriate to start by asking what the concept "tax" actually refers to. *Black's Law Dictionary* (Garner, 2004:1496) defines tax as a "monetary charge imposed by the government on persons, entities, transactions, or property to yield public revenue". The OECD (2004:1) stipulates that a tax is a "compulsory unrequited payment to the government". Close scrutiny of these two definitions suggests that tax is a compulsory payment made by an entity to a government.

Muller (2010:14) suggests that presenting a thorough definition of taxation is a tall order, but proposes a definition of tax as "a monetary-based compulsory contribution payable by the public as a whole or a substantial sector thereof to a government (at a national or sub-national level)". The author argues that the primary objective of these contributions to the government revenue should be to cover government expenditure, and adds that government can also use this revenue to accomplish socio-economic and political objectives. Finally, Muller (2010:14) explains that specific legal rules govern the levying of taxes, and suggests that these legal rules should be in line with the relevant jurisdiction's constitutional law.

Thuronyi (2003:45) holds a similar opinion to that of Muller (2010:14), in that he also believes that the concept of tax is more complex than it appears to be at first glance. For example, from an economic perspective, any imposition by a government of expenditure on individual taxpayers or companies can be defined as a tax. Thuronyi (2003:45) mentions that economists often talk of inflation tax, because inflation appropriates resources to the government. From a legal perspective, though, in the case of inflation, no payment is made directly by the taxpayer to the government, and as a result it cannot be concluded that inflation is a tax. Thuronyi (2003:45) also points out that some regulatory requirements can have the same economic consequences as taxes, for example, a legal requirement imposed on an employer to provide employees with health insurance may have a similar economic effect as a tax imposed on that employer on the income which is used for the provision of health benefits to employees in terms of the abovementioned legal requirement. He argues that such a legal requirement is not deemed to be a tax, even though such a requirement, economically speaking, has the same characteristics as a tax.

After presenting the arguments cited above, Thuronyi (2003:45) provides the following definition of tax: "Tax might be defined as a required payment to government". He believes that this definition distinguishes the payment of taxes from other government action with a similar economic effect. However, he admits that this definition is simultaneously under- and over-inclusive. He suggests, for example, that some payments required by law may be paid to a government-controlled entity rather than to government itself. Conversely, not all payments required by government take the form of a tax. He also argues that the definition of tax should not include payments to the government for which a taxpayer receives something directly in return.

Steyn (2012:35) critically evaluates numerous definitions of tax, and finally proposes that "a compulsory impost is in essence a tax when its purpose is to raise 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".

Based on the definitions mentioned above and their dependency on different legal contexts, the researcher agrees with the arguments of Lutz (1936:323), Muller (2010:15), Steyn (2012:35) and Thuronyi (2003:45) that the concept of a "tax" is an abstract construct and is somewhat malleable. However, it can be deduced from all these definitions that when it comes to the payment of taxes, two parties are always involved, namely the State and a taxpayer.

### 2.2.2 Relationship between the State and the Taxpayer

#### *2.2.2.1 Introduction*

With regard to the relationship between the State and the taxpayer, Thuronyi (2003:48) mentions that the State's ability to tax has been described by the United States Supreme Court[3] as an inherent power of sovereignty: "The power ... of taxation, operates on all persons and property belonging to the body politic [and…] has its foundations in society itself." Barker (2007:1) suggests that the State's power to tax may well be the most imperative of all the State's powers, and argues that not only does the generated tax revenue make all other powers practically possible, but that tax in itself has an enormous capacity to influence the development of human activity. According to Barker (2007:1), it is a basic principle of a constitutional democracy that the State's power can only be exercised under certain conditions and with certain limitations, affirming the statutory relationship between the State and the taxpayer, in arguing that the power to tax, like other powers of the State, is restricted by constitutional and/or legal norms that define the relationship between a particular State and the citizens of that country.

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[3] *Providence Bank v. Billing*, 29 U.S. (4 Pet.) 514, 563 (1830).

Brennan and Buchanan (2006:2) also maintain that the State ultimately derives its powers, including the power to tax, from the consent of the citizens who agree to be governed, and that the structure of government is an artefact that is explicitly constructed, or may be treated as if it is explicitly constructed. Furthermore, the government is only authorised to act as an agent of coercion by its citizens. Hence, Brennan and Buchanan (2006:2) argue in a similar vein to Barker (2007:1), who points out that a government may be limited in its range of actions by a constitution that may constrain the activities of the government as a political entity. Brennan and Buchanan (2006:2) claim that the manifestation of a State's power to coerce is most familiar to an ordinary citizen in the form of the State's power to tax. They believe that this power to tax involves the power to impose – on both individuals and private institutions more generally – charges that can be met only by a transfer to the State of economic resources, or financial claims to such resources.

Thuronyi (2003:48) specifies that, based on the principle of legality, a tax must be imposed by law. He posits that constitutions usually require – often explicitly – that taxes be imposed by law. Thus, a tax cannot be imposed by a mere administrative regulation. The fields of law in a civil law system can be divided into public or private law – tax irrefutably forms part of public law (Thuronyi, 2003:60). It can therefore be concluded that the relationship between a government and taxpayers is governed by law, more specifically by public law.

*Black's Law Dictionary* (Garner, 2004:1451) does not define the term "statutory relationship", but it defines "statutory" as "1 Of or relating to legislation. 2 Legislatively created. 3 Conformable to a statute". A "statute" is defined in *Black's Law Dictionary* (Garner, 2004:1448) as "[a] law passed by a legislative body". *Black's Law Dictionary* (Garner, 2004:1314) defines a "relationship" as "the nature of the association between two or more people; esp. a legally recognised association that makes a difference in the participants' legal rights and duties of care". It can therefore be deduced that because the relationship between a government and a taxpayer is governed by legislation, a statutory relationship exists between the State and the taxpayer.

#### *2.2.2.2 The State's powers and responsibilities*

Thuronyi (2003:60) suggests that tax practitioners tend to focus only on tax legislation and may then forget that the tax law in any country is part of its overall legal, political and socio-economic system. He posits that civil law countries have a more systematic approach to law than common law countries. In common law countries, the legal norms are created and developed mainly by means of judicial precedent, which means that courts are bound by the decisions of superior courts. The source of the law is case law (Cappalli, 1998:92). In civil law countries, all law is made by the country's legislature and the courts are merely required to find the relevant rule and apply it to the facts in a given situation (Cappalli, 1998:97). South Africa has a hybrid or mixed legal system (Du Plessis, 2011:par 372; Van der Merwe, 2012:1). This means that existing case law is used to interpret statutory provisions and gives an indication of how these provisions must be applied in practice (Du Plessis, 2011:par 291).

In line with Cappalli's (1998:97) view that the source of law in common law countries is case law, according to Thuronyi (2003:62), Beltrame and Mehl (1997:487) explain that the sources of tax law are similar in all countries, but it may differ in some respects from country to country, depending primarily on the legal system in general of the country concerned, as well as on the country's tax culture. They argue that in civil law countries, the traditional sources of tax law are laws, treaties, regulations, jurisprudence and doctrine. Jurisprudence refers to judicial decisions, while doctrine refers to various writings, including those of academics, and materials issued by the tax administration – these writings and materials do not have a normative character. The same sources exist in common law countries, but with a different emphasis. Case law is also more important in common law countries. Doctrine is not acknowledged as an independent source of law in common law countries, but, in practice, courts and practitioners often rely on treatises and writings, provided that these are persuasive.

#### *2.2.2.3 The State's powers and responsibilities in South Africa*

After considering the State's powers and responsibilities in general, this section of the study looks into the State's powers in the South African context to give some insight into the statutory relationship between the government and the taxpayer.

In the South African context, on 18 December 1996, a historic day for South Africa, the Constitutional Court certified the Republic of South Africa's new Constitution, the *Constitution of the Republic of South Africa of 1996*. This 1996 *Constitution* repealed the *Interim Constitution of the Republic of South Africa* (200 of 1993) and came into effect on 4 February 1997.

With regard to tax, section 213 of the *Constitution* provides for the creation of a National Revenue Fund that is tasked with the collection of all taxes to be paid to the national government. Interestingly, the *Constitution* does not specifically confer the right to impose tax on the national sphere of government, but its provisions imply this right, especially section 77, which implies this right, because it specifies the procedure for "imposing national taxes" (Croome & Olivier, 2010:7).

The *Public Finance Management Act (1 of 1999)*, hereafter referred to as the *PFMA*, was enacted to regulate matters that were previously dealt with in terms of the *Exchequer and Audit Act (66 of 1975)*. In section 1 of the *PFMA*, a definition of a "revenue fund" is provided. This allows for the creation of the National Revenue Fund as envisaged in section 213 of the *Constitution*, as well as the Provincial Revenue Funds mentioned in section 226 of the *Constitution*. Section 228 of the *Constitution* allows a provincial legislator to impose certain taxes. Section 229 confers, guarantees, but also limits the power of municipalities to impose rates on property and surcharges on fees for services provided by a municipality. Taxes not referred to in the *Constitution* may only be imposed by municipalities if the municipalities are duly authorised to do so in terms of the *Municipal Fiscal Powers and Functions Act (12 of 2007)* (Croome & Olivier, 2010:7).

As in the *Interim Constitution*, the fundamental rights contained in Chapter 2 of the 1996 *Constitution* may only be limited as provided for by section 36. When trying to determine whether a breach of the Bill of Rights has occurred, it is necessary to refer back to Chapter 2 of the *Constitution* for a reference on these rights. As a result of these provisions, a taxpayer must weigh up the impact, if any, of the limitation of rights on the Commissioner's powers to collect tax (Croome & Olivier, 2010:8).

A statute of general application may limit the rights contained in the *Constitution* (Woolman, 1997:102). Such limitations of rights are, however, not necessarily unconditional. Therefore it needs to be determined whether a limitation or breach of a fundamental right by an organ of State is valid. If the objective of the legislature is to limit any right contained in the *Constitution*, the limitation must be equitable and justifiable.

The *Constitution* does not prohibit the introduction of legislation with the objective of regulating the conduct of tax practitioners in their dealings with SARS (this relationship is discussed in more detail in Section 2.3.6 of the current study). Croome and Olivier (2010:8) argue that such legislation is perceived to be reasonable and justifiable in a democratic society, since its aim is improving tax compliance, which is in the public interest.

Croome and Olivier (2010:9) explain that the *SARS Act,* and especially section 2 of this Act, led to the creation of SARS, which acts as an "organ of State" in the parameters of public administration as a separate establishment that falls outside the public service environment. Inland Revenue was replaced by SARS on 1 October 1997.

Section 4 of the *SARS Act* defines the objective of SARS as ensuring the efficient and effective collection of revenue in South Africa. Furthermore, it is SARS's responsibility to enforce and administer the fiscal statutes listed in Schedule 1 to the *SARS Act* (Croome & Olivier, 2010:8).

Section 195 of the *Constitution* prescribes to the Commissioner and his or her officers the core values and principles they have to adhere to when performing their duties under the *SARS Act*. However, the *Constitution* does not prescribe a remedy for the taxpayer in a case where SARS fails to comply with section 195 of the *Constitution* (Croome & Olivier, 2010:9).

According to Croome and Olivier (2010:8), the fiscal statutes[4] of the country confer certain powers on SARS in order to ensure the proper and efficient collection of taxes. These powers are exercised by SARS, through its various officers, to ensure that taxpayers comply with these statutes. The right to establish whether the application of these powers is appropriate lies with the taxpayer. A taxpayer has the right to approach a court to determine whether those powers will withstand scrutiny in terms of the Bill of Rights contained in Chapter 2 of the *Constitution*. The most important fundamental rights that taxpayers have in dealing with SARS are the right to property (section 25), equality (section 9), privacy (section 14), access to information (section 32), administrative justice (section 33) and access to courts (section 34).

Therefore the *SARS Act* merely determines the nature and entity of SARS and does not really deal with its administrative powers to collect taxes, nor the impositions of those taxes. The different fiscal statutes determine the nature and scope of taxes (as implicitly allowed by the *Constitution*) and impose these taxes. In its turn, the *Tax Administration Act (28 of 2011)*, deals extensively with the administration of taxes levied by SARS.

#### *2.2.2.4 The Tax Administration Act*

The *Tax Administration Act* deals only with the administration of tax. The purpose of this Act is to combine all the administrative provisions which are universal to all tax Acts rather than to duplicate the provisions in various Acts. Furthermore, this Act strives to eliminate any redundant provisions and, as far as possible, to harmonise the existing provisions (SARS, 2012d:2).

Where administrative provisions apply specifically to one type of tax, these provisions have remained in the individual tax Act dealing with that specific tax.

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[4] These Acts determine the nature and scope of taxes (as implicitly allowed by the Constitutions) and impose these taxes (Croome & Olivier, 2010:8). The most important (in terms of revenue ) fiscal statutes in South Africa for 2011/2012 are, for taxes on income and profits, the *Income Tax Act (58 of 1962)*, which raises 57.44% of the country's tax revenue, and for Value-Added Tax, the *Value-Added Tax Act (89 of 1991),* which raises 25.72% of tax revenue.

Because of this, certain administrative provisions will be included in that specific tax Act as well as in the Tax Administration Act. It remains the duty of the taxpayer to then comply with both provisions (SARS, 2012d:2).

It has been shown in the international arena that if taxpayers believe that a tax system is fair to all, they are more likely to comply voluntarily with the provisions of the system. Since taxpayers generally comply with provisions which are easy to understand, the *Tax Administration Act* aims to simplify provisions by ensuring they are not too technical. Ultimately, the *Tax Administration Act* aims to ensure equality of tax administration by encouraging a match between the rights and obligations of a taxpayer, and the powers and duties of SARS (SARS, 2012d:2).

The *Tax Administration Act* was developed on the assumption that most taxpayers are compliant and want a more sophisticated administration system. There is only a small minority of taxpayers who actively attempt to evade taxes and in this manner essentially defraud the government. It is envisaged that the *Tax Administration Act* will provide a structure to develop and improve tax administration in future (SARS, 2012d:2). With the implementation of the *Tax Administration Act*, those taxpayers who actively evade tax should be subject to stricter enforcement of the provisions. Conversely, most taxpayers who comply with the administrative provisions will enjoy low compliance costs and more effective service (SARS, 2012d:2).

#### *2.2.2.5 Conclusion*

In conclusion, it can be argued that tax constitutes a compulsory payment, as stipulated by law, made to a government in whichever form by the taxpayer. It can therefore be seen that in order for a tax to be levied lawfully, it must have been imposed by a government with an inherent or devolved power to raise tax. This legal obligation, inherent in the principle of sovereignty in the modern state, implies two parties: the State as creditor with the right to demand payment, and the taxpayer as debtor, with the obligation to pay the tax that is lawfully demanded.

In the South African context, it is evident that the *SARS Act*, together with the fiscal statutes and the *Tax Administration Act*, provides the requisite powers to SARS and its officers to ensure taxpayers' compliance with their legal obligations to pay the correct amount of tax on time. A statutory relationship between the State and its taxpayers is therefore a prerequisite for any tax payment.

## 2.3 THE ROLE OF TAX PRACTITIONERS IN A TAX SYSTEM

### 2.3.1 Introduction

A tax payment is a result of a statutory relationship between the State and a taxpayer, and in this relationship, legislation determines the rights and obligations of both parties. In order for taxpayers to comply with these legislative requirements, there appears to be a need for taxpayers to use tax practitioners to assist them with their tax affairs. This reliance on tax practitioners leads to the creation of another distinct relationship, namely that between the taxpayer and the tax practitioner.

The purpose of this section is:

- to provide evidence of taxpayers' use of tax practitioners;
- to describe the reasons for taxpayers using the services of tax practitioners;
- to explain the type and scope of services that tax practitioners provide to taxpayers;
- to explore the legal nature of this relationship between taxpayers and their tax practitioners; and
- to describe the regulation of tax practitioners in South Africa.

### 2.3.2 Taxpayers' reliance on tax practitioners

Taxpayers worldwide engage extensively with tax practitioners. For example, during 2002, the Australian Taxation Office indicated that 77% of the taxpaying population in that country used the services of a tax practitioner or tax agent when they submitted their tax returns (Sakurai & Braithwaite, 2001:9). A similar tendency was noted in the United States, where Klepper and Nagin (1989:168) reported that at least 44% of all tax returns completed and submitted during 1979 were prepared by tax practitioners. In 2007, it was estimated that 65% of individual taxpayers in the United States procured the services of tax practitioners to assist them with their tax affairs (Book, 2008:1). Graham (2005:1) reports that the majority of Ireland's taxpayers use tax practitioners in one way or the other. In New Zealand, in 2009, 75% of all income tax returns were filed by tax practitioners, and the number of tax practitioners increased from 4 700 practitioners representing 1.5 million taxpayers in 2005 to 5 700 practitioners representing 1.9 million taxpayers in 2009 (Tan 2010:32).

Over the last few decades in South Africa, there has also been a noticeable increase in the engagement of the services of tax practitioners. SARS shows that the ratio of taxpayers who use tax practitioners has increased from 3% in the decade from 1970 to 1979, to 68% from 2000 to date (Lubbe & Nienaber, 2012:697). According to a briefing note on the revised draft *Regulation of Tax Practitioners Bill* issued in June 2008, nearly 23 000 tax practitioners are registered with SARS (SARS, 2008b). Visser (2012:1) claims that this figure rose to 34 000 tax practitioners by the middle of 2012. According to SARS (2012e:1), it is estimated that these tax practitioners represent approximately 3 million taxpayers.

Venter and De Clercq (2007:151) have found that the majority of South African small business entities outsource their tax functions. Coolidge *et al*.'s (2009:25) research on small, medium and micro enterprises (SMMEs) reveals that tax practitioners are an important resource for SMMEs, with 57% of the participants reporting at least some sort of outsourcing of tax compliance work. Finally, Smulders *et al*. (2012:202) have shown that more than three quarters (76%) of small business taxpayer participants in their survey used the services of tax practitioners.

It is thus evident that taxpayers, both internationally and locally, tend to rely increasingly on tax practitioners and to entrust them with some or all of their tax affairs.

### 2.3.3 Reasons for taxpayers to use the services of tax practitioners

A broad range of business professionals offer tax advice to taxpayers. Tax practitioners range from people who specialise only in tax, to accountants, lawyers, and auditors. Tax, which is still seen by some as a secondary segment of the accounting field, has evolved in complexity and significance. It is therefore currently a highly specialised discipline in itself (Doyle, Frecknall-Hughes & Summers, 2009:391).

As far back as the 1980s, Aitken and Bonneville (1980:22) reported in the United States that the profile of taxpayers who used tax practitioners tended to be self-employed, older, female, with less education, filing more complex and unfamiliar forms, and with under $8 000 or over $50 000 in income per year. Respondents who had reached the age of 40, together with those who had a graduate education, were more likely to turn to an accountant or lawyer, while those under the age of 21 were more likely to consult with a friend or a family member. Aitken and Bonneville (1980:24) indicated that the disparity between the taxpayers' responses was foreseeable. Entrepreneurial taxpayers and those who filed more complex tax returns were motivated by the complexity of the forms. By contrast, individual taxpayers earning a higher income were more likely than those in lower income brackets to argue that they have no time to complete the forms. People with a lower income were more likely than those with a higher income to worry about making a mistake.

Roth, Scholz and Witte (1989:174) believe that the multitude of types of taxpayers who employ tax practitioners results in a broad mixture of motives for consulting a tax practitioner. Various researchers looked into the reasons why taxpayers use the services of tax practitioners.

According to Roth *et al.* (1989:174), early research performed by Citicorp (1977) on reasons why taxpayers use tax practitioners, found that 53% of participants believed that tax returns were too complicated to complete themselves, whereas 15% believed that they did not have enough time to complete the returns. A small percentage of taxpayers (5%) were hoping to pay less tax.

Apart from the taxpayers who were hoping to pay less tax, the responses of a study conducted by Aitken and Bonneville (1980:24) were similar to the Citicorp (1977) findings. In Aitken and Bonneville's study, to the question of why taxpayers used tax practitioners, 35% responded that the required forms were too complex, while another 14% were tired of making mistakes. Only 10% responded that they trusted that it would lead to paying less tax, while another 9% acknowledged that they did not have enough time to complete the forms themselves.

In research conducted by Collins, Milliron and Toy (1990:15,18), a majority of 70% of the participants confirmed that they favoured accuracy, while only 25% favoured tax minimisation. These views suggest that taxpayers prefer conservative advice. The fact that taxpayers prefer accuracy and conservative advice is also indicated in studies by Tan (1999:445) and Hite and McGill (1992:398).

Hite, Stock and Cloyd (1992:21), in another study, looked into why, in the American context, small business taxpayers make use of tax practitioners to complete tax returns. The most important reason their respondents gave for using tax practitioners was a desire to decrease the risk of potential tax penalties in filing accurate tax returns.

Boccabella (1993:391) identified a wide range of additional broad tasks that tax practitioners may currently be required to perform. These include representing and negotiating on behalf of taxpayers in proceedings with both revenue authorities and policy-makers.

Sakurai and Braithwaite (2001:1, 20) indicated in a study on Australian citizens that one of the most important roles that tax practitioners can fulfil on behalf of taxpayers is to provide assurance that taxpayers' tax affairs are under control and that these matters are dealt with in a lawful manner. They have shown that taxpayers obtain professional tax advice to decrease perceptions of complexity and legal uncertainty surrounding taxation, to save time and to explore "grey areas" in legislation which may result in lower tax liabilities. It appears that many taxpayers believe that they are competent enough to file an accurate tax return by themselves. However, Sakurai and Braithwaite's (2001:11-12) established that only 12% of the participants believed they were competent to complete their own tax returns without some sort of assistance by a tax practitioner, and that 36% of their respondents believed that they were incompetent to complete their tax returns by themselves.

Killian and Doyle (2004:160) also argue that the increased use of tax practitioners results from the increasing complexity of tax legislation.

Tan (2006:15) reports that taxpayers use tax practitioners for a multitude of reasons, including assisting in tax return preparation and submission, resolving ambiguous tax matters, minimising a client's overall tax liability, and legal representation in litigation with the revenue authorities.

Venter and De Clercq (2007:146) found that small businesses in South Africa ascribed their need to outsource their tax responsibilities to their lack of skilled tax personnel, as well as a lack of the time required to manage tax functions. Compared to the two preceding reasons, a saving of costs was not regarded as a significant motivation for outsourcing tax responsibilities.

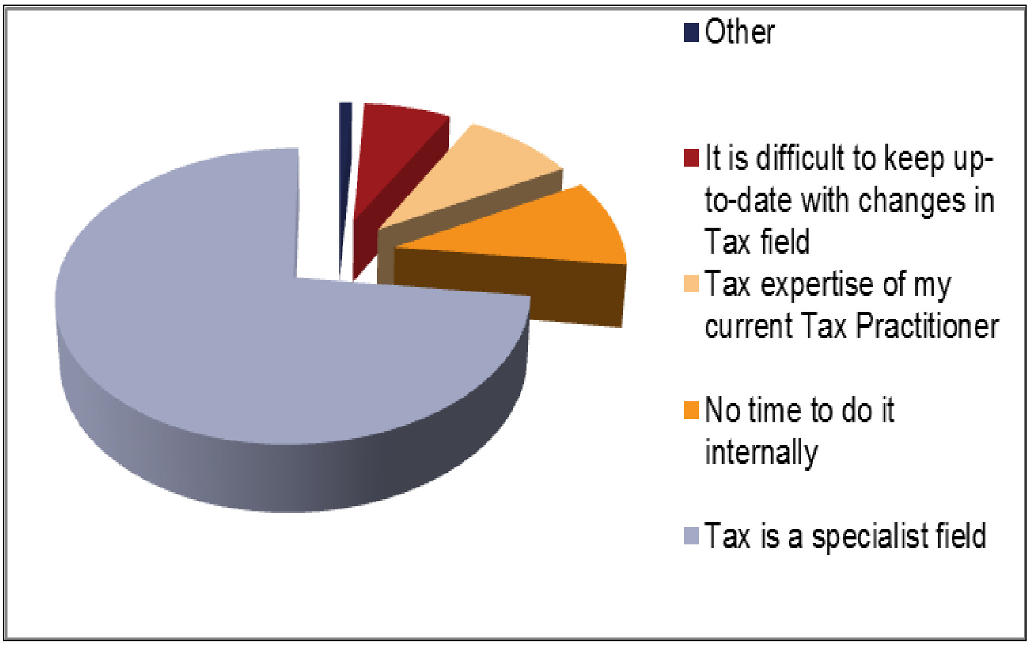
Book (2008:10) claims that taxpayers engage with tax practitioners because they lack the time to prepare a return on their own or they fear an audit on their return by the revenue authorities.

Doyle *et al.* (2009:391) are of the opinion that dependence on tax practitioners has increased as a result of a combination of self-assessment systems, complex tax legislation, increased punishments implemented for non-compliance with tax regulations and complicated cross-border activities with international tax consequences.

In a report prepared for the World Bank, Coolidge *et al*. (2009:13) indicated that the cost of the services provided by tax practitioners is not the main reason for avoiding using a tax practitioner. Figures 4 and 5 show that only 10% of taxpayers claimed that the cost of tax practitioners was a reason not to use these practitioners, while 80% were of the opinion that their in-house tax knowledge was sufficient for them not to need the services of a tax practitioner.

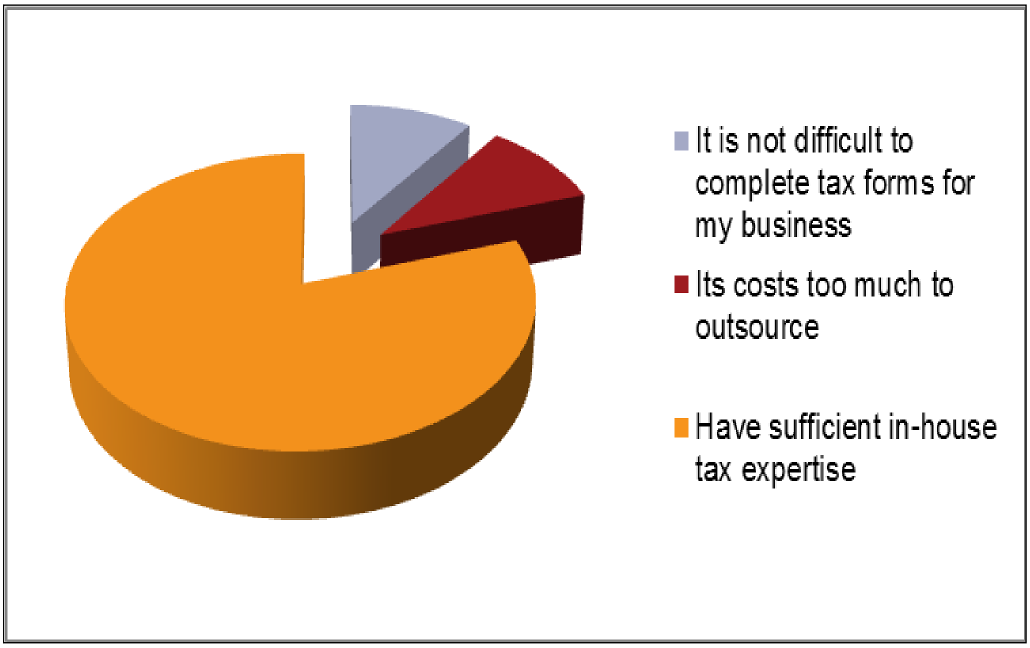
In Coolidge *et al.*'s study, 78% of the participants who outsourced their tax function argued that they did so because "tax is a specialist field".

**Figure 4: Reasons for deciding to outsource**




Source: Coolidge *et al.* (2009:13)

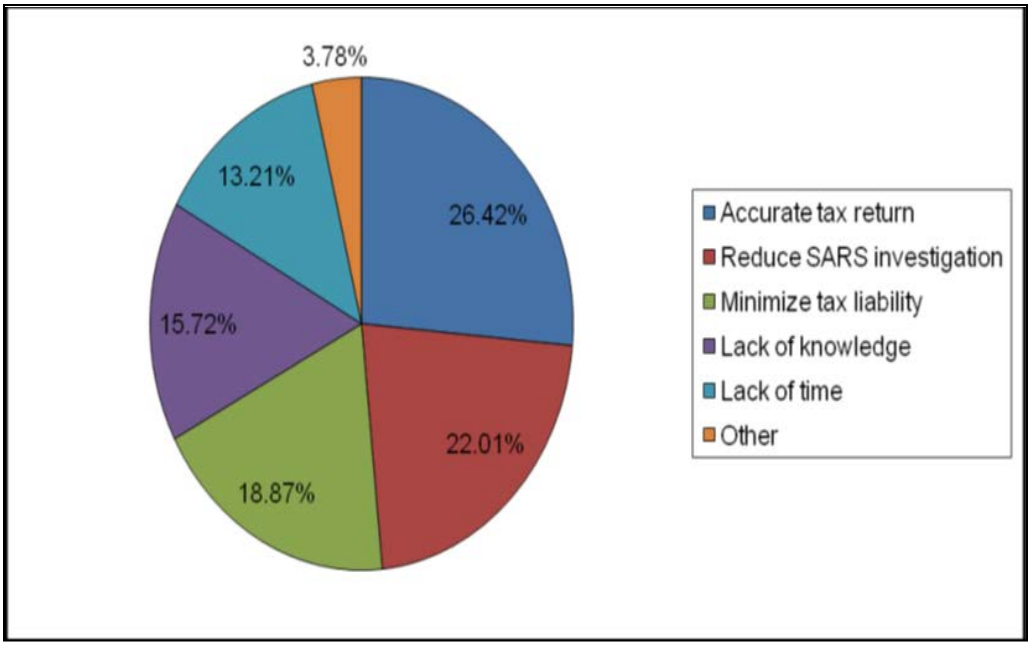
**Figure 5: Reasons for deciding not to outsource**




Source: Coolidge *et al.* (2009:13)

Lubbe and Nienaber's (2012:705) South African study provided the reasons set out in Figure 6 to explain why taxpayers engage with tax practitioners.

**Figure 6: Reasons for engaging with a tax practitioner**




Source: Lubbe and Nienaber (2012:705)

It is evident from the data in Figure 6 that the most important motive for taxpayers (26.42%) to engage with a tax practitioner is to file an accurate tax return. This finding is in line with the results of prior studies by Tan (1999:445) and Collins *et al.* (1990:15). The second main reason was to reduce the risk of being investigated by SARS (22.01%). These two main reasons may be regarded as indicative of a preference for conservative advice. The third main reason was to limit tax liability to a minimum (18.87%), which is indicative of a preference for more aggressive advice.

It is thus evident that taxpayers use tax practitioners' services for various reasons, one of which is tax practitioners' tax-related knowledge, which can assist taxpayers in completing accurate returns and with other tax-related services in line with complex tax legislation. The outsourcing of tax-related tasks also allows knowledgeable tax practitioners to handle complex tax compliance responsibilities. Table 5 sets out a synthesis of the prior research findings on all the reasons why taxpayers use the services of tax practitioners.

**Table 5: Reasons for using tax practitioners**

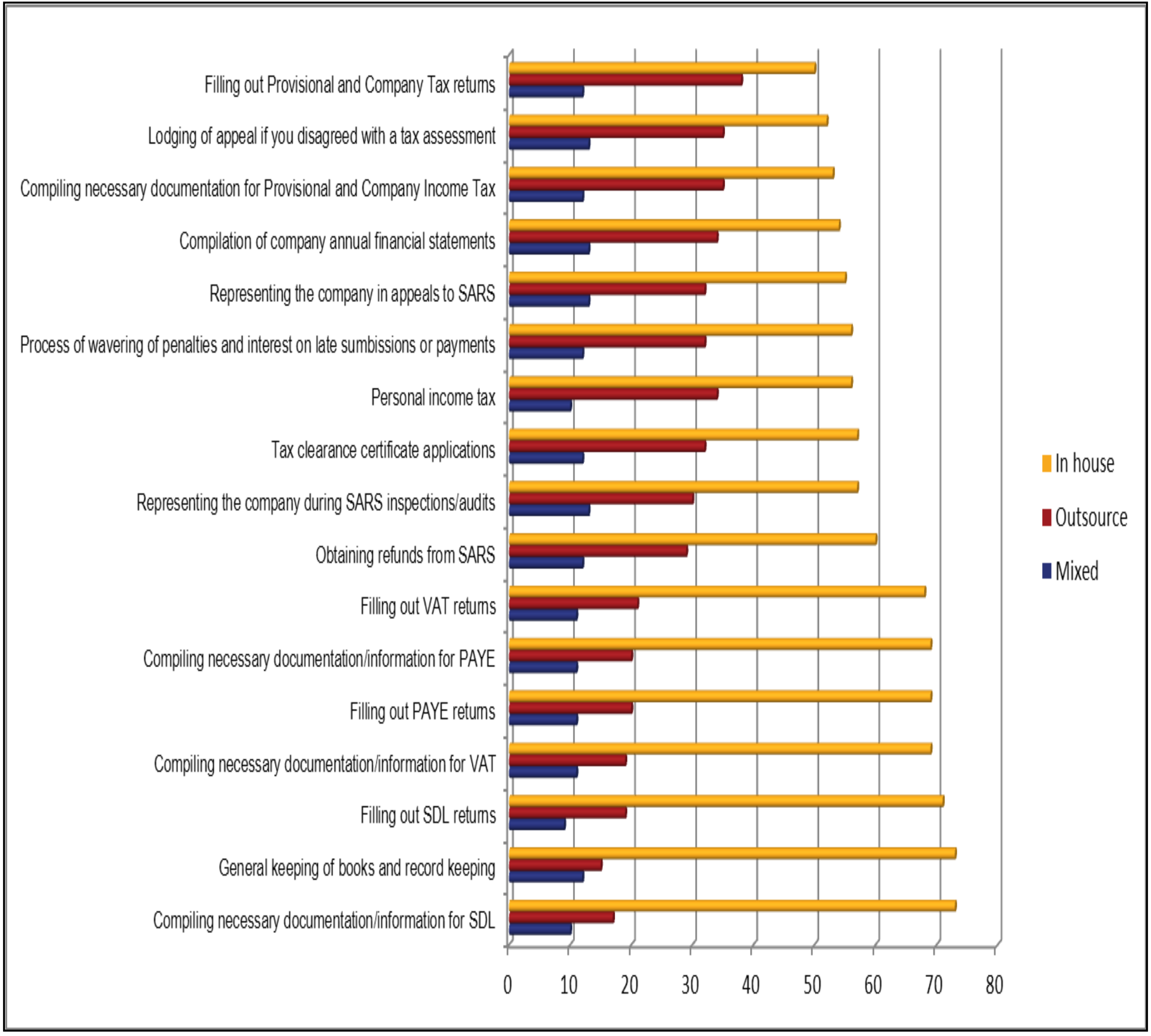
| Reason | Literature |
|---|---|
| Taxpayers want assurance that their tax affairs are under control, and are dealt with in a lawful manner in order for an accurate tax return to be filed. | Collins *et al.*, 1990:18<br>Hite and McGill, 1992:398<br>Hite *et al.*, 1992:21<br>Lubbe and Nienaber, 2012:705<br>Sakurai and Braithwaite, 2001:20<br>Tan, 1999:445; Tan, 2006:15 |
| The increasing complexity of tax legislation results in taxpayers wanting to obtain professional tax advice to decrease legal uncertainty surrounding taxation. | Doyle *et al.*, 2009:391<br>Killian and Doyle, 2004:160<br>Sakurai and Braithwaite, 2001:1 |
| Taxpayers outsource because they lack the time required to manage tax functions. | Aitken and Bonneville, 1980:24<br>Book, 2008:10<br>Citicorp, 1977<br>Coolidge *et al.*, 2009:13<br>Lubbe and Nienaber, 2012:705<br>Sakurai and Braithwaite, 2001:1<br>Venter and De Clercq, 2007:146 |
| Taxpayers want the practitioners to explore “grey areas” in legislation which may result in a lower tax liability. | Sakurai and Braithwaite, 2001:1 |
| There has been an increase in self-assessment systems. | Doyle *et al.*, 2009:391 |
| Taxpayers want to decrease the risk of tax penalties/punishment. | Doyle *et al.*, 2009:391<br>Hite *et al.*, 1992:21<br>Tan, 1999:445 |
| There has been an increase in complicated cross-border activities with international tax consequences. | Doyle *et al.*, 2009:391 |
| Taxpayers hope that tax practitioners can minimize the taxpayers’ tax liability. | Aitken and Bonneville, 1980:24<br>Citicorp, 1977<br>Collins *et al.,* 1990:18<br>Lubbe and Nienaber, 2012:705<br>Tan, 2006:15 |
| The required forms are too complex. | Aitken and Bonneville, 1980:24<br>Citicorp, 1977 |
| Taxpayers want to file an accurate tax return. | Collins *et al.,* 1990:18<br>Hite *et al.*, 1992:21<br>Hite and McGill, 1992:398<br>Lubbe and Nienaber, 2012:705<br>Sakurai and Braithwaite, 2001:20<br>Tan, 1999:445; Tan, 2006:15 |
| Taxpayers prefer conservative tax advice. | Hite and McGill, 1992:398<br>Collins *et al.,* 1990:15<br>Tan, 1999:445 |
| Taxpayers believe that neither they nor their personnel are competent to complete tax returns themselves, since they feel that tax is a | Aitken and Bonneville, 1980:24<br>Coolidge *et al.*, 2009:25<br>Lubbe and Nienaber, 2012:705 |

| Reason | Literature |
|---|---|
| specialist field. | Sakurai and Braithwaite, 2001:11-12<br>Venter and De Clercq, 2007:146 |
| Taxpayers want tax practitioners to represent them and negotiate on their behalf in proceedings with both revenue authorities and policy-makers. | Boccabella, 1993:391<br>Tan, 2006:15 |
| Taxpayers want tax practitioners to resolve ambiguous tax matters. | Tan, 2006:15 |
| Taxpayers fear an audit/SARS investigation if taxpayers file returns on their own. | Book, 2008:10<br>Lubbe and Nienaber, 2012:705 |
| It is difficult to keep up to date with changes in the tax field. | Coolidge *et al*., 2009:25 |

Apart from these studies that focused on the reasons why taxpayers engage with tax practitioners. Coolidge *et al*. (2009), in addition, specifically address the types of tax functions that taxpayers usually outsource to tax practitioners. According to Coolidge *et al.* (2009:14), the occurrence of the outsourcing of tax compliance work to outside proficiency varies considerably, depending on the type of tax compliance activity. Figure 7 indicates that the lowest occurrence of outsourcing is for general accounting purposes, and the preparation and submission of Skills Development (SDL), Pay As You Earn (PAYE) and Value-Added Tax (VAT) returns. These are more recurrent tasks that occur regularly during a tax year and, as a result, these returns are completed habitually and are learned thoroughly by the employees of reporting businesses. The study reveals that outsourcing mainly occurs in scenarios that involve less frequent and more complex tax compliance responsibilities, for example, preparing, completing and submitting provisional and income tax returns, preparing and lodging appeals and preparing annual statements (Coolidge *et al.,* 2009:14).

Interestingly, Coolidge *et al*. (2009:14) report that full outsourcing of specific tax compliance tasks fluctuates greatly among various types of tax compliance-related activities (15% of respondents fully outsource general record-keeping, while 38% outsource the completion of provisional company tax returns). By contrast, partial outsourcing of specific tax compliance tasks remains practically the same (it fluctuates from 9% to 13% of activities). The incidence of outsourcing is depicted in Figure 7 (overleaf).

**Figure 7: Incidence of outsourcing**




Source: Coolidge *et al*. (2009:14)

The only significant finding on partial outsourcing in Coolidge *et al*.'s study was that partial outsourcing is considerably more common among companies experiencing some kind of tax predicament, such as disagreement with a SARS assessment, inspections, queries or penalties and interest as a result of late payments (Coolidge *et al.*, 2009:25).

Among the firms that do not outsource, there were only 10% who said that the reason was that "it costs too much to outsource". These responses represented the lower turnover bands, which included 24% of entities with a turnover of less than R300 000 per year (Coolidge *et al.*, 2009:25).

Coolidge *et al.* (2009:25), furthermore, looked at SMMEs by size. They reported that the outsourcing index is highest for firms with the lowest turnover, and it falls steadily as turnover increases. The pattern was even more pronounced when they gauged firm size by the number of employees.

The study also revealed that for any individual activity, only a small minority (9% to 13%) of SMMEs reported "partial outsourcing" (a mix of in-house tax-related activities and outsourcing). A more in-depth scrutiny of SMMEs that "partially outsource" some or all of their tax work (those who report some outsourcing and some in-house work for their accounting and/or tax compliance tasks) indicates that this approach to tax compliance is also widespread in South Africa (46% of all SMMEs, the largest single category, adopt this approach), but this approach is also regarded as the most expensive option (Coolidge *et al*., 2009:26).

Furthermore, a comparison between "full outsourcing" and "partial outsourcing" entities revealed that full outsourcing would be much more cost effective for the taxpayer. A sensitivity analysis on the costs of in-house tax compliance work shows that the signs of the coefficients are robust (Coolidge *et al.*, 2009:26).

The data reported by Coolidge *et al.* (2009:26) suggest that "partial outsourcing" often involves a substantial amount of duplicated work. Numerous tax practitioners have indicated that in many instances where SMME taxpayers provide them with draft financial records and tax documents, the practitioners have to verify the quality of the work done by the taxpayers before the tax returns can be finalized. Due to taxpayers' lack of knowledge, in these instances, tax practitioners regularly have to go back and rectify errors, resulting in the duplication of tasks.

Conversely, it is also probable that partial outsourcing may appear more expensive than in-house tax compliance work "after the fact" if entities resort to tax practitioners only after they have started to encounter tax problems. As mentioned earlier in this section, post-filing tasks are more prone to be outsourced than simple and routine tax returns. In general, the incidence of post-filing issues is positively associated with outsourcing (Coolidge *et al.*, 2009:27).

An alternative probable understanding of the positive relationship between outsourcing and post-filing issues, however, is that there may be a number of poorly-qualified tax practitioners that serve SMMEs, including tax practitioners who may have been certified in the past, but who fail to keep up with changing tax laws, regulations and interpretations (Coolidge *et al.*, 2009:27).

### 2.3.4 Services provided by tax practitioners

One of the most important and least understood influences on taxpayers' schemata and compliance behaviour is the community of tax practitioners. Unlike members of most other social networks that contribute to the context of taxpaying, tax practitioners are sought out by taxpayers specifically to discuss tax matters. In addition, they frequently affect the actual risks and rewards of compliance, transmit values, and affect the costs of compliance. They therefore affect people's tax schemata by interpreting compliance requirements and proffering judgements about the consequences of various actions (Roth *et al.,* 1989:171).

Before the influence of tax practitioners on tax compliance can be established, it would be helpful to determine the particular services that tax practitioners provide. According to Roth *et al.* (1989:171), these tax services can be divided into the following:

- *Return preparation*

  In preparing returns, a tax practitioner is required to gather all the relevant data from taxpayers in order to prepare the necessary tax returns, together with all other required accompanying documents (Roth *et al.*, 1989:172).

- *Providing tax advice*

  In providing tax advice to taxpayers, tax practitioners use their tax and accounting expertise regarding regulations to counsel taxpayer-clients on beneficial, but legal, interpretations of those regulations (Roth *et al.*, 1989:172).

- *Providing risk advice*

  The third function of a tax practitioner is the provision of risk advice. This function emphasises the knowledge that a tax practitioner has on the tax authority's administrative practices, detection probabilities and sanctioning practices rather than his or her knowledge of tax regulations (Roth *et al.*, 1989:172).

A particular tax practitioner may provide only one of these services, or may provide all or a combination of these services to a taxpayer. Every one of these services has potentially diverse consequences for taxpayer compliance.

Boccabella (1993:392) believes that a tax practitioner's function initially corresponded with that of an accountant, whose main focus was tax compliance, but that the function has grown to include the following:

- providing an opinion on transactions such as financing and/or any structuring arrangements in an organisation;
- providing an opinion on the taxation matters which should be included in an entity's annual financial statements;
- tax planning around the frequency and timing of events which lead to taxation liabilities;
- networking with attorneys and others with legal experience regarding the interpretation and the practical application of tax laws; and
- acting for and discussing, on behalf of their clients, with regulating entities such as revenue authorities and legal counsel.

Providing an opinion on the taxation matters which should be included in an entity's annual financial statements and acting for and discussing matters on behalf of their clients with regulating entities such as revenue authorities and legal counsel are additional services to those listed by Roth *et al*. (1989:171).

It can therefore be argued that tax practitioners provide their clients with advice which ranges from assisting them in minimising their tax liability to going so far as to risk the possibility that a return might be challenged. Klepper and Nagin (1989:168) indicate that a tax practitioner's advice can take two forms:

- applying the tax practitioner's expert knowledge and practical experience to merely suggest any reporting positions to the taxpayer which are likely to be challenged by tax authorities; and
- advising the taxpayer on how to take advantage of any ambiguity in tax legislation which may influence the client's reporting position (this second option may result in aggressive tax advice).

Another interesting aspect of Klepper and Nagin's (1989:168) research is that they are of the opinion that the exploitation of legal ambiguity could benefit the client in the following two ways:

- a tax return position based on legal ambiguity may succeed if the position is challenged by the tax authorities; and
- even if the taxpayer is found to be non-compliant in some respect, the penalty of non-compliance may be less if the reporting position is based on a credible interpretation of the law.

Subsequent research by Klepper, Mazur and Nagin (1991:228) and Mikesell and Birskyte (2007:1069) has shown that tax practitioners can play a "dual role", as tax law enforcers in unambiguous scenarios, and as tax law exploiters in ambiguous scenarios. This "dual role" is also noted in a study by Sakurai and Braithwaite (2001:20). In the study by Klepper *et al*. (1991:228), the majority of taxpayers preferred practitioners who enacted the role of tax enforcers to practitioners who enacted the role of exploiters. Another finding was that taxpayers who were interested in minimising their tax liability preferred tax practitioners who assumed the exploiter role and who were familiar with both low- and high-risk tax schemes. Sakurai and Braithwaite (2003:376) mention that the extent to which this "dual role" is influenced by tax practitioners' preferences regarding compliance behaviour is still unclear. Because of the extent of taxpayers' reliance on tax practitioners, these practitioners do influence the compliance behaviour of taxpayers (Sakurai & Braithwaite, 2001:19; Tan, 1999:445).

### 2.3.5 The legal relationship between taxpayers and tax practitioners

As established in Section 2.2.2, the relationship between the taxpayer and the State is regulated by statute. Because taxpayers, for various reasons, make use of tax practitioners' services, a distinct relationship is also found between the taxpayer and the tax practitioner. In this section, it is argued that the relationship between the taxpayer and the tax practitioner in South Africa, which is a country with a hybrid legal system (as indicated in Section 2.2.2.2 above), is regulated by the common law rules of the law of contract. The relationship between a taxpayer and the tax practitioner is therefore a legal relationship. In determining the nature of this legal relationship, the nature of and the manner in which tax practitioners provide their services to taxpayers is considered.

As stated previously in Section 2.3.4, tax practitioners are expected to prepare tax returns on behalf of the taxpayer, provide the taxpayer with tax advice, as well as risk advice (Roth *et al.,* 1989:172). Considering these obligations, it seems that the one common element underlying them is that each must be met at the behest of the taxpayer or client. To put it differently, a tax practitioner will only provide his or her services as and when they are required or asked for by a taxpayer.

It should, however, be determined whether the services to be rendered by tax practitioners are rendered as an employee or as an agent. An employment contract entails that an employee renders services under the authority of his/her employer (Van Jaarsveld, Fourie & Olivier, 2009:par 80). Hence, the relationship between the taxpayer and the tax practitioner is not regulated by the common law provisions governing employment contracts unless the tax practitioner is an employee of the taxpayer.

The expression "agency" can have a wide variety of meanings (Wanda, 2003:par 175). It can refer to an agreement in terms of which one person, known as the agent, performs a task for another person, called the principal, in connection with a juristic act by or for the principal. Here, it simply denotes a contract by which the principal and the agent create rights and obligations *inter se*. As such, it belongs to the category of contracts known as mandate or *mandatum* in Roman-Dutch law. Even if the task to be performed by the agent is the conclusion of a juristic act on behalf of or in the name of the principal, the contract remains a contract of mandate governed by the rules applicable to contracts of mandate in general (Wanda, 2003:par 175). The juristic act in question is the duty of the taxpayer to pay tax and submit tax returns and all of the actions of the tax practitioner are related to this act.

The agency relationship between taxpayer and tax practitioner arises as a result of a contract of mandate, unless the tax practitioner is in-house, in which case it arises as a result of a contract of employment. The scope of the authority given to the tax practitioner by the taxpayer is determined through consensus and may be limited or quite extensive. As the relationship between a taxpayer and a tax practitioner constitutes a contract of mandate, it is governed by the common law principles of the contract of mandate. The characteristics of the contract of mandate, the duties of each party in the contractual relationship and the manner in which such a contractual relationship comes to an end, are discussed below. For the purposes of tax services, the mandatory is the tax practitioner, and the mandator is the taxpayer.

In terms of traditional Roman law, a mandate had to be carried out without the payment of remuneration, although the common law now allows for the mandatory (in context of this study, the tax practitioner) to work for free or to receive payment for the work done on behalf of the mandator (taxpayer) (Joubert, 1979:170). Payment of remuneration is not indicative of a contract being a contract of mandate (Joubert, 1979:173). A mandate may entail the performance of a single act, an order to conduct all the affairs of the mandator (taxpayer), or to conduct business of a specific kind (Havenga, 2001:3). Both the mandator (taxpayer) and the mandatory (tax practitioner) have specific duties in terms of the contract of mandate (Van der Merwe, Van Huyssteen, Reinecke & Lubbe, 2012:253).

Firstly, the mandatory (tax practitioner) undertakes to carry out the mandate (Van der Merwe *et al.*, 2012:253). In this regard, he/she must take reasonable steps to ensure that the mandate is executed, must carry it out in a reasonable time and only incurs liability if there is fault on his or her part (Havenga, 2001:3; Silke, 1981:43,46). In addition, he or she must complete the necessary juristic acts required under the mandate, such as concluding contracts on behalf of the mandator (Havenga, 2001:3).

Secondly, the mandatory (tax practitioner) may not exceed the terms of the mandate (Havenga, 2001:3). The scope of the mandate depends on the terms of the contract concluded between the parties (Havenga, 2001:3; Wanda, 2003:par 195) and can be described in specific terms or general terms. In general terms, this has the effect that the mandatory's performance of his or her mandate depends on his or her exercising his or her discretion in certain boundaries (Joubert, 1979:173). The right to conclude contracts on behalf of the mandator must be specifically agreed upon between the mandator and the mandatory (Van der Merwe *et al*., 2012:253). Even if discretion is granted to the mandatory, he or she may not act outside the scope of the mandate and any such act will not bind the mandator unless it is subsequently ratified by the mandator (Havenga, 2001:3; Wanda, 2003:par 205), who is entitled to claim damages from the mandatory (Havenga, 2001:3) on the basis of breach of contract.

Thirdly, the mandate must be carried out personally, unless there is an express or tacit term to the contrary which would allow the mandatory (the tax practitioner) to delegate it to one of his employees. This is because the mandator's decision to contract with the mandatory is based on the skills, qualifications or professional standing of the mandatory (Havenga, 2001:3-4). The only exception is if there is an express or tacit term to the contrary. There may also be circumstances in which the mandatory may employ another to perform the mandate (Havenga, 2001:3-4; Wanda, 2003:par 195; see also *Watson v Sachs and Another* 1994 (3) SA 655 (A)).

Fourthly, the mandatory (tax practitioner) must act with reasonable care and skill in exercising the mandate. In deciding what is reasonable, one must determine the general level of skill and diligence possessed by members of the branch of the profession to which the mandatory belonged when the mandate was carried out (*Durr v Absa Bank Ltd and Another* 1997 (3) SA 448 (SCA):460-461; Havenga, 2001:4). Negligence in carrying out the mandate or negligent failure to carry out the mandate makes the mandatory liable to the mandator for any damages suffered as a result of such negligence (Havenga, 2001:3; Silke, 1981:46).

Fifthly, the mandatory (tax practitioner) must act in good faith, as the contract creates a fiduciary relationship between the mandatory and the mandator. This duty entails that the mandatory must perform the mandate in the interest of the mandator. In addition, it means that the mandatory must be open and honest in all his or her dealings with the mandator, meaning that he may not use private information or information gathered during the execution of the mandate to the detriment of the mandator. Furthermore, the mandatory may not derive a benefit or profit from the mandate without the mandator's permission (Havenga, 2001:4).

Lastly, the mandatory (tax practitioner) must account to the mandator (taxpayer) when asked to do so regarding details about, whether, or how the mandate was executed and any other details relating to its execution. All material facts which have come to the attention of the mandatory during the execution of the mandate which can be attributed to the mandator must be disclosed. If the mandatory is responsible for handling the business affairs of the mandator, he or she must render formal contracts required by the contract, statute or trade usage, and the mandator may examine the account after receiving it to confirm its correctness (Havenga, 2001:3).

Applying these duties to the tax practitioner-taxpayer relationship, it means that the mandatory (tax practitioner) must prepare tax returns, tax advice or risk advice within a reasonable time and by taking reasonable steps. The time aspect is of particular importance where a tax return needs to be submitted to SARS before a due date, especially because late submission can lead to penalties payable by the mandator. Where tax advice is in the form of structuring transactions, it may be practical for taxpayers to authorise tax practitioners to conclude a contract on their behalf, where the advice given is accepted. Tax practitioners inevitably have to exercise their discretion in providing advice or in completing tax returns, and they must ensure that the advice given is lawful – if they do not, they are acting contrary to the law of mandate and exceed the scope of their mandate and expose themselves to a claim for damages. Tax practitioners must act with a reasonable level of care and skill as required of tax practitioners in the profession; any negligence in this regard can render a tax practitioner liable for damages. Tax practitioners must be transparent in all their dealings with a taxpayer. All benefits received by the taxpayer because of the practitioner's advice must be transferred to the taxpayer. For example, if the tax practitioner provides advice which has the effect of saving the taxpayer R100 000 in the payment of tax to SARS, he or she may not unilaterally decide to keep part of the benefit for him- or herself.

The mandator (taxpayer) also has certain duties in terms of the contract of mandate, as discussed below.

Firstly, the mandator must refund or compensate the mandatory for expenses incurred on behalf of the mandator, as well as expenses and losses incurred in good faith in the performance of the mandate. The mandatory is not entitled to compensation for expenses and losses incurred due to his or her own negligence. In addition, the right of recourse for expenses can be excluded by an agreement between the parties (Havenga, 2001:5). Practically speaking, all expenses incurred by the tax practitioner in completing tax returns such as contacting the taxpayer or any other institution can be claimed from the taxpayer.

Secondly, the mandator must pay the mandatory the remuneration that has been expressly or tacitly agreed to. The amount of the remuneration can be fixed by agreement or can be determined according to a formula, for example, on a commission basis or as a percentage of a determinable amount. Remuneration can also be paid for the completion of the mandate, in which case it must be paid out of the proceeds of the successful completion of the mandate. In such a case, remuneration is payable on condition that the mandate is completed (Havenga, 2001:5-6). This duty means that the taxpayer must pay the tax practitioner the agreed remuneration.

A mandate is terminated in the same way that other contracts are terminated, namely by performance, set-off, merger, impossibility of performance, novation, compromise, waiver or discharge, prescription or rescission. Successful execution of the mandate also terminates the contract (Havenga, 2001:6). If the mandate only applies to a specific act or for a specific period of time, the mandate comes to an end once the act has been concluded or after the time has lapsed (Van der Merwe *et al*., 2012:257). The contract of mandate also terminates under the following specific circumstances:

- *Death of the mandator or mandatory* (Havenga, 2001:6; Wanda, 2003:par 197): In the case of the mandatory, it is terminated because he or she must personally execute the mandate, whereas completion of the mandate by the mandatory in good faith and while being unaware of the mandator's death entitles him or her to claim the expenses incurred (Havenga, 2001:6). Where the mandator is a juristic person, this does not apply, because a juristic person's corporate existence comes to an end if it is liquidated.

- *Insanity of the mandator or mandatory*: The mandatory is entitled to compensation for expenses incurred in good faith in ignorance of the mandator's insanity, after the onset of insanity (Havenga, 2001:6).
- *Sequestration of the mandator or mandatory's estate* (*Goodricke & Son v Auto Protection Co Ltd (In Liquidation)* 1968 (1) SA 717 (A), 732b): If a mandate requires a juristic act to be performed, it will be terminated because sequestration of the mandator's estate terminates authority on the part of the mandatory to represent the mandator. Sequestration of the mandatory's estate does not bring his or her authority to conclude acts on behalf of the mandator to an end (Wanda, 2003:par 197), unless his or her insolvency makes it impossible for him or her to perform the mandate, in which case it will terminate (Havenga, 2001:6).
- *Revocation by the mandatory:* Revocation may only take place for a legally acceptable reason and if it does not, the mandatory will have recourse to the usual remedies for breach of contract against the mandator (Havenga, 2001:7; *The Firs Investment Ltd v Levy Bros Estates (Pty) Ltd* 1984 (2) SA 881 (A)). In addition, it cannot take place if the mandatory has already carried out the act which he or she was authorised to perform (Wanda, 2003:par 198).
- *Renunciation by the mandatory*: This may also only take place for a legally acceptable reason, the absence of which will entitle the mandator to sue for breach of contract (Havenga, 2001:7).

As stated previously (see Section 2.3.4), in summary, tax practitioners provide their services to taxpayers and carry out their mandate as and when taxpayers require them to do so, be it on a regular or continuous basis throughout the year, or in providing advice on the structuring of specific transactions to minimise the tax liability of the taxpayers. In the event that either party does not fulfil its obligations in terms of the agreement, the non-defaulting party may look to the common law to enforce its rights against the defaulting party. The nature of this relationship between taxpayers and tax practitioners might be described as a legal relationship.

In conclusion, the relationship between a taxpayer and a tax practitioner is based on the common law principles of the contract of mandate, where it implies that the mandatory (tax practitioners) deal with third parties on behalf of the mandator (taxpayer). The tax practitioner (mandatory) discharges his or her duties in line with his or her knowledge and expertise. A tax practitioner renders his or her services to the taxpayer as and to the extent agreed to (in the scope of the authority given), but does not work under the supervision of the taxpayer.

### 2.3.6 The regulation of tax practitioners in South Africa

While there is a global demand for tax practitioners, including in South Africa, the formal qualifications required by tax practitioners are not yet regulated by a regulatory body in South Africa. Although the regulation of tax services is in process, the Bill is still only in draft format (SARS, 2008a). However, as a first phase, section 67A(1) of the *Income Tax Act* requires natural persons who provide taxation advice or who complete or assist with documentation to be submitted to SARS to register as tax practitioners with SARS.

The second phase with regard to the creation of an independent regulatory board is still in progress, with only a revised draft *Regulation of Tax Practitioners Bill* currently available. The revised version of the draft *Regulation of Tax Practitioners Bill* was issued in June 2008 (SARS, 2008). According to the briefing note by SARS (SARS, 2008b), the main objectives of this independent regulatory board with regard to tax practitioners will be to specify the level of qualification and experience required, to monitor the registration process, to apply a code of professional conduct, and to take disciplinary steps when required. In drafting this legislation, SARS drew on existing regulatory frameworks in Australia, Malaysia and the United States, where practitioners are generally required to be registered with a relevant body, and have passed entrance examinations, depending on the scope of services that they intend to provide.

Klue (2012b) argues that tax practitioners in South Africa should retake the moral high ground, and should adopt an industry-wide code of conduct to regulate their tax service offerings. Furthermore, he suggests that professional bodies that represent tax practitioners should act as intermediaries between SARS and tax practitioners. He believes that SARS should embrace tax practitioners as vital to ensuring tax compliance and the education of taxpayers. Furthermore, SARS should be devoted to the development of the tax profession.

This view was supported by the South African Institute of Tax Practitioners, hereafter referred to as SAIT, whose overall mission is to protect the public interest by strengthening ethical and professional standards amongst tax practitioners (SAIT, 2012). In an attempt to establish a code of conduct and system of recommended behaviour, the SAIT issued a series of South African Tax Standards as Exposure Drafts in May 2011. The organisation recognised that appropriate standards of behaviour form the basis of any profession and serve as a benchmark against which professional performance can be evaluated to give credibility to the professionalism of its members (SAIT, 2011). The SAIT standards mirror the Statements of Standards for Tax Services issued by the Tax Executive Committee of the American Institute of Certified Public Accountants (AICPA, 2009) and appear to safeguard members against the types of misconduct listed as Punishable Offences in the SARS *Discussion Paper on regulating Tax Practitioners* (SARS, 2003:20). Such offences centre mainly on the provision of tax services to clients without the exercise of due care or diligence, and in general conducting oneself in a manner that discredits the profession.

In its Compliance Programme 2012, SARS has identified tax practitioners as a matter of focus in its five-year plan (SARS, 2012a:9). SARS's future strategies in this regard entail motivating tax practitioners to join professional bodies (such as SAICA and SAIT), and resuming legislative proposals to regulate tax professionals by 2013 (SARS, 2012a:17).

The above objective of SARS was achieved through the implementation of the *Tax Administration Act (28 of 2011)*. Section 240 of this act specifically requires of every natural person who provides advice in respect of the application of a tax Act to another person, or who completes or assists in completing a document to be submitted to SARS by another person, to be registered with SARS as a tax practitioner.

Apart from the registration of tax practitioners with SARS, further regulation of tax practitioners will be done in two phases. The first is the registration of tax practitioners with a recognised controlling body, and the second is the establishment of an independent regulatory board for tax practitioners (SARS, 2012c:44).

The first phase already commenced with the amendment of Section 240 by the *Tax Administration Laws Amendment Act (21 of 2012).* It now stipulates that a tax practitioner should register with or fall under the jurisdiction of a “recognised controlling body” by the later of 1 April 2013 or 21 business days after the date on which that person provides the advice for the first time or completes or assists in completing the return for the first time. Non-compliance with this requirement constitutes a criminal offence which can result in fines and/or imprisonment in terms of section 234(c).

Section 240A of the *Tax Administration Act* lists the recognised controlling bodies as well as the requirements that must be met for SARS to recognise other controlling bodies. Furthermore, section 241(2) also provides power to the process to regulate tax practitioners, since it allows a senior SARS official to lodge a complaint with a recognised controlling body where, in the opinion of the official,

- the tax practitioner has assisted the taxpayer with the preparation, approval or submission of any tax documents without performing a proper due diligence on the information provided to the practitioner by the taxpayer;
- the tax practitioner has provided an opinion which is in contradiction with tax legislation, either intentionally or as a result of gross incompetence;
- the tax practitioner’s performed service resembles gross negligence on the part of the tax practitioner; and/or
- a tax practitioner has intentionally provided false or misleading information in connection with matters affecting the application of tax legislation.

The duty of investigating the compliant and taking appropriate disciplinary steps is therefore, to a large degree, shifted to the recognised controlling body. This is achieved by the requirements to be recognised as a controlling body, as set out in Section 240A (2).

## 2.4 DISPARITIES BETWEEN TAXPAYERS AND TAX PRACTITIONERS REGARDING TAX SERVICES

With regard to the services provided by tax practitioners, Sakurai and Braithwaite (2001:12) found that honesty and risk-aversion were the two vital characteristics required of tax practitioners by taxpayers, while taxpayers rated creativity and aggressiveness lowest. Other preferences mentioned by these authors regarding tax practitioners' characteristics were the ability to interpret tax ambiguities, skills in tax minimisation, and the ability to warn clients against illegal or risky tax-planning schemes (Sakurai & Braithwaite, 2001:14-15).

The results of Sakurai and Braithwaite's (2001:12) research suggest that tax practitioners are considered to have the knowledge and experience needed to exploit ambiguities in tax law. Tax practitioners may, therefore, take an aggressive tax approach which could lead to tax non-compliance, but Spilker, Worsham and Prawitt (1999:88) have shown that tax practitioners are more vigilant about providing aggressive advice on tax planning than on tax compliance – they discovered that tax practitioners tend to interpret an ambiguous tax situation in favour of their clients.

Various studies have also been performed on the compliance behaviour of taxpayers who make use of a tax practitioner's assistance (Hite & McGill, 1992:398; Sakurai & Braithwaite, 2001:20; Tan, 1999:445). In some instances, the research indicates that tax practitioners are adamant that taxpayers insist on aggressive tax reporting (Schisler, 1994:124-142). Then there are other research findings that indicate the opposite, namely that taxpayers prefer conservative advice (Hite & McGill, 1992:398; Tan, 1999:445).

Sakurai and Braithwaite (2001:20) found that most taxpayers are in favour of tax minimisation with conflict avoidance, but that some taxpayers prefer tax minimisation involving creative accounting and aggressive tax planning. This result suggests that most taxpayers are cautious about the extent of the risk they wish to engage in (Sakurai & Braithwaite, 2001:20). Sakurai and Braithwaite (2001:21) also argue that taxpayers are believed to have the ability to differentiate between low- and high-risk tax minimisation. Thus, there is still a likelihood that they could engage with tax practitioners with a similar viewpoint and that, as a result, the two parties could, in certain instances, influence each other's tax behaviour. It should thus be stressed that these researchers' findings imply that taxpayers tend to pair up with practitioners who agree with their views and needs (Sakurai & Braithwaite, 2001:18).

The risk still remains that tax practitioners and taxpayers may misconstrue each other's communication on what exactly low- or high-risk tax minimizing entails. Ultimately, this may result in their failing to meet each other's expectations (Sakurai & Braithwaite, 2001:22). Schmidt (2001:170) also warns that tax practitioners should ensure clear and accurate communication of information to their clients, because the information provided could influence the behaviour of the client, the taxpayer. Schmidt's (2001:170) research indicates that in most scenarios where a tax practitioner communicated to the taxpayer that there was a low prospect of an investigation or that the chances of a penalty was minimal, the majority of the taxpayers overestimated this low probability.

Christensen (1992:78) claims that the greatest mismatch between the taxpayer as the client and the tax practitioner is the fact that the tax practitioner may significantly misjudge the taxpayer's appetite for conservative tax advice. The tendency of tax practitioners to be more aggressive than their clients actually preferred to be was also found in research conducted by Stephenson (2007:418). By contrast, a working paper by Mason and Garrett-Levy in 2004 (cited in Stephenson, 2006:15) put forward results showing the opposite: it reported degrees of aggressiveness among tax practitioners that were lower than the taxpayers expected.

Focusing on the taxpayer, research by Hite and McGill (1992:389-403) and Tan (1999:431-447) found that taxpayers favoured conservative tax advice. In these studies, ambiguous tax situations were presented to a sample of taxpayers, and they had to indicate what type of tax advice they would prefer in these situations. Christensen and Hite (1997:8-9) found that taxpayers believed that the possibility of detecting an understatement of income was greater than the chances that an overstatement of deductions would be detected by a tax audit. As a result of this perception, taxpayers are more likely to deduct an ambiguous expense than to exclude an ambiguous income item from their tax returns (Christensen & Hite, 1997:14). These results are in agreement with the results of a United States study with regard to tax audits in the Internal Revenue Service (IRS) office from October 1997 to July 1998, conducted by Hite and Hasseldine (2003:7). They also found that there were more amendments pertaining to incorrect tax deductions (59%) than for taxable income (22%). This implies a tendency towards aggressive reporting by taxpayers in scenarios relating to tax ambiguity on deductions (Hite & Hasseldine, 2003:5).

Hite and McGill (1992:389-403) and Tan (1999:431-447) also enquired from taxpayers whether the type of advice they received from their tax practitioners would influence their decision to stop using the services of their tax practitioner. If taxpayers disagreed with aggressive advice, it would strengthen the case of their preference for conservative advice. Hite and McGill (1992:398) found that taxpayers were in favour of terminating the services of their tax practitioners when they did not agree with aggressive tax advice. Tan (1999:443), however, reported that there was no material evidence to suggest that taxpayers who preferred conservative tax advice would in fact disengage from their tax practitioner if the practitioner provided aggressive tax advice. These results were in contrast with the findings of Hite and McGill (1992:389-403). Tan (1999:441) found that those participants who agreed with the advice given by their tax practitioners wanted to continue to use the tax practitioner’s services. Tan (1999:441) also showed that there was a greater willingness to continue engaging with a tax practitioner when conservative advice was provided.

Disagreement with a tax practitioner is not the only factor that influences taxpayers to disengage from their tax practitioners. Zeithaml, Bitner and Gremler (2009:83-87) identified five factors that affect clients’ definition of adequate quality of service, which may also be applied to services by tax practitioners. These five factors are summarised in Table 6.

**Table 6: Five factors affecting clients' definition of adequate quality of service**

| Factors affecting clients' definitions | Factors applied to tax services |
|---|---|
| Reaction and timeliness | Meeting deadlines, such as tax return deadlines. |
| Many service alternatives | If clients can easily resolve tax matters on their own or see that any other tax practitioner could resolve them, clients expect better service from the designated tax practitioner; clients with more complex tax matters, where more specialised knowledge is required from tax practitioners, are more easily satisfied. |
| The role clients perceive themselves as playing in relation to service from the tax practitioner | The more involved taxpayers are in resolving tax issues, the more personal responsibility they are likely to take in the process, and the less critical they will be of the tax practitioner's actions. |
| The frequency of occurrence of certain taxation matters | Taxpayers demand higher-quality service on tax matters which occur commonly and regularly, but are more lenient regarding service quality in once-off or unusual transactions. |
| Client expectations of expected services | Prior tax practitioner experience or advertisements. |

Source: Adapted from Zeithaml *et al*. (2009:83-87)

The findings by Lubbe and Nienaber (2012:710) and Tan (1999:443) that there is no significant evidence to indicate that taxpayers would disengage from their tax practitioners even if they received aggressive advice with which they disagree emphasises the importance of client trust in tax practitioners. It is clear that tax practitioners have a very important role to fulfil in this relationship. The possible mismatch between what the taxpayer wants and what a tax practitioner thinks the taxpayer wants with regard to tax services could result in a possible expectation gap, as discussed in more detail below.

## 2.5 THE "EXPECTATION GAP" IN THE TAX ENVIRONMENT

### 2.5.1 Introduction

The "expectation gap", also referred to as the "customer gap", is a concept that originated in the marketing environment, where it refers to the difference between clients' expectations and professionals' perceptions of those expectations, and *vice versa* (Wilson *et al* ., 2012:94). If an "expectation gap" is to exist with regard to the tax practitioner's profession, it would be as a result of a difference of opinion between what taxpayers want from tax practitioners and what the tax practitioners think (perceive) taxpayers want.

Gilling (cited by Burchell, Clubb & Hopwood, 1985:10) provides a valuable perspective in this regard when commenting on professional ideology:

> All professions have a defining ideology, which in a general sense establishes a pattern of thought and a way of looking at the world for the profession. This pattern of thought defines the activities of the profession, its problems and appropriate ways of approaching these problems. The behaviour of a profession towards its environment is a matter of perception of that environment. Once an image of that environment has been established, then behaviour will be determined by that image and the frame of reference that it creates.

If this notion is applied to the South African tax context, it implies that the profession of the tax practitioner in South Africa has created a specific image in the environment in which these professionals work, and that this image determines the conduct, behaviour, attitude and disposition of the tax profession towards the users of tax services (the taxpayers). Klue (2012b) argues that some tax practitioners in South Africa are guilty of a non-compliance culture, a matter of concern which was also raised in the 2012 budget speech by the Minister of Finance (SARS, 2012b), as indicated in Chapter 1.

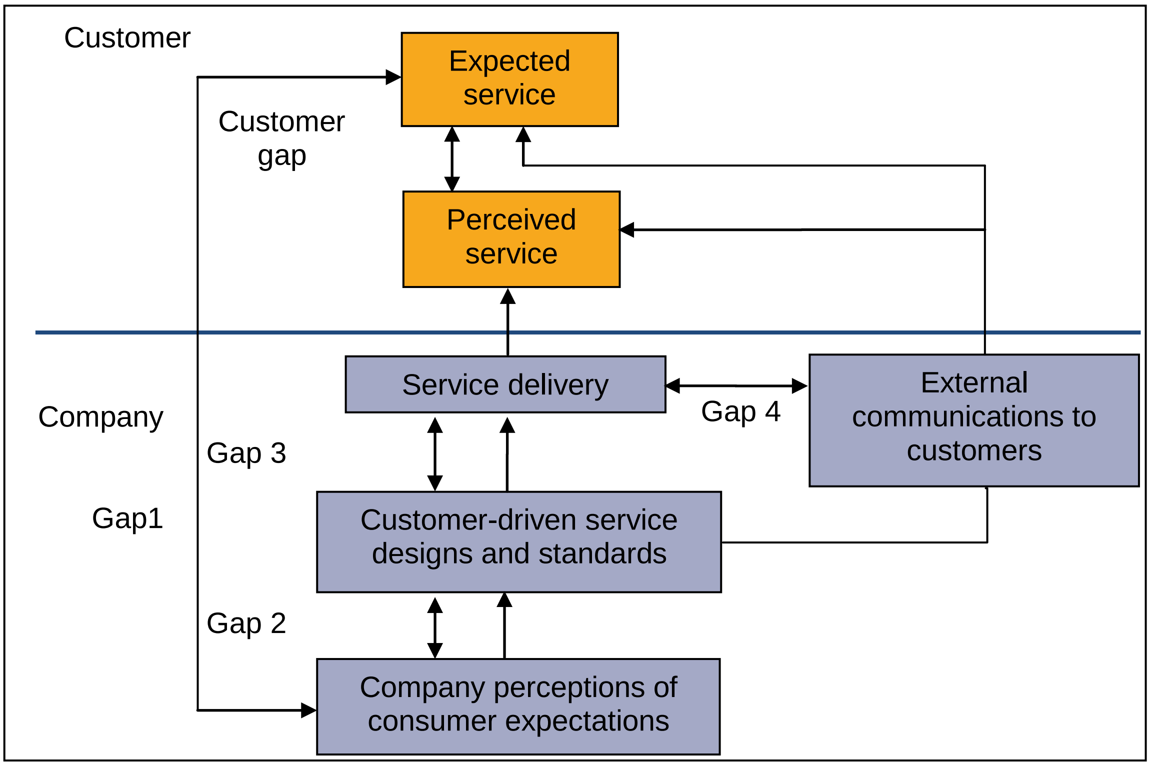
Apart from the studies by Myers and Morris (1998), Stephenson (2006), Tan (2008) and Choong, Tong and Tan (2008), published research on the expectation gap between taxpayers and their tax practitioners is scarce. However, several such studies have been performed in the field of auditing. Coetzee and Oberholzer (2008:422) explain that the four main disciplines in the accounting environment are Financial Accounting, Auditing, Financial Management and Tax. Because the subjects of Auditing and Tax both fall into the same Accounting environment, prior studies conducted in the auditing environment were used to assist in establishing a definition and the nature of an expectation gap in the tax environment, as well as to assist with identifying possible measures to reduce the expectation gap.

The aim of this section is to formulate the concept of the “expectation gap” more clearly in the context of the relationship between taxpayers and tax practitioners, based on a literature review. In order to do this, the expectation gap as it is described in the marketing environment is discussed first, followed by the application of the term in the auditing environment, before finally defining the expectation gap in the tax environment.

### 2.5.2 The expectation gap in the marketing services field: the gaps model of service quality

The gaps model of service quality was originally developed by Zeithaml, Parasuraman and Berry (1990) and was expanded by Wilson *et al*. (2012:103) who compiled the diagram in Figure 8 to explain the expectation gap between clients and their service providers based on this model of service quality. They argue that the diagram serves as a framework for service organisations and providers such as tax practitioners, and can help them to improve the quality of their service. Wilson *et al*. (2012:103) break the expectation gap down into two segments, namely the customer gap and the provider gaps. The expectation gap between a client and service providers, according to Figure 8 (overleaf), is the difference between the customers' perceived expected service and the service providers' perceptions of the consumers' (customers') expectations.

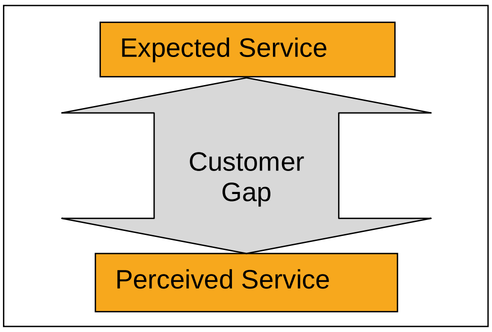
**Figure 8: The expectation gap between a client and service providers**




Source: Wilson *et al*. (2012:103)

In Figure 8, the first gap noted is the customer gap. This gap refers to the difference between customer expectations and perceptions (Wilson *et al.,* (2012:96). Customer expectations refer to the standards that customers expect from service experiences. The perception of the service actually delivered is reached through subjective assessments of the service experience by customers. The difference between these two concepts results, as the diagram above shows, in a customer gap. Customer expectations arise as a result of certain preconceived notions about what should happen or will happen in the service experience. Figure 9 (below) depicts the customer gap.

**Figure 9: The customer gap**



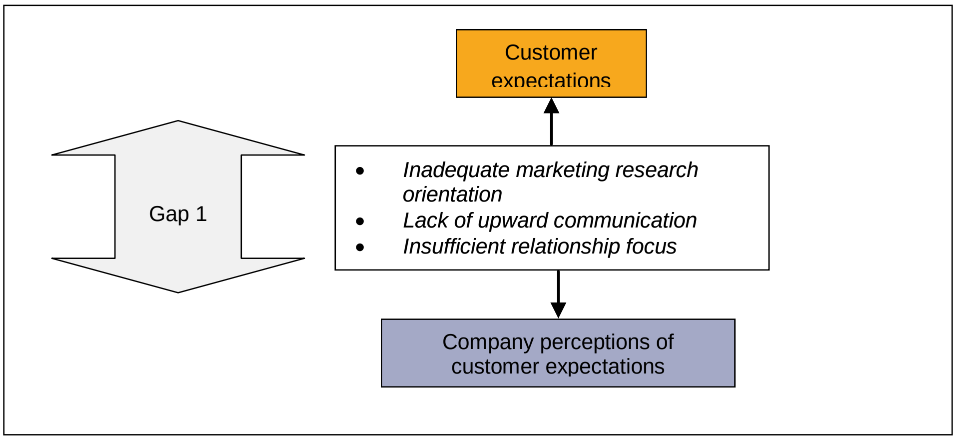

Source: Wilson *et al*. (2012:96)

The second segment of the expectation gap, according to Wilson *et al*. (2012:96), relates to provider gaps, which can be categorised into four different gaps. In order to successfully reduce the customer gap, the gaps model suggests that an additional four provider gaps must also be managed. These gaps are briefly discussed and explained below.

- *Provider Gap 1: Not knowing the expectations of customers*

  According to Wilson *et al.* (2012:97-98), a main contributing factor to a firm's inability to meet customers' expectations is a lack of adequate understanding of what customers expect. Provider Gap 1 is therefore created when the service provider fails to understand what clients expect regarding the actual service provided. Figure 10 (below) illustrates this gap and indicates the key factors that contribute to Provider Gap 1. If this gap is applied to the tax environment, it corresponds to the difference between what tax practitioners perceive the taxpayer expects and what the taxpayer actually expects from the tax practitioner.

**Figure 10: Key factors leading to Provider Gap 1**

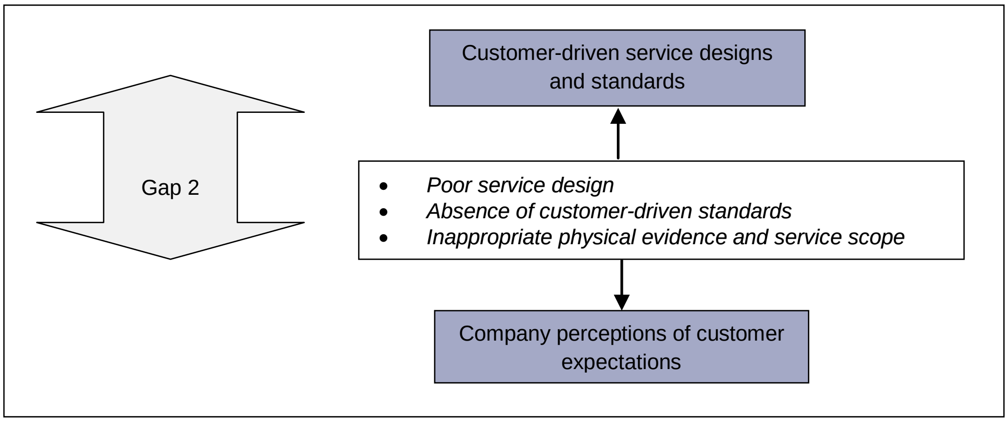



Source: Wilson *et al.* (2012:98)

- *Provider Gap 2: Not opting for the right service design and standards*

  Provider Gap 2 is an outflow of a service provider's failure to convert the provider's perceptions of the clients' expectations into a matching service design or standards. Provider Gap 2 therefore concerns the key factors that need to be taken into account when attempting to decrease the gap between customer-driven expectations and management's perceptions of these expectations (Wilson *et al*., 2012:98-99). In the tax environment, it implies that tax practitioners fail to match their service design and standards to their perception of taxpayers' expectations. Figure 11 (below) illustrates the key factors that lead to Provider Gap 2.

**Figure 11: Key factors leading to Provider Gap 2**

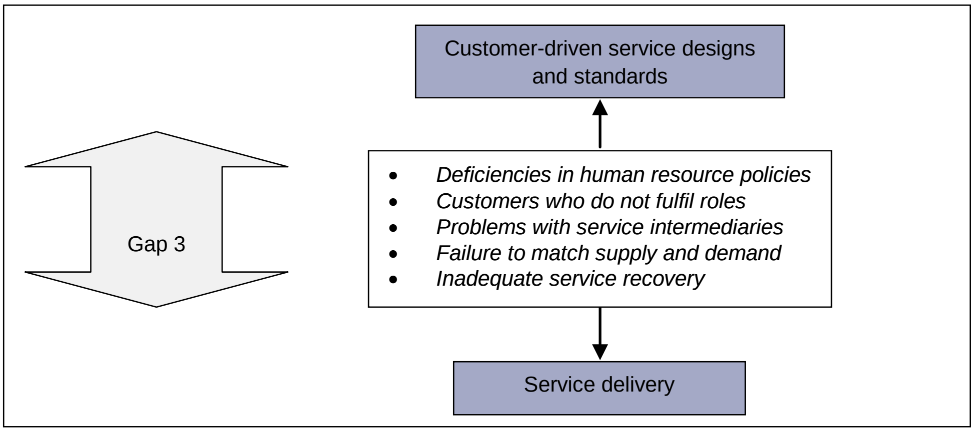



Source: Wilson *et al*. (2012:99)

- *Provider Gap 3: Not adhering to service designs and standards*

In order for the level of service quality delivery to successfully meet the designs and standards, it is essential for the company to have in place the necessary systems, processes and people needed to do so. Provider Gap 3 arises when the service provided by the service provider does not meet the specified service design and standards (Wilson *et al*., 2012:100-101). In the tax environment, this relates to tax practitioners who do not provide the service according to the prescribed standards set out by their organisation. Figure 12 indicates the key factors that are responsible for Provider Gap 3.

**Figure 12: Key factors leading to Provider Gap 3**



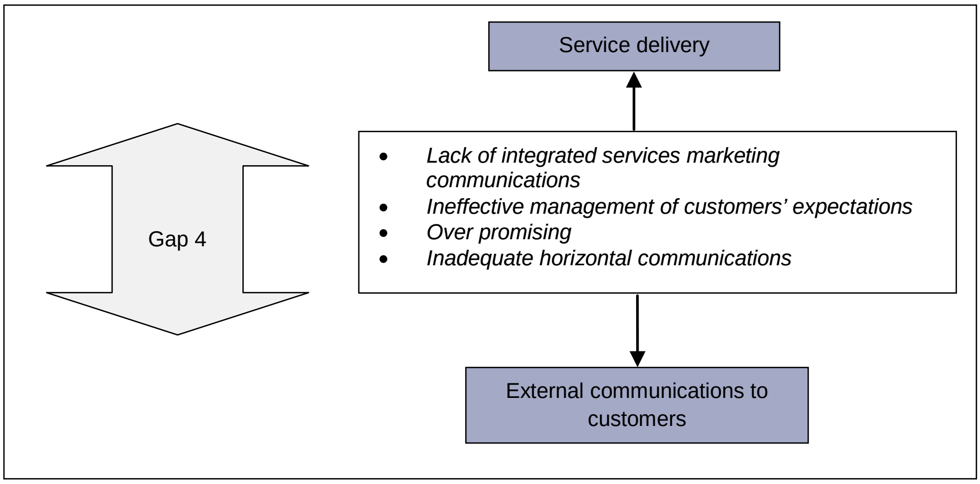

Source: Wilson *et al.* (2012:100)

- *Provider Gap 4: Not ensuring that performance agrees with promises*

  Finally, Wilson *et al*. (2012:101-102) mention Provider Gap 4, which refers to the gap found between delivering a service and remaining true to any promises made to customers through external communications. These promises may result in an increased customer expectation of the services rendered and the standards against which delivery is measured.

  In a tax scenario, this gap relates to tax practitioners who promise particular outcomes regarding a tax service that may create specific expectations among taxpayers. If these promises are not kept, Provider Gap 4 arises. Figure 13 depicts possible factors that might lead to this gap.

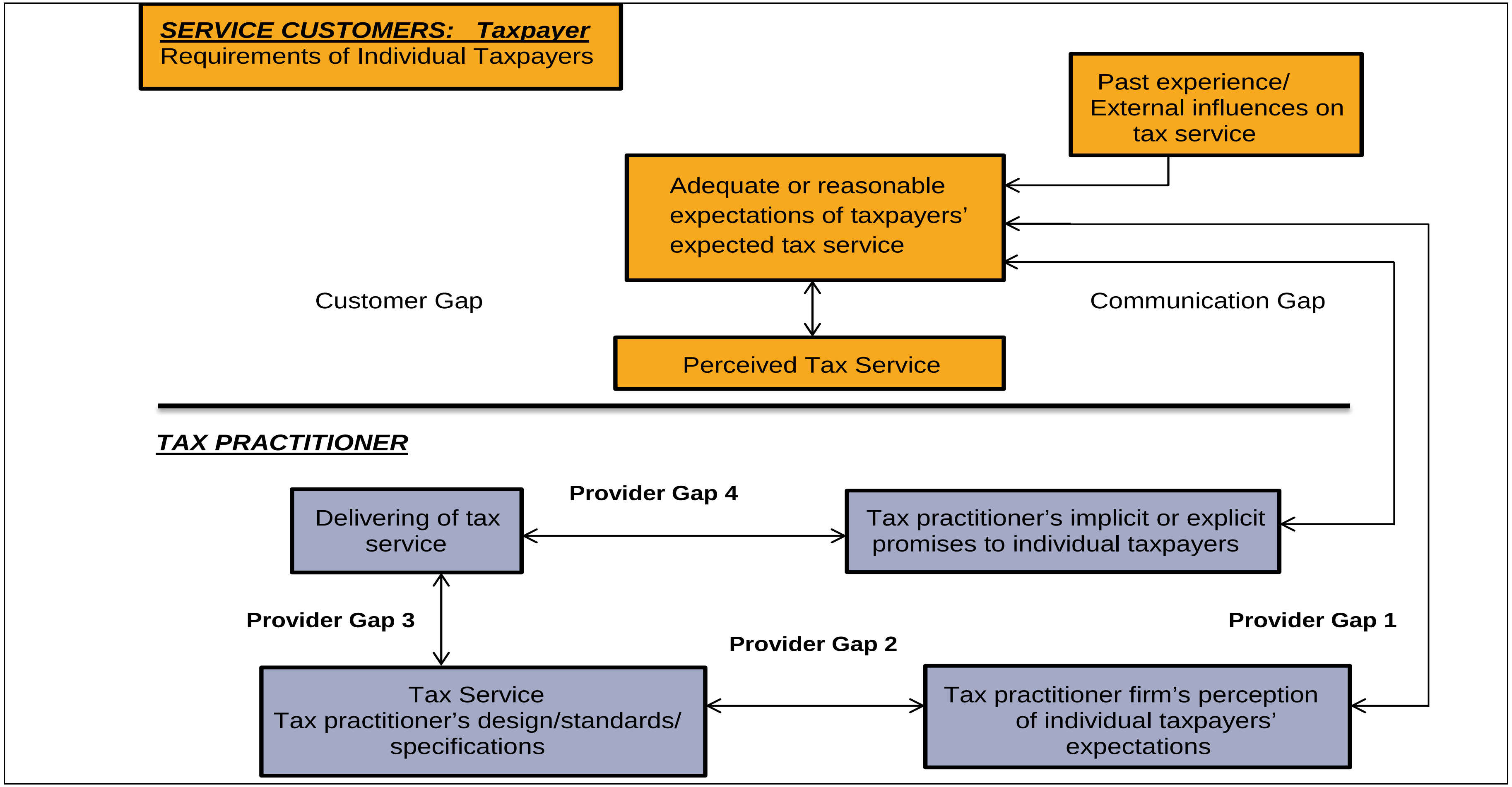
**Figure 13: Key factors leading to Provider Gap 4**




Source: Wilson *et al.* (2012:102)

Figure 14 presents the application and extension of Wilson *et al.'s* (2012:103) conceptual model of service quality as it relates to tax services provided by tax practitioners to taxpayers.

**Figure 14: Gaps model of service quality in the tax environment**




Source: Adapted from Wilson *et al*. (2012:103)

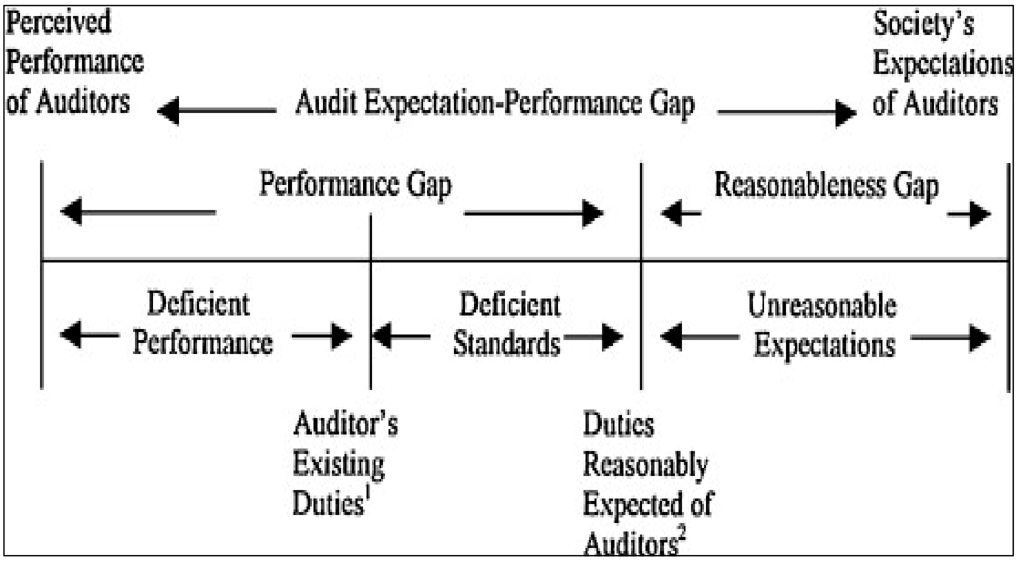
### 2.5.3 Research on the "expectation gap" in the auditing field

In the auditing environment, Koh and Woo (1998:147) claim that the expectation gap concept has a long history. The main concern in auditing is that there may be an expectation gap between the expectations of auditing professionals and those of the general public using their services. As mentioned in the previous section, in the tax environment, the concern is the existence of such a gap between the expectations of tax practitioners as professionals and those of taxpayers who rely on these practitioners' services. Gloeck (1993:39) and Koh and Woo (1998:147) indicate that Liggio (1974:27) was the first to apply the term "expectation gap" in an auditing environment.

Different definitions of the expectation gap have been proposed by various researchers in the auditing environment. Liggio (1974:27) labelled the disparity between the levels of expected performance as anticipated by an independent auditor and a user of financial statements the "expectation gap". The Commission on Auditors' Responsibilities, also known as the Cohen Commission (1978:1), elaborated on this definition by contemplating whether or not there may be a gap between what the public expects or needs, and what can realistically be expected of an auditor.

Porter's (1993:68) empirical research conducted on the auditing expectation-performance gap revealed the expectation gap to be the gap between society's expectations of auditors and auditors' performance, as perceived by society. Porter (1993:68) argues that this gap consists of two parts – the first part refers to a reasonableness gap (the gap between what can reasonably be expected from an auditor, compared to what society expects from the auditor); the second part involves a performance gap (the gap between what society can reasonably expect auditors to accomplish and what auditors are perceived to achieve). Porter (1993:68) subdivides the performance gap even further into "deficient standards" (the gap between the duties which can reasonably be expected of auditors and auditors' existing duties, as defined by the law and professional promulgation), and "deficient performance" (the gap between the expected standard of performance of auditors' existing duties and auditors' performance, as expected and perceived by society). Porter (1993:50) compiled the diagram in Figure 15 as a graphical summary of the above findings.

**Figure 15: Structure of the audit expectation-performance gap**

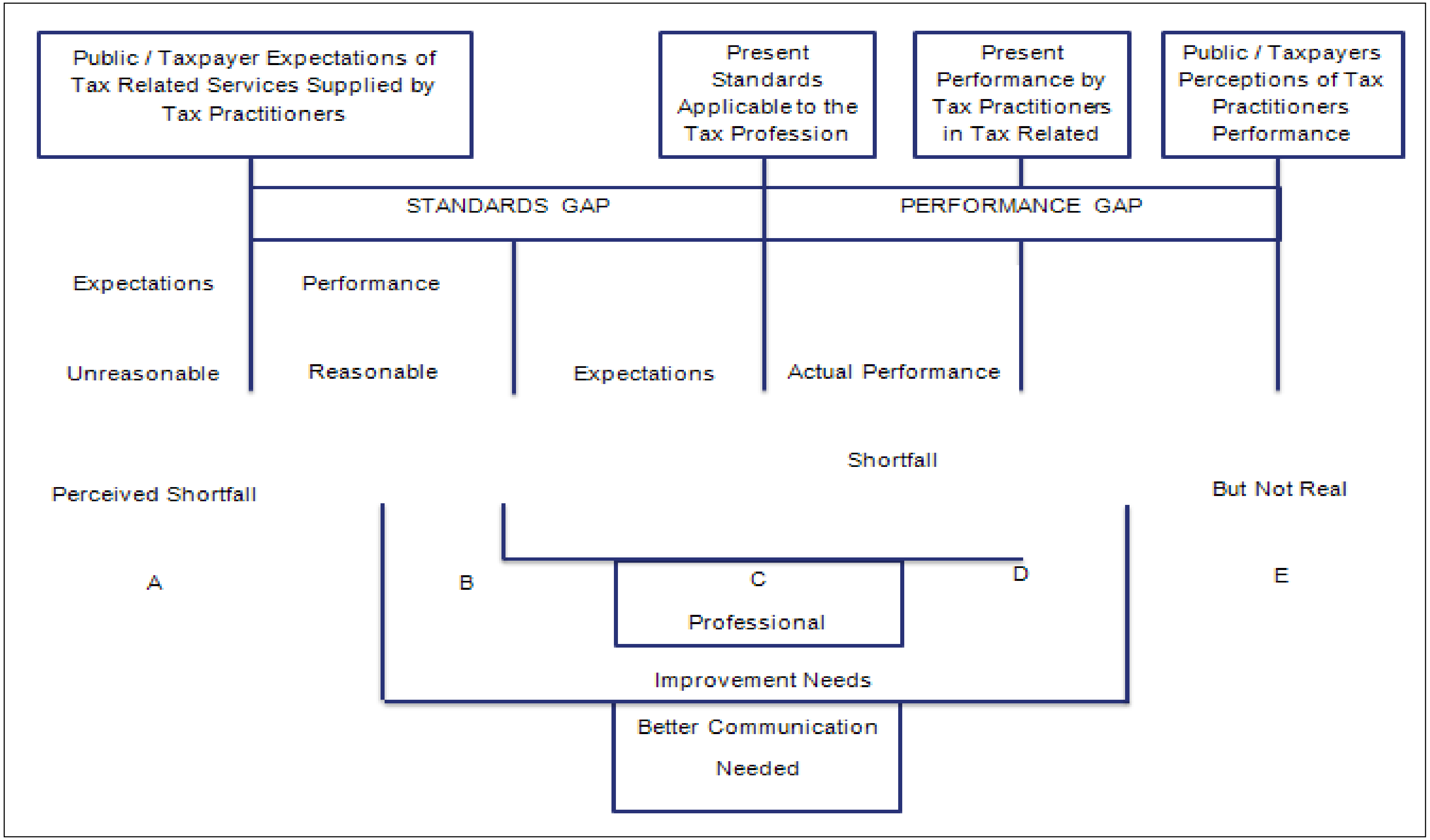



[1] Duties defined by the law and professional standards.
[2] Duties which are cost-beneficial for auditors to perform.

Source: Porter (1993:50)

Salehi and Rostami (2009:142) further divide the reasonableness gap and performance gap, into deficient standards and deficient performance. Figure 16 (overleaf) provides a schematic summary of the components of the audit expectation gap adapted to show the application of these constructs to the tax environment.

**Figure 16: Components of the tax expectation gap**




Source: Adapted from Salehi and Rostami (2009:142)

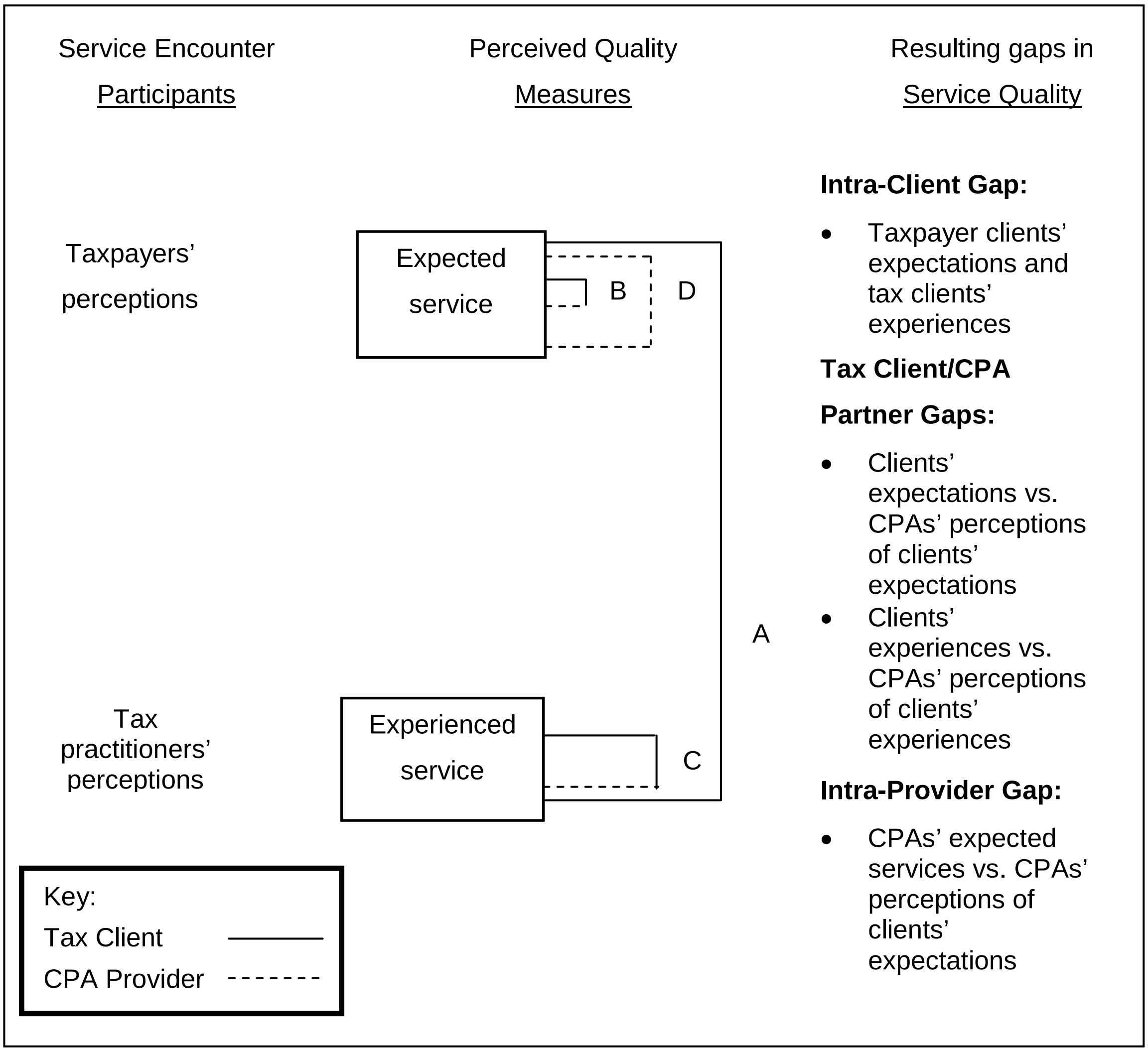
In conclusion, in the auditing environment, the “expectation gap” was labelled the disparity between the levels of expected performance as anticipated by an independent auditor and the users of financial statements. In other words, this gap is the difference between the expectations of society regarding auditors and the auditors’ expectations of themselves, and it can be divided into a reasonableness gap and a performance gap.

### 2.5.4 The expectation gap in the taxation environment

In applying the definitions as established in the marketing and auditing environments to the tax environment, it can be concluded that the expectation gap is the difference between the taxpayers’ (clients’) expectations about the tax service provided and the tax practitioners’ (service providers’) perceptions of those expectations on the one hand, and the tax practitioners’ (service providers’) expectations about a tax service provided and the taxpayers’ (clients’) perceptions of those expectations on the other hand.

Myers and Morris (1998:40-42) suggested the model in Figure 17 to explain the perceived expectation gap between what taxpayers and tax practitioners expect from each other.

**Figure 17: Perceived expectation gap**




Source: Adapted from Myers and Morris (1998:40)

In respect of expectation gaps, it emerged from Myers and Morris's (1998) study that taxpayer's expectations do not always match people's actual service experience, because first-time taxpayers and current taxpayers may expect different things. Taxpayers may be concerned that sensitive information and discussions will be overheard when they have their initial meeting with a partner. In dealing with large tax practitioner companies, taxpayers may be afraid that their information might not remain confidential, because they may perceive large firms as uncaring and impersonal, and may feel that small firms would give a more personal service.

According to Myers and Morris (1998), tax practitioners may think that referring to tax legislation and rules might not be important to a taxpayer and that taxpayers only want to know the bottom line when receiving advice. Tax practitioners may think that they should be the only ones asking questions, and may carry on with the process without bothering to explain it to the taxpayer. A tax practitioner may not personalise the service encounter and may fail to think it necessary to introduce the accountant who will be working with a taxpayer's tax affairs. The taxpayer might want to meet the person handling his or her tax affairs and expects a personal and interactive encounter with that person, as it is personal and sensitive information that will be given to that person, and the taxpayer would want to build a relationship with this person or firm.

Myers and Morris (1998) also suggest that a tax practitioner may think that a taxpayer would want his or her return done quickly, whereas the taxpayer might feel that his or her affairs have been rushed if the work is done too quickly, and that the taxpayer is not important to the firm, especially if the taxpayer is not part of or informed about the process and there is no feedback from the taxpayer's side as to what he or she experiences or what was expected from the tax practitioner. A tax practitioner might be able to complete returns in two weeks, which sets a standard, but when the tax season comes, the turnaround might not be as fast, because of work overload during a busy time. Some tax practitioners believe that taxpayers want an estimate of their tax bill or tax return after the initial meeting. If a tax practitioner gives an estimate and it varies from the actual assessment, being either higher or lower, then the taxpayer might think the process is corrupt or questionable, and it can lead to an unsatisfactory service experience.

A gap can also be created because of misleading advertisements which may suggest to taxpayers that a practitioner will find ways to save taxpayers money, or promise a personal service when practitioners are not able to live up to that promise, because they are too busy and do not have time to respond to calls or e-mails and are sometimes not even polite when clients call (Myers & Morris, 1998:40-43).

Stephenson (2006:39) investigated some of the factors that influence the expectation gaps that she thought existed between taxpayers and their tax practitioners. She concluded that taxpayers valued saving money more than the tax practitioners expected. Tax practitioners thought taxpayers valued saving time more than they actually indicated. Taxpayers valued having an accurate return more than tax practitioners expected. Taxpayers indicated that having their tax practitioner protect them from the collecting authority and using a tax practitioner to help them to avoid the collecting authority was more important to them than the tax practitioners expected, but it was still less important than the other reasons given for using a tax practitioner. Tax practitioners tended to be more aggressive in the tax advice they provided to taxpayers and exhibited a larger extent of client advocacy than the taxpayers expected from them.

**Table 7: Summary of Stephenson's results**

| The expectation gap | Conclusion |
|---|---|
| Taxpayers valued saving money. | Taxpayers valued saving money more than the tax practitioners expected. |
| Taxpayers valued saving time. | Tax practitioners thought taxpayers value saving time more than they actually indicated. |
| Taxpayers wanted their tax practitioners to comply with the law by filing an accurate return. | Taxpayers valued having an accurate return more than tax practitioners expected. |
| Taxpayers appointed tax practitioners to avoid the IRS or to be protected from the IRS. | Avoiding the IRS was more important to taxpayers than the tax practitioners expected, but it was still less important than the other reasons given for using a tax practitioner. |
| Taxpayers appointed tax practitioners for client advocacy. | Tax practitioners were more aggressive in their tax advice and exhibited more client advocacy than the taxpayers expected. |

Source: Adapted from Stephenson (2006:39)

With regard to the relationship between taxpayers and tax practitioners, Tan (2008:16) took into account the existing literature and created a list of all the expectations taxpayers are perceived to have with regard to the provision of tax services. Table 8 (below) shows a combined list of items that the various authors list regarding the possible expectations taxpayers may have about tax services from their tax practitioners.

**Table 8: List of possible expectations taxpayers may have regarding a tax service from their tax practitioners**

| |
|---|
| Taxpayers expected their tax practitioner to<br>• Be up to date with the latest changes in tax legislation<br>• File an accurate return<br>• Avoid serious penalties<br>• Minimise their tax<br>• Save them time<br>• Explain the legislation and regulations to them in words that they can understand<br>• Know ways to save them tax |

- Reduce uncertainties in tax matters that concerns them
- Mention the risks associated with the recommended advice given
- Assist them to make claims only when they are clearly legitimate
- Promote any tax effective schemes to them so that they do not have to pay too much tax
- Advise them not to take any deductions that fall within the grey areas of the tax legislation
- Be creative in dealing with their tax affairs
- Be able to exploit loopholes to their advantage
- Provide them with conservative advice in areas where the tax legislation is unambiguous
- Just deal with their tax affairs with minimum fuss and not bother them too much with it
- Provide them with aggressive advice in areas where the tax law is ambiguous

Source: Tan (2008:16)

Tan's (2008:25) results indicate that the expectations of business taxpayers who engage the services of tax practitioners reflect two modes, namely:

- norms (prescriptive), which are those expectations that are widely shared by business taxpayers, and can include
  - filing accurate returns,
  - minimising tax,
  - avoiding serious penalties,
  - explaining the law clearly,
  - knowing ways to save tax,
  - reducing uncertainty,
  - being up to date,
  - saving time, and
  - mentioning risks; and
- preferences (attitudes), which reflect the attitudes of the taxpayers whose expectations tend to be more divergent.

Preferences can be divided further into "exploitative" types of expectation, which translate into taxpayers' expectation that their practitioners will be prepared to take advantage of any ambiguity in tax law or tax loopholes, and the "cautious" types of expectation, which refers to taxpayers' expectation that their tax practitioners will provide advice that is within the boundaries of tax law. Their preferences can lead taxpayers to want their tax practitioners to help them to exploit opportunities to minimise taxes, but at the same time also to "play it safe" within the boundaries of tax law. Whether they will pursue risky strategies depends on how much risk they are willing to take (Tan, 2008:26).

Furthermore, Tan (2008:26) indicates that there is a positive relationship between the overall service satisfaction of taxpayers and the client retention rate of tax practitioners. Furthermore, taxpayers' trust in practitioners is pertinent to a successful practitioner-client relationship. Taxpayers value those practitioners who show competency and honesty in their work, who are communicative throughout the process, and who are trustworthy and have an interest in the client's firm's tax affairs.

## 2.6 CONCLUSION

It is therefore evident from Chapter 2 that a tax payment is a result of a statutory relationship between the State and a taxpayer. Moreover, it was ascertained that, both internationally and locally, taxpayers tend to rely increasingly on tax practitioners and to entrust them with their tax affairs. This chapter also provided clarity on a variety of reasons for taxpayers' making use of the services of tax practitioners, as summarised in Table 5 (see page 49). It was also determined that the services tax practitioners provide to taxpayers range from return preparation to providing tax and risk advice. It was established that when a tax service is provided, the relationship between a taxpayer and a tax practitioner is based on the common law principles of the contract of mandate. Finally, the chapter has shown that there may be a mismatch between what a taxpayer wants and what a tax practitioner thinks the taxpayer wants with regard to tax services. This possible mismatch may result in an expectation gap between these two parties. The findings of this chapter serve as a foundation for interpreting the empirical evidence and the conclusions of the current study (see Chapters 9 and 10).

The contextual background in Chapter 2 enables a better understanding of the expectation gap between taxpayers and their tax practitioners from a literature viewpoint. Against this background, a theoretical underpinning relating to explanations of taxpayers' tax compliance behaviour and the factors that affect the behaviour of tax practitioners is presented in Chapter 3.

# CHAPTER 3: COMPLIANCE BEHAVIOUR OF TAXPAYERS AND TAX PRACTITIONERS

## 3.1 INTRODUCTION

Tan (2008:26) provides evidence that taxpayers' expectations regarding tax services are founded on their own perspectives, and accordingly influence their perceptions of the role that tax practitioners have to fulfil to assist them to achieve their expectations. Furthermore, Kirchler (2013) and Kirchler, Hoelzl and Wahl (2008) attest that the interaction climate between all stakeholders in a given tax environment shapes tax compliance behaviour.

Taxpayers and tax practitioners as stakeholders in a legal relationship are separate individuals or entities with their own sets of beliefs, values and norms that may influence their attitudes towards taxation and their actual tax compliance behaviour (Kirchler, 2009:31). Taxpayers' expectations of a tax service might therefore be influenced by each taxpayer's individual tax behaviour patterns and mind-sets, and the same argument can apply to individual tax practitioners.

Taxpayers tend to choose tax practitioners who share similar tax compliance behaviour attitudes to their own (Karlinsky & Bankman, 2002:164; Sakurai & Braithwaite 2003:375-376). According to Leviner (2012:1132), taxpayers and tax practitioners act as an interconnected unit when it comes to tax compliance.

The OECD (2008:14) recognises that tax practitioners can indeed influence taxpayer decisions by providing advice, and by representing the interests of their clients in engaging with revenue authorities. Like Tan's (2006:15) study, the OECD (2008:14) study also found that tax practitioners are well-positioned to influence the tax decisions of their taxpayer clients, and in doing so, may in some instances be contributing to non-compliance. SARS (2012a:17) also shares the view that tax practitioners sometimes facilitate tax evasion by their clients by providing advice along such lines to taxpayers.

It may therefore be argued that if there is an inherent conflict regarding compliance behaviour between taxpayers and tax practitioners, this may also lead to an expectation gap. Since tax compliance is crucial in any tax system, and taxation is the economic backbone of society, all suggestions in the current study will be offered with a view to encouraging compliance by both taxpayers and tax practitioners. Hence, a thorough understanding of the compliance behaviour of both parties is required.

Taxpayers' tax compliance behaviour and tax practitioners' conduct can be viewed from different angles, for example, an economic perspective or a psychological perspective. The most important scholarly work contributing to the theories and factors that may explain the conduct of both taxpayers and tax practitioners in the tax environment are provided in Chapter 3. The aim of this chapter is therefore, first, to provide clarity on the concept of tax compliance and then to explore taxpayers' tax compliance conduct. The chapter concludes with factors affecting the tax compliance behaviour of tax practitioners.

### 3.1.1 Tax evasion and tax avoidance

Before one can address economic and psychological factors that may influence taxpayers' and tax practitioners' conduct in relation to possible tax evasion, one first needs to define what tax evasion means. Hessing *et al.* (1992:304) and McBarnet (2001:1-2) are of the opinion that in all probability there are three groups of taxpayers: taxpayers who do not evade taxes under any circumstances, taxpayers who seldom try to evade taxes, and lastly, taxpayers who try to evade taxes wherever possible.

To appreciate the complexities of tax compliance, it is crucial to understand the distinction between "tax evasion" and "tax avoidance". The term *tax evasion* implies that a taxpayer intentionally undertakes illegal activities to relieve him- or herself of a tax burden, for example, by omitting income from an annual income tax return (Elffers, Weigel & Hessing, 1987:311; King & Sheffrin, 2002:505; Sandmo, 2003:4; Webley, 2004:95). By contrast, tax avoidance usually occurs where the taxpayer has organised his or her tax affairs in an entirely legal manner, but with the result that his or her taxable income is either reduced, or does not have any taxable portion on which tax is payable (Webley, 2004:95).

There is no legal requirement that forces a taxpayer to pay more tax than he or she is legally required to pay in terms of the legislation of a specific country. A taxpayer is also not disqualified from entering into a *bona fide* transaction which may have the effect of reducing tax liability, provided that there is no specific section in the Act to prevent the specific transaction that leads to the avoidance or reduction of the tax liability (Lewis, 1982:123; OECD, 2004; Stiglingh, Venter & Hamel, 2005:389; Webley, 1991:2). In a UK judgement, *Inland Revenue Commissioners v The Duke of Westminster* (1936:19), this principle was explained by Lord Tomlin, who stated:

> …every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity, he cannot be compelled to pay an increased tax.

Lewis (1982:123) points out that the dividing line between tax evasion and tax avoidance is, in many instances, a very fine line. Bird and Oldman (1990:453) and Slemrod (1992:v) claim that tax evasion is ubiquitous in all societies. Tax evasion can be described as a very complex phenomenon, which is compounded by the fact that its major social and economic consequences are hidden (Lewis, 1982:159; Webley, 1991:128).

The words “taxation” and “evasion” have always gone hand in hand. As far back as 1799, when income tax was introduced to Britain, William Pitt (cited by Webley, 1991:1) mentioned the predicament of tax evasion: “It was to prevent all evasion and fraud that a general tax shall be imposed on all the leading branches of income.” Sabine (1966:105-106) shows that even though taxes in Victorian England, compared to modern taxes, were levied at relatively low rates, there were complaints about tax evasion from the beginning. In 1868, it was estimated that, on average, less than half of the possible taxable income was declared in Victorian England. In the city of Exeter, a special report was tabled, indicating that only 20% of the taxpayers liable for income tax declared returns that were acceptable to the revenue service concerned. It can thus be concluded that tax evasion is not a modern problem only, but has been with society since taxes were first introduced. Webley (1991:23) agrees that tax evasion is ever-present and is not an isolated event that is limited to a few countries – it is a behaviour that is found in a wide variety of cultural and legal settings.

Webley (1991:8) suggests that greed is the main contributing factor for taxpayers' evasion of tax. The author thus surmises that people will commit any offence if by committing such an offence they can maximise their utility. Becker (1968:207) theorises that people become criminals not because their motivations are different from those of other people, but rather because their evaluations of cost and benefit differ. When this argument is applied to the tax situation, it implies that people should be treated as rational, amoral decision-makers whose aim, in this, as in all other areas, is simply to maximise utility (Becker, 1968:207).

Most of the research on tax behaviour of taxpayers thus far has been conducted in Economics as a discipline. According to Kirchler (2009:1), the vast majority of this prior research refers to the influential models of tax evasion developed by Allingham and Sandmo (1972) and Srinivasan (1973) on the basis of Becker's (1968) theory of crime. These models were tested by econometric modelling and analyses of empirical data, and were expanded over time. According to Kirchler (2009:1), it is interesting that, given the large volume of research in the economic field, the terms "psychology" or "psychological" appeared on average in only 10% of the titles and abstracts of the publications from 1981 to 2007.

The economic theories explaining why people evade tax can be categorised into two groups. The first of the two groups can be described as integrative models of the taxpaying process, founded on a vast knowledge of the literature available and designed to initiate new ideas. The second kind is a fairly straightforward application of a social psychological theory to tax evasion (Kaplan, Reckers & Reynolds, 1986:461-467).

Section 3.2 of this chapter is devoted to the first group, namely the economic theories described as interactive models of the taxpaying process, after which the second group, the economic psychology of tax behaviour, is discussed in Section 3.3. Subsequently, in Section 3.4, psychological aspects that have an impact on taxpayer's tax behaviour are explored in order to gain a general understanding of these aspects.

## 3.2 ECONOMIC THEORIES ON TAXPAYER BEHAVIOUR

This group of economic theories can also be classified as models/frameworks that can be used to categorise information about a taxpayer's paying of taxes or evasion of payment. Examples of such models/frameworks include the models by Groenland and Van Veldhoven (1983:129-144), Lewis (1982:160,226), Smith and Kinsey (1987:651-657) and Webley, Robben, Elffers and Hessing (1991:13). These models/frameworks provide crucial variables that may be involved in evasion, and indicate how these variables may be connected.

Below, the classic model and the deterrence theory framework are looked into first. Thereafter, the interactive (game-playing) framework is explored. Subsequently, the prospect theory framework is scrutinised, and, finally, the regulation theory framework is addressed.

### 3.2.1 The classic model and the deterrence theory framework

The classical model used by Allingham and Sandmo (1972:323-338) is based on the assumption that people are rational, immoral taxpayers who wish to maximise value. The tax rate acts as a factor in this model, in quantifying the benefits of engaging in tax evasion. The model regards the possibility of detection and legal punishment as factors that determine the costs associated with tax evasion (Webley *et al.*, 1991:8). Taxpayers weigh the benefits of evasion against the costs of such behaviour in order to maximise value.

In the classical model, taxpayers involved in tax fraud may well believe that the chance of being caught is very slim. Allingham and Sandmo (1972:324) argue that, given the low probability in many countries of being audited and the relatively low penalties for those who are caught evading tax compared to those caught for other transgressions, rational and selfish taxpayers are more likely to evade tax or understate their taxable income than to commit other crimes. To conclude, the classical model assumes that both the prospect of exposure and the rigorousness of penalties influence taxpayers' attitudes to tax evasion. Thus, based on the classical model, it can be concluded that taxpayers are more likely to be tax compliant if detection by the authorities is probable and penalties are harsh.

The deterrence theory framework evolved from the classical model. The foundation of this theory is the notion that the compliance behaviour of taxpayers is influenced and formed by their perceptions of the likelihood of detection and the consequent legal punishment (Tan, 1999:433). According to this framework, taxpayers are likely to evade tax when the probable legal penalties for evading tax are less than the added gains resulting from tax evasion (Murphy, 2004a:308).

Of these two theories, the deterrence theory is the main theoretical framework which has been applied to explain the compliance behaviour of taxpayers (Smith & Kinsey, 1987:641). Nevertheless, the deterrence theory has definite inadequacies. Smith and Kinsey (1987:642) stress that most taxpayers are compliant, even when the possibility of detection and tax penalties is low. Thus, a crucial inadequacy of the deterrence theory is that it does not provide sufficient evidence explaining the high levels of compliance observed in reality (Murphy, 2004a:308).

Further developments of the deterrence theory framework include the interactive (game-playing) framework developed by Corchon (cited by Webley *et al.*, 1991:10) and by Benjamini and Maital (1985:245-264), and the proposal of limited rationality, such as the prospect theory framework proposed by Kahneman and Tversky (1979:263-291), and developed by Jackson and Milliron (1986:125-165) and Schadewald (1989:68-84).

### 3.2.2 The interactive (game-playing) framework

The interactive (game-playing) framework is based on the premise that taxpayers, in isolation, do not make a judgement on their tax compliance behaviour, but that the decisions of other role players in the tax environment may also induce taxpayers' compliance behaviour (Pommerehne, Hart & Frey, 1994:52-69).

Other role players, such as the tax authorities, can make decisions to improve or decrease the possibility of detection, or can increase the rigour of legal punishment (Webley *et al*., 1991:10). Cowell (1990:122) uses the analogy of a game being played between the taxpayer and the tax authorities. Cowell argues that in this game, on the one hand, the taxpayer has to choose between compliance and non-compliance, and on the other hand, the tax authorities have to decide between investigation and non-investigation. If a taxpayer complies with the tax laws, the tax authorities will not investigate the taxpayer's affairs. But if taxpayers realise that the tax authorities do not investigate, the taxpayers may elect not to comply with the tax laws. Symmetry is reached if both sides use a combination of these strategies. In this combination, the risk of non-compliance increases if there is an increase in the marginal cost of investigation, and decreases when the size of the penalty increases.

In an extension of the argument presented by Corchon (cited by Webley *et al*., 1991:10), another role player in this environment is identified, namely the population in which taxpayers operate and that population's compliance behaviour. This extended model takes into account the behaviour of other taxpayers, including social psychological variables such as stigma, potential loss of reputation and social norms. Mikesell and Birskyte (2007:1070) also posit that in many instances lenience towards tax evasion leads to further tax evasion. They especially refer to a society where the occurrence of tax evasion is high, and historically honest taxpayers then also begin to resort to tax evasion in order to counterweigh their additional tax burden. Conversely, a taxpayer may be surrounded by a population of taxpayers who demonstrate high compliance with tax ethics. If such a taxpayer were to be found guilty of non-compliance with tax laws, that taxpayer's name and reputation may be negatively affected (Webley *et al*., 1991:10). This model was developed by Benjamini and Maital (1985:245-264). It suffices to say that the model considers multiple stable symmetries – Benjamini and Maital (1985:245-264) believe that in a homogeneous population every member of the population is either completely honest or evades tax. It is probably more realistic to say that in a heterogeneous population, members of some groups tend to evade tax, whilst members of other groups tend to be law-abiding. Vogel (1974:512) also argues that group support appears to influence taxpayers' attitudes towards tax evasion. Cowell (1990:113) believes that this implies that the decision about tax evasion is first a decision about being honest or not, and then it develops to include the finer details of how much to evade.

### 3.2.3 The prospect theory framework

Apart from the interactive framework, another development in the deterrence theory framework is Kahneman and Tversky's (1979:263-291) prospect theory framework. The foundation of this framework is the notion of limited rationality when an individual has to decide between alternatives. This framework provides indicators on the expected decisions that taxpayers would make in uncertain circumstances. The creators of this theory claim that individual taxpayers tend to ignore components that are shared between alternative options, but tend to focus on components that distinguish between different options, with resulting inconsistent preferences (Kahneman & Tversky, 1979:271). The prospect theory framework indicates that whenever a decision-maker has to choose between different options, he or she will select the alternative with the highest estimated benefit.

Kahneman and Tversky (1979:263; 1984:343) propose that people's decisions are made in two stages. The first stage is a *problem-editing phase*, where the person redefines alternatives so that the subsequent decision is less complicated. This editing consists of operations that transform the probabilities and outcomes, such as simplification (for example, rounding a probability of 0.49 to 0.50) and segregation (decomposing a choice into a more or less risky option). The framing of outcomes (prospects) forms an integral part of the process, because gains or losses are relative to some reference point, rather than to final states of wealth or utility.

The *evaluation phase* is the second phase in the individual decision-making process. In this phase, the individual assesses each of the redefined alternatives and makes a choice based on the alternative with the highest value. At this stage, the individual taxpayer uses a utility function that is convex for losses, concave for gains, and steeper for losses than for gains. This implies that when sure gains are involved, people tend to avoid risks, whereas they are often willing to take risks to avoid sure losses. It also implies that people make different decisions depending on how problems are framed (Kahneman & Tversky, 1979:263-291; Tversky & Kahneman, 1981:453).

When the prospect theory framework is applied to tax compliance, this framework posits that taxpayers tend to become more aggressive and more willing to take a higher risk when they are in a tax-payable scenario than they would be if they were in a tax-refund position (Schmidt, 2001:170; Smith & Kinsey, 1987:648).

### 3.2.4 The regulation theory framework

Apart from the economic frameworks already mentioned above, the regulation theory framework, applied in the context of tax, predicts that regulated practitioners tend to be more aggressive than unregulated practitioners in ambiguous tax situations (Schmidt, 2001:161). The rationale behind this theory is that regulated practitioners are considered to be more able to offer a greater variety of client services and to negotiate more effectively with the tax authorities (Schmidt, 2001:161).

Schmidt (2001:170) indicates that taxpayers are prepared to rely more on aggressive advice received from professional tax practitioners who belong to a highly regulated institution than on advice from those who do not belong to such an institution. An example of a regulated institution in the South African context is the South African Institute of Chartered Accountants (SAICA).

## 3.3 THE ECONOMIC PSYCHOLOGY OF TAXPAYER BEHAVIOUR

In a different approach to the economic frameworks that are discussed in the previous section, Lewis (1982:37-120, 215) combines the psychological and economic views of compliance behaviour, suggesting two further frameworks. The first framework is a combination of the interests of the individual and the authorities, whereas the second framework contemplates the correlation between tax mind-sets and tax behaviour.

Lewis's (1982:156) first framework pinpoints three interacting factors on both the taxpayers' and the tax authorities' sides that influence compliance behaviour. The factors relevant to the (individual) taxpayer are the following:

- the taxpayer's stance towards the economy, and his or her view of the economy (such as the taxpayer's support for government policies, view of the tax system and feelings of isolation and discrimination);
- the taxpayer's view of enforcement and opportunity; and
- taxpayer individuality (demographics and character).

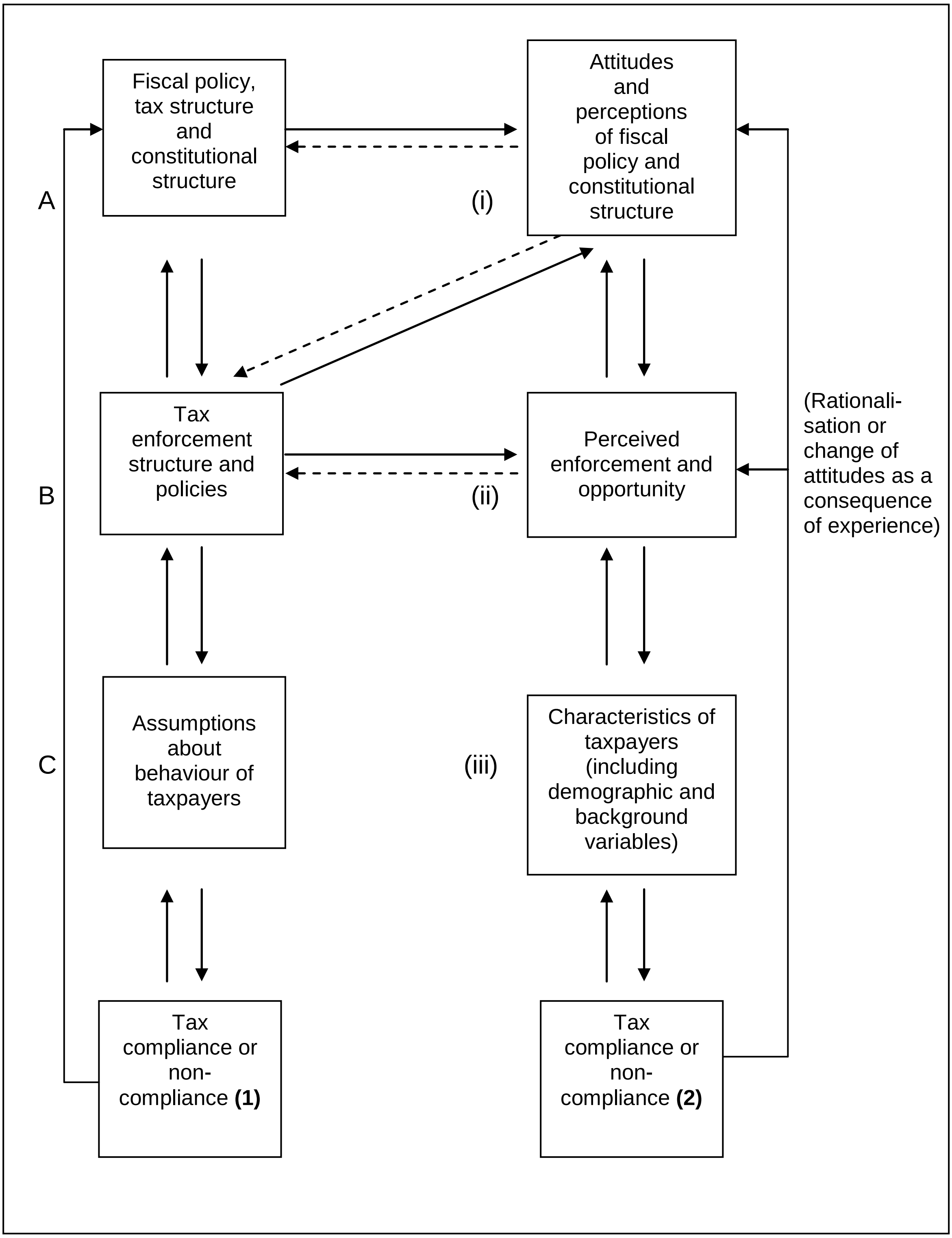
The three factors relevant to the authorities that have an effect on each other and inevitably on compliance behaviour are the following:

- the government's economic policy;
- the government's tax enforcement policy; and
- policy-makers' views on taxpayers (Webley *et al*., 1991:14).

The two above-mentioned role players (taxpayers and the government) are deemed to influence each other to some extent. For example, a taxpayer's fiscal attitudes and perceptions interact with government policy. As a result, they have an effect on each other. The same applies with regard to a taxpayer's perceptions regarding enforcement and opportunity, and the tax enforcement policy of the authorities, which also interact and influence each other (Webley *et al*., 1991:14).

Lewis's (1982:172) second framework concentrates on the relationship between tax mind-sets and tax behaviour, and also provides an explanation of how taxpayers and the authorities make decisions. Different demographics, attitudes towards the authorities and an individual's personality influence a taxpayer's mind-set and, ultimately, have an effect on his or her tax behaviour (Webley *et al*., 1991:14-15). However, Lewis (1982:172) admits to the difficulty of testing his model, because it refers to both private and illegal behaviour. Figure 18 (overleaf), is a visual representation of Lewis's theory on tax evasion.

**Figure 18: A revised model of tax evasion**




Source: Lewis (1982:156)

This visual representation can be broken down into two descriptions of tax compliance. The first of these descriptions is on the left hand side (see (1) in Figure 18) and incorporates elements of the theoretical approaches of economists and political economists, while the second description, on the right hand side (see (2) in Figure 18), takes psychological and sociological perspectives into account.

Lewis (1982:156) argues that these two methodologies interact with each other and should not be considered in isolation. He believes that they exist in parallel with one another, but contain some areas that might overlap, such as points that need strengthening to improve understanding of tax compliance. Lewis (1982:156) initially portrayed these two representations of tax compliance independently from one another, but later opted to depict the interaction between them.

The crucial and most productive aspect of Lewis's (1982) revised model is the interaction between its two seemingly disparate halves. The solid arrow between Unit (A) and Unit (i) recognises that tax attitudes must in part be the result of actual, as well as perceived, fiscal policies, government intentions and the constitutional structures underpinning them. Similarly, actual as well as perceived tax enforcement procedures affect both tax attitudes and perceptions of tax enforcement (Lewis, 1982:156).

Oberholzer (2007:24) believes that the main principle of the preceding paragraphs' argument is that effective tax policies must take account of these links and be responsive to tax attitudes and perceptions, as indicated by the broken arrows. The broken arrows (see Figure 18) indicate the comparative weakness of these links in present-day tax policy-making and implementation, with the notable exception of the fiscal referenda in California and elsewhere, as well as the influence of informed elites such as pressure groups. These arrows are also broken because they may represent only what even the more enlightened of tax policy-makers, administrators and theoretical political economists *think taxpayers think*, without having adequately investigated their implicit assumptions. The case is thus made that an adequate model of tax compliance must take into account both halves of this revised analysis.

Apart from Lewis's (1982:155-160) two frameworks, another framework that explains compliance behaviour through the combination of a social point of view with prospect theory is the framework proposed by Smith and Kinsey (1987:642-657), who distinguish between the process and content of decisions regarding compliance behaviour.

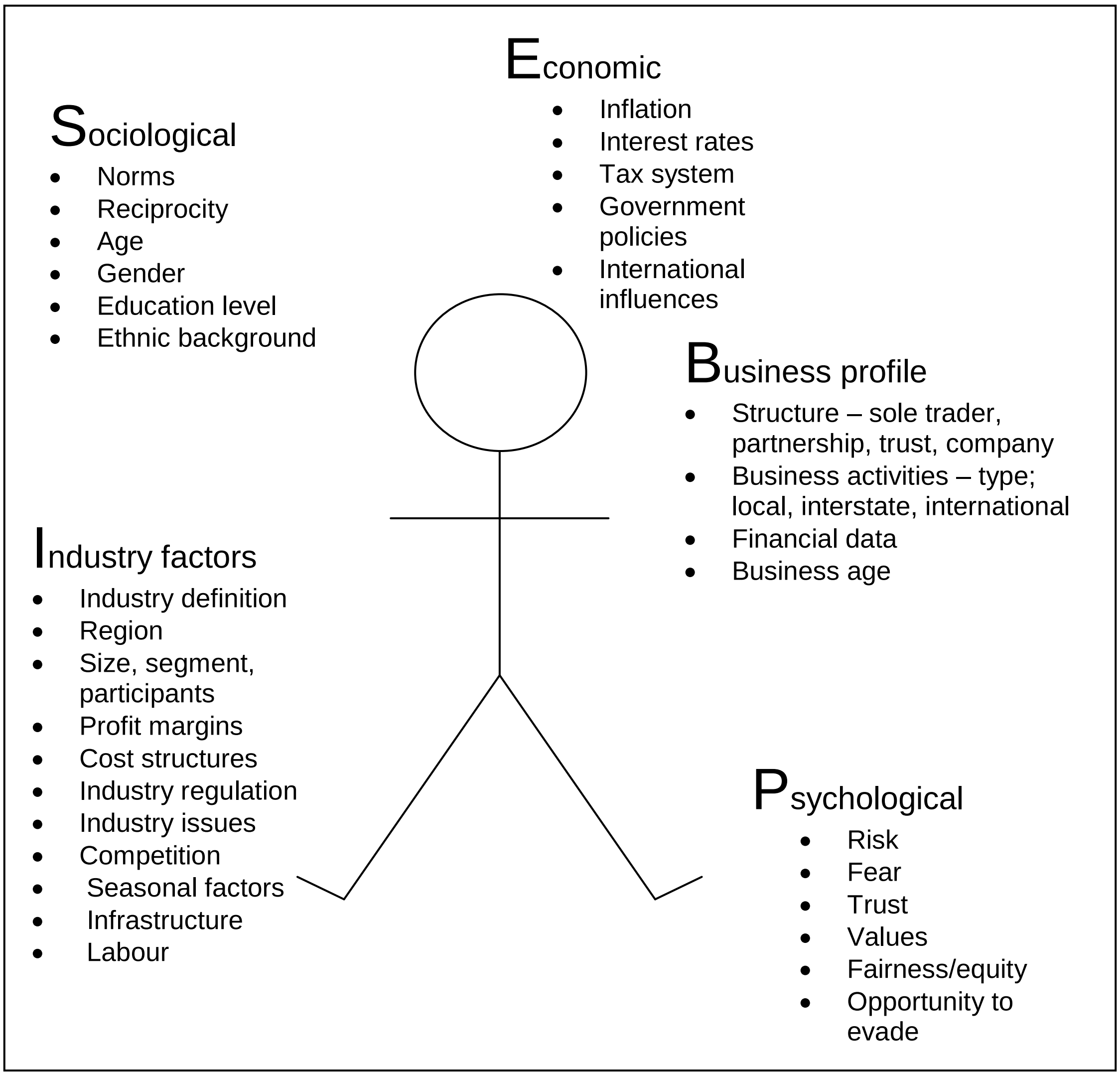
In explaining their approach, Smith and Kinsey (1987:642) argue, firstly, that it is equally important to understand which factors motivate both compliance and evasion. Secondly, they point out that many analyses of evasion focus on the preferences and intentions of taxpayers, and largely ignore the social context. Finally, they highlight that all prior research assumed that non-compliance is the result of a conscious and deliberate decision by taxpayers. They argue instead that non-compliance may simply be the result of inertia. Smith and Kinsey (1987:645) present a flow chart which shows what factors shift people from their habitual behaviour to consciously making a decision and forming intentions. In general, aspects of the social context such as tax reform, changes in the economy, and changes in salary make taxes more salient. People then move through three stages, namely *diagnosis* (in which the situation is defined), *action* (in which intentions are formed) and *implementation* (in which they decide how to carry out their intentions).

Smith and Kinsey (1987:652) emphasise that people tend to weigh four clusters of factors in forming intentions: *material consequences, normative expectations, socio-legal attitudes* and *expressive factors*. This can be explained from the perspective of prospect theory (that is, decisions are framed in terms of gains and losses from some initial reference point).

Kaplan *et al*. (1986:461-476) base their theory on *attribution theory*, which is concerned with how people make sense of their social world by attributing causes to one thing or another. These authors substantiate their view by mentioning that people do things either because they *have to* (environmental causes) or because they *want to* (internal causes). They also claim that several principles in the attribution theory may be useful in formulating hypotheses concerning tax evasion. Their research indicates that particular socio-psychological processes influence people’s perception of the tax evasion behaviour of others. For example, if many people evade tax, the fact that a particular individual is non-compliant tells one little about that person. Similarly, if individuals cheated only on their taxes and in no other context, this would lead to an attribution to the tax situation (based on its “distinctiveness”). They also point out that increased trust in government results in higher tax morale and thus lessens the likelihood of non-compliance.

Whilst compiling its second report to the Australian Tax Office, the Australian Cash Economy Task Force (1998:18) conducted an extensive review of compliance literature in order to determine which factors might have an impact on taxpayers’ compliance decisions. The research revealed that taxpayer compliance decisions can be affected by psychological, sociological, economic, business profile and industrial factors. Figure 19 illustrates the various factors they identified.

**Figure 19: Factors influencing a taxpayer’s compliance decision**




Source: Australian Cash Economy Task Force (1998:18)

The Australian Cash Economy Task Force (1998:19) contents that these factors are interrelated and no single one is the main contributor to a taxpayer's, tax behaviour, and equally, it is not possible to identify which factors in combination with each other may influence the behaviour of any one particular taxpayer. Due to the above it is not an easy task to explore a taxpayer's stance towards taxation (Fallan, 1999:173-184).

## 3.4 TAXPAYER BEHAVIOUR RELATED TO PSYCHOLOGICAL ASPECTS

As has already been mentioned, research on taxpayer compliance behaviour can be classified into research relying on economic theories and research dealing with psychological aspects that influence taxpayers' compliance behaviour. This section uses Kirchler's (2009:3) framework on psychologically-related aspects that influence taxpayer behaviour in order to briefly discuss and explain these aspects to develop a general understanding of these aspects.

Kirchler (2009:3) reviews research on psychological aspects of income tax behaviour, but relegates purely economic research and approaches to the margin. He is particularly interested in fusing psychology and economics, and producing cutting-edge conclusions that are scientific and practically applicable. Kirchler (2009:3), therefore, looks at tax behaviour from a non-economic perspective, where the focus is on the rational decision-making process and the influence of factors such as tax audits, fines, tax rates and income on tax compliance. Relevant research on the decision-making perspective can be classified into social representations of taxation and decisions to comply, as well as the tax behaviour of self-employed and entrepreneurial taxpayers and the interaction, from a social psychological perspective, between tax authorities and taxpayers.

Using Kirchler's (2009:30) framework as a cornerstone, the conclusions of a number of studies on representations are reviewed in the subsections below. The purpose of this review is not to provide an exhaustive overview, but to provide some insight into the social representations that may influence a taxpayer's tax behaviour. Figure 20 (below) represents the various perspectives and variables under consideration.

**Figure 20: Classification of determinants of tax compliance**

Political perspective
Fiscal policy and tax system (law complexity, tax rates, etc.)

Social psychological perspective
Mental (social) representations
- Tax knowledge and mental concepts
- Attitudes: beliefs and evaluations
- Norms
  - Personal norms
  - Social norms and identity
  - Societal norms
- Perceived opportunity to evade
- Fairness perceptions
  - Distributive fairness
  - Procedural fairness
  - Retributive fairness
- Motivation to comply
  - Motivational postures
  - Tax morale

Decision-making perspective

Self-employment

Interaction between tax authorities and taxpayers

→ Tax compliance

Source: Adapted from Kirchler (2009:3)

In the sections below a brief explanation and summary are provided of research on each of the above determinants of tax compliance.

### 3.4.1 Political perspective

The political perspective of compliance behaviour refers to the fiscal policy and tax system, which includes the complexity of legislation, as factors that have an effect on an individual's tax compliance behaviour.

The complexity of tax legislation explains why tax practitioners tend to focus on specific areas of expertise in tax law, since the continuous need to maintain their professional competency can be a major obstacle to overcome (Kirchler, 2009:7; Marshall, Armstrong & Smith, 1998:1279).

Taxpayers find tax legislation even more difficult to comprehend than practitioners do (Braithwaite, 2005:149). Slemrod, Blumenthal and Christian (2001:459) argue that tax laws tend to be complex and ambiguous, and that it is not always clear what is required from a taxpayer. The law itself may be unclear, or the legislation may be clear but unfamiliar to the taxpayer, or the tax administrator may effectively ignore a particular transaction or activity due to the complexity of that transaction or activity. Moser (1994:634) argues that the high level of abstraction, long and complex sentences, use of abbreviations, and reference to experts rather than to ordinary readers found in tax law were some of the problems that make it difficult for ordinary taxpayers to grasp tax law. Lewis (1982:191) claims that the level of training and education required to understand tax law is unjustifiably high.

Kirchler (2009:13) believes that the complexity and ambiguity of tax laws create opportunities for exploitation without violating laws. It offers certain types of taxpayers the opportunity, through creative measures and the use of experts, to reduce the amount of tax payable, which may create an impression among other taxpayers that the tax system is unjust. These perceptions may lead taxpayers to devalue a tax system, since they see no equilibrium between the taxpayers' contributions and the benefits for the community, and taxpayers rationalise non-compliance tax behaviour accordingly (Carnes & Cuccia, 1996:56; Falkinger, 1988:395; Mikesell & Birskyte, 2007:1070).

### 3.4.2 Social psychological perspective: Mental (social) representations

Kirchler (2009:28) believes that although the subject of tax may not be the most highly debated topic in daily conversations, taxpayers tend to look more closely at this subject when their taxes are due, or when the spending of government is disputed, or when a new tax is to be introduced.

The influence of social representations on tax compliance behaviour, based on Kirchler's (2009:3) framework, are presented in Figure 20 (p101). The conclusions of a number of studies with regard to social representations are reviewed in the subsections below. Firstly, the conclusions related to subjective knowledge are considered, after which subjective or mental concepts of taxation are examined. Then, using the theory of planned behaviour as a point of departure, attitudes, personal, social and societal norms, and perceived opportunities to avoid taxes are addressed. Finally, the issues of fairness, tax morale and the motivation to comply are dealt with.

### 3.4.3 Subjective tax knowledge and mental concepts

#### *3.4.3.1 Subjective tax knowledge*

Kirchler (2009:31) defines subjective tax knowledge as ordinary taxpayers' understanding of taxation. This concept is vital in understanding taxpayers' behaviour, because individuals' knowledge and concepts of taxation are central to their judgements, evaluations, perceptions of fairness and willingness to be tax compliant. When subjective knowledge is integrated with social representations, the focus of subjective understanding is not the accuracy of taxpayers' knowledge of current legislation, but rather their current comprehension of it and how this comprehension is structured (Moscovici, 2001:77).

Individuals often feel incompetent when it comes to the field of taxation (Furnham, 2005:713; Kirchler 2009:32; McKerchar, 1995:41; Sakurai & Braithwaite, 2003:380). Kirchler (2009:35) argues that both a meagre understanding and complete misunderstanding are breeding grounds for distrust. Schmölders (1960) suggests that people with a better education are more likely to agree with government's fiscal policies. McKerchar (2001) has indeed confirmed that higher education has a positive relationship with compliance. Niemirowski, Baldwin and Wearing (2001:214) and Niemirowski, Wearing, Baldwin, Leonard and Mobbs (2002) have demonstrated a relation between tax comprehension and tax-related morals, attitudes towards compliance and behavioural intentions. In the 1980s, Lewis (1982:193) concluded that most people have little concern for fiscal policy at all, substantiating similar suggestions by Schmölders (1960) more than 20 years earlier.

The findings of Carnes and Cuccia (1996:56) suggest that detailed tax knowledge is positively associated with tax ethics and tax compliance, and negatively associated with the tendency to evade tax, in line with the arguments of Eriksen and Fallan (1996:402) and Kirchler, Maciejovsky and Schneider (2003:173-194). Fallan (1999:184) and Grasso and Kaplan (1998:100) even found that enhanced knowledge of tax had a significant influence on both genders' opinions of the even-handedness of the tax system.

Torgler (2002:683) believes that in an environment of well-educated taxpayers who are confident about their tax knowledge, transparency is vital in ensuring compliance. Tax compliance improves if taxpayers are satisfied with the "benefits" they receive in exchange for their tax payments (Alm, Jackson & McKee, 1993:303; Fjeldstad, 2004:562; Pommerehne & Weck-Hannemann, 1996:170). Feld and Kirchgässner (2000:306) argue that in democratic societies, citizens are well-informed, with the result that governing politicians have less latitude to pursue their personal interests, and public expenditure and debt are also less, creating a more responsible community.

Thus, with regard to subjective knowledge, there is evidence of a positive relationship between tax knowledge and tax compliance. This tax knowledge can relate to technical tax knowledge or to knowledge on how taxes are used. Less tax knowledge amongst taxpayers may therefore lead to a higher tendency to non-compliance.

#### *3.4.3.2 Subjective concepts of taxation*

According to Lewis (1978:366), a person's attitude, judgement and behavioural intentions are influenced more by what the person thinks than by the situation in reality. Studies conducted in Austria (Kirchler, 1998:131) and Italy (Berti & Kirchler, 2001:607) revealed that, although most participants acknowledged the necessity of contributing to the State coffers, they still held negative attitudes towards taxes. Taxpayers perceive tax to be a limitation on their autonomy to invest personal funds, or payments made without a decent return, and/or recurring requests by governments to make up for the deficits in the legislator's budget as a result of mismanagement (Kirchler, 1998:131).

According to Brehm (1966), Kirchler (2009:42) and Pelzmann (1985) the response to loss or the perceived loss of freedom usually takes the form of reactance and an endeavour to restore the power that has been lost. In terms of the prospect theory framework, a self-employed taxpayer may perceive tax evasion as a less favourable option in the loss realm (Kahneman & Tversky, 1979:291; Schepanski & Shearer, 1995:186).

Etzioni (1988), however, argues that taxpayers still differentiate between tax avoidance and tax evasion in the psychological environment because of legal differences and moral considerations. Although lawful and unlawful activities have identical economic consequences, taxpayers do grasp the difference between lawful and unlawful activities (Kirchler *et al.,* 2003:553).

Opportunity and inequity have been the subject of a number of psychological environment studies (Dornstein, 1987:55-76; Kirchler, 1997:59-70; Spicer & Lundstedt, 1976:295-305). Inequity proved to be pertinent when it comes to tax evasion, while horizontal justice[5] is related to tax avoidance. Reactance and injustice are also concepts linked to tax avoidance.

Kirchler, Niemorowski and Wearing (2006:517) explored similarities between the subjective outlook of tax officers and taxpayers. Their central argument is that the relations between taxpayers and tax officers rely on a mutual understanding and acceptance of each other, fed by collectively held views. Cialdini (1993:58) argues that if taxpayers and tax authorities shared collective views, the understanding between them would be better. Kirchler *et al*. (2006:517) revealed that the behaviour of taxpayers, as reported by the Australian Taxation Office, was influenced by a willingness to cooperate. This was fundamentally better when there were similarities between classic tax officers' and taxpayers' personal views on tax mentality, tax ethics and the level of support provided by tax staff.

Research on the issue of subjective concepts about taxation reveals that there are differences between the perceptions and interpretations of taxation of

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[5] Horizontal justice refers to taxpayers' perceptions regarding the fairness of treatment relative to others in a peer income group (Kirchler, 2009:75).

different groups of taxpayers. The majority of taxpayers still consider tax evasion illegal, but believe that tax avoidance is within their legal rights and see this action as driven by the motive to save their own money. Finally, the possible consequences of the similarities between taxpayers' and tax officials' views of taxation indicated that a similarity between the views of taxpayers and that of legislators is related to both parties' mutual understanding of each other, and leads to improved taxpayer compliance behaviour.

#### *3.4.3.3 Attitudes*

In this theory of planned behaviour, Ajzen (1991:179-211) argues that behaviour is only determined to a certain extent by attitudes. Ajzen suggests that subjective norms and perceived control of behaviour are further variables that should be taken into account as determinants of behavioural intentions and of actual behaviour. The general notion is that a person with a positive attitude in favour of a certain event or situation would act in accordance with that attitude. If one applies this premise to the tax environment, taxpayers who appraise tax compliance negatively can be expected to be less compliant than taxpayers who judge tax compliance positively. It has been proved that individuals' assessment of events (whether it is positive or negative) influences their attitude (Ajzen, 1993:41-57).

"Attitude" is defined by Eagly and Chaiken (1993) as a psychological (behavioural) tendency that is expressed by assessing a particular article or circumstance with some degree of approval or disapproval. Ajzen (1993:41-57) regards attitudes as an individual's inclination by temperament to approve or disapprove of an item, individual, institution or event, or of any discernible aspect of the individual's world.

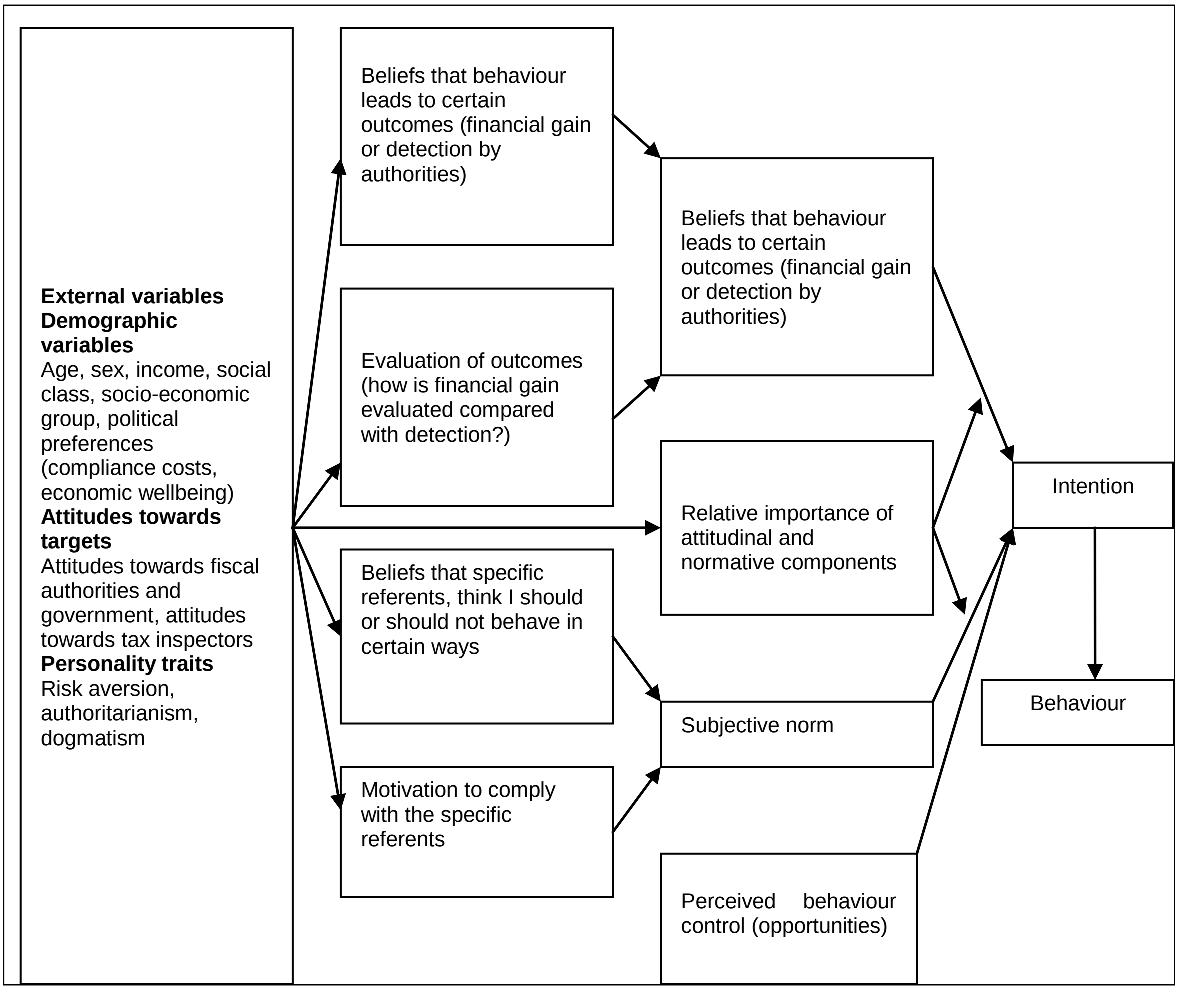
Lewis's (1979:257) study has revealed that the most pertinent discriminant variable of tax attitudes is income, and that taxpayers in higher income tax brackets have a stronger aversion to taxation in general, and to progressive tax rates in particular. This group of taxpayers also appear to believe that non-compliance is more acceptable than taxpayers with a lower income appeared to believe. In Austria (Kirchler, 1998:131) and later in Italy (Berti & Kirchler, 2001:607), it was revealed that although taxpayers are willing to comply with tax legislation, they do not regard non-compliance as a serious criminal offence; in fact, they regard it as being clever. Findings corresponding to these results were also reported by Burton, Karlinsky and Blanthorne (2005:48) and Song and Yarbrough (1978:452) in the United States, and Vogel (1974:513) in Sweden.

Since the early days of empirical research on the psychological implications of taxation to recent times, the significance of attitudes towards the government, fiscal policy and tax non-compliance in determining tax behaviour has been recognised throughout the world. In the majority of studies, statistically significant (albeit sometimes weak) relationships between taxpayers' attitudes and their corresponding self-reported behaviour were found, for example, in the studies of Chan, Troutman and O'Bryan (2000:103), Dornstein (1976:1034), Fetchenhauer (2004), Groenland and Van Veldhoven (1983:144), Niemirowski *et al.* (2002), Orviska and Hudson (2002:102), Porcano (1988:67), Trivedi, Shehata and Mestelman (2004:513), Vogel (1974:513), Wahlund (1992:677), Wallschutzky (1984:384) and Webley, Cole and Eidjar (2001:155).

Fishbein and Ajzen's (1975) theory of reasoned action assumes behavioural intentions that are moulded by attitudes toward a given behaviour and by subjective values. The successor of the theory of reasoned action is the concept of planned behaviour, which incorporates perceived behavioural control as a determining factor of behavioural intention (Ajzen, 1991:211).

Bobek and Hatfield (2003:38) applied this theory of planned behaviour to tax compliance and found that taxpayers' moral obligations also influence their decisions. Lewis (1982:173) tailored Fishbein and Ajzen's (1975) theory on non-compliance and embraced "external variables" such as gender, age, earnings and social class. Lewis (1982:173) also took into account attitudes towards fiscal authorities, as well as personality traits such as risk aversion. Figure 21 depicts Lewis's (1982:172) model.

**Figure 21: Attitude-behaviour model for the case of tax evasion**




Source: Lewis (1982:172)

Braithwaite (2003a:39) suggests that attitudes and behaviour should be dealt with as two distinct elements that have a limited relationship with each other. Similarly, Lewis (1982:177) summarises support for the attitude or behaviour relationship as follows:

> While the relationship between tax attitudes and tax evasion is not a simple one, we can't be confident in our general prediction that if tax attitudes become worse, tax evasion will increase, although a more precise statement about which attitudes are reflected in behavioural intentions, using Fishbein's and Ajzen's (1975) terms, and in actual tax evasion is not yet within our grasp.

Braithwaite (2003a:15) takes this argument further, arguing that the organisation of tax systems is likely to increase in complexity in the 21st century because of the phenomenon of burgeoning globalisation. Given the constant evolution of tax systems, educating taxpayers plays a fundamental role in modern tax systems – it is important that taxpayers have no doubt about the integrity of the entire tax administration (Braithwaite, 2003a:15).

Although attitudinal assessments of the tax authority and taxation are distinct from compliance and behaviour, together they have a critical influence on society's receptiveness toward tax. It can therefore be deduced that social views of revenue authorities and taxes in general and attitudes are important influences on a taxpayer's tax behaviour.

#### *3.4.3.4 Norms*

Attitudes and behaviour patterns are influenced by values or norms (Fishbein & Ajzen, 1991:211). Kirchler (2009:59) maintains that studying the development and employment of norms and values as predictors of tax compliance is an approach that is even more diverse than is the case with attitudes. A taxpayer's personal norms, values and tax ethics imply a belief that there is (or is not) a moral imperative that one should comply with tax legislation. These are believed to coincide with social norms, generally referred to as the prevalence or acceptance of non-compliance among a reference group (Wenzel, 2005:508). The treatment of norms in the research environment coincides with an examination of the features of a taxpayers' personality, value orientation, individual (as opposed to social) norms, together with societal norms, confidence in institutions and cultural standards. Table 9 presents a discussion on these and indicate relevant factors that might influence non-compliance by taxpayers.

**Table 9: Different norms in the taxation context**

| | Personal Norms and Values | Social Norms | Societal Norms |
|---|---|---|---|
| **Background** | Kirchler (2009:59) suggests that taxpayers' tax ethics are consistent with taxpayers' own personality traits, for example, their moral reasoning, egoism, norm dependency and values. Individual taxpayers' moral reasoning and ethical views influence their tax compliance behaviour (Reckers, Sanders & Roark, 1994:836; Trivedi *et al*., 2003:197). Kirchler and Berger (1998:462) have demonstrated that participants with lower tax ethical values were more prone to not complying with tax legislation.<br><br>Kirchler (2009:61) argues that an individual's values refers to his or her apprehension of the social objectives of the society into which he or she wants to fit, the organisation of that society, and the manner in which its resources are distributed. Braithwaite and Ahmed (2005:540) indicate that the cornerstones of a taxpayer's tax morale are values and perceptions of fairness. Tax morale is a relevant determinant of compliance and a functional barometer for determining what taxpayers think about a tax system. In addition, it may reveal a lot about the functional moral legitimacy of legislators and their actions (Braithwaite & Ahmed, 2005:540). | Wenzel (2005:495) defines social norms as the occurrence or approval of tax evasion among a peer group. Similarly, Fehr and Gächter, (1998:854) characterise social norms as a "behaviour regularity that is based on a socially shared belief how one ought to behave which triggers the enforcement of the prescribed behaviour by informal social sanctions".<br><br>Social norms are founded in an individual's belief that relevant referents would endorse certain kinds of behaviour and the extent to which that individual is prepared to comply with such a referent (Ajzen, 1991:180). Alm, McClelland and Schulze (1999:22) believe that a social norm is maintained by social consent or repudiation. It can therefore be deduced that if taxpayers believe that other taxpayers have a socially accepted set of rules to which they relate, they may also embrace this set of rules and behave appropriately. | At the collective or national level, norms evolve into cultural standards that are often reflected in actual law. At the cultural level, norms have been dealt with primarily under the constructs of tax morale, civic duty and cultural norms (Kirchler, 2009:70). |

| | | | |
|---|---|---|---|
| **Influence** | • Honesty is closely linked to tax compliance (Erard & Feinstein, 1994:19; Porcano, 1988:67).<br>• Strong religious viewpoints, along with a strong moral conscience, may play a role (Kirchler, 2009:62; Grasmick, Bursik & Cochran, 1991:266).<br>• Trust in the legislator and religiosity both have a positive effect on tax morale (Torgler, 2003a:381).<br>• Taxpayers' political affiliation is relevant (Wahlund, 1992:677).<br>• Some taxpayers may have a mentality condemning deviant behaviour (Lewis, 1982:179; Wahlund, 1992:677).<br>• Where taxpayers expect to feel guilt and shame when particular norms are ignored, they may be more compliant (Ahmed & Braithwaite, 2004:326; Grasmick & Bursik, 1990:861; Grasmick *et al*., 1991:266). | • Social support from friends and the prevalence of evasion among friends and colleagues affect tax compliance (Bergman & Nevarez, 2005:9; Cullis & Lewis, 1997:321; Liebig & Mau, 2005:491; Sigala, Burgoyne & Webley, 1999:241; Webley *et al*., 2001:155).<br>• Taxpayers' socialising with others who evade tax will reduce compliance (Torgler 2005a:157).<br>• The prevalence of tax evasion in a given community plays a role (Mikesell & Birskyte, 2007:1069; Welch, Xu, Bjarnason & O'Donnell, 2005:25).<br>• Peer group pressure is relevant (Sigala *et al*., 1999:241). | • Divergent social norms affect tax compliance (Alm, Martinez-Vazquez & Schneider, 2004:75; Alm, Sanchez & DeJuan, 1995:18; Alm & Torgler, 2006:246; Chan *et al*., 2000:103; Gërxhani, 2004:745).<br>• Different stages in the development of the State or its collecting agents and citizens may be relevant (Alm *et al*., 2004:75; Alm & Torgler, 2006:246; Chan *et al*., 2000:103; Gërxhani, 2004:745).<br>• Citizens' varying trust in the government plays a role in tax compliance (Alm *et al*., 2004:75; Alm & Torgler, 2006:246; Chan *et al*, 2000:103; Gërxhani, 2004:745). |
| **Conclusion** | Torgler (2003b:125) believes that the "motivation of the 'intrinsic taxpayers' includes … the feeling of an obligation, which motivates a person without being forced". Intrinsically, a taxpayer's willingness to cooperate depends on institutional conditions, rather than on the behaviour of other tax taxpayers. | When a taxpayer believes that non-compliance occurs quite often and is socially accepted behaviour, such a taxpayer is more inclined to engage in non-compliance. Taylor (2003:92) reasons that social identity is an influential factor and that attitudes and fairness beliefs are grounded in the group with which a person identifies, such as friends, the person's occupational group or nation. | The general opinion is that cultural norms and societal institutions are crucial indicators in determining tax compliance. |

#### *3.4.3.5 Perceived opportunities for non-compliance*

In the tax environment, "perceived behavioural control" refers to a taxpayer's self-confidence in completing tax returns to his or her best advantage and interests (Kirchler, 2009:72). In Section 3.4.1, it has already been indicated that tax legislation is complex and that the average taxpayer struggles to understand relevant legislation. Furthermore, taxpayers obtain expert advice from tax practitioners in order to complete a more accurate tax return, as has been indicated in Section 2.3.2. On the basis of this information, it can be argued that taxpayers' self-confidence in completing tax files in a beneficial way for their own benefit is generally fairly low. Awareness of opportunities for tax non-compliance in a tax environment depends on subjective tax knowledge and actual opportunities.

In Weigel, Hessing and Elffers's (1987:235) model of tax evasion, opportunities for tax evasion depend on the probability of cash receipts being audited and non-withholding at source. In general, people have greater opportunities for under-declaring taxes in instances of self-employment. Entrepreneurs are supposed to declare their gross income, collect their earned income and pay taxes out of their own pockets. This makes it easier to disguise income and to pronounce unjustifiable deductions. Other research results were consistent with Weigel *et al*.'s (1987:235) model and reveal that the opportunity not to comply is one of the main determinants of tax evasion or avoidance (Antonides & Robben, 1995:640; Groenland & Van Veldhoven, 1983:144; King & Sheffrin, 2002:521; Slemrod *et al*., 2001:483).

In conclusion, there is a significant link between the actual opportunity to evade tax and the perceived opportunity to evade tax and taxpayer behaviour (Wahlund, 1992:677). Webley *et al*.'s (2001:155) results are similar, revealing that perceived opportunity is one of the most important predictors of self-reported tax evasion in the United Kingdom, France and Norway. Porcano (1988:67) has demonstrated that opportunity was the most significant indicator of understating income and overstating deductions and one of the most pertinent predictors of admitted tax evasion in his study.

#### 3.4.3.6 *Fairness*

If taxpayers are asked for their opinion on tax systems in studies, the concept of fairness is mentioned quite frequently (Braithwaite, 2003a:11; Rawlings, 2003:306; Taylor, 2003:92). A summary of compliance research provided by Andreoni, Erard and Feinstein (1998:818-860) identifies fairness as one of the main focus points in the research they reviewed. This focus was either on the form of the tax code or its application, or on taxpayers' assessment of government expenditure.

Adams (1965:299) argues that one of the most frequently used indicators in tax compliance research is the perception on the part of taxpayers of their exchange equity[6] with the government and the perceived fairness of a taxpayer's contributions relative to the contributions of other taxpayers. Wenzel (2003:69) categorises these indicators into social psychological areas of justice, namely distributive justice, procedural justice and retributive justice. To enhance the discussion of these classifications, the meaning of each classification and its application to the tax environment are provided in Table 10 (below).

**Table 10: The classification and the meaning of each classification**

| Area of justice | Explanation of type of justice | Application of area of justice to taxation |
|---|---|---|
| Distributive | This reflects the principle of an exchange of resources, taking both costs and benefits into consideration. Equity theories focus on the fair distribution of the results of exchanges between relevant parties (Adams, 1965; Homans, 1961; Walster, Walster & Berscheid, 1978). Where returns and costs are perceived as divided evenly and distributed impartially, exchange is in equilibrium and the relationship is regarded as acceptable. | Applied to tax compliance, the theory of distributive justice refers to taxpayers' opinion of the balance of their contribution to the state, relative to the benefits they receive in return, and to the contributions of other taxpayers relative to their share of public goods. |

[6] "Balance between taxes paid and the benefits derived from public goods" (Kirchler 2009:75).

| Area of justice | Explanation of type of justice | Application of area of justice to taxation |
|---|---|---|
| **Procedural** | Procedural justice refers to the processes of resource distribution. The perceived fairness of resource allocation procedures is determined by the opinion of the different partners on whether or not the treatment they receive is acceptable (Thibaut & Walker, 1978; Tyler, 1990; Tyler & Degoey, 1996). Upon investigating public trust and confidence in institutions, Tyler (2001:235) posited that the main influence on public views is a process-based assessment of the fairness of procedures used in exercising authority. | In the taxation relationship, if taxpayers in a specific context are convinced that the yardstick used to allocate resources (benefits and costs) is fair, the perceived procedural fairness is high among the taxpayers in that context. |
| **Retributive** | Retributive justice deals with the perceived suitability of sanctions in cases of norm-breaking (Tyler, 1990). The focus of retributive justice is on the attributions of responsibility to parties involved in wrongdoing, the compensation for damages to the injured party and appropriate chastisement of the wrongdoer. | Applied to taxation, it refers to taxpayers' opinion on the suitability of punitive methods such as fines and penalties for non-compliance. |

Source: Adapted from Kirchler (2009:75-76)

### *3.4.3.7 Distributive justice*

The purpose of taxes is to supply public goods to society and to redistribute income in such a way that low-income earners benefit more, while high income earners have a higher tax burden to contribute to the provision of public goods. The core focus of research on fairness judgments and tax compliance is distributive justice. Wenzel (2003:69) argues that it takes into account tax burdens and tax-funded public benefits, but also sees tax avoidance as an opportunity that can be perceived as unequally available to taxpayers.

Studies on horizontal fairness have investigated the allocation of resources between taxpayers in equal income-earning groups. Dean, Keenan and Kenney (1980:44), for example, found that taxpayers felt their tax burden is heavier than that of other taxpayers with a comparable income. Kinsey and Grasmick (1993:325) found evidence that suggests that when taxpayers perceive their tax burden to be equivalent to that of peers in a comparable group, tax compliance improves. Similar results were presented by De Juan, Lasheras and Mayo (1994:105).

Spicer and Lundstedt (1976:305) point out that an exchange relationship exists between the taxpayer and a government. Taxpayers are perceived to be exchanging purchasing power for government service. Taxpayers hold strong opinions on what the government expends on various public goods and what the government is supposed to spend. They also have firm beliefs about whether what they receive from the government is in line with what they believe they are entitled to.

According to Kirchler (2009:80), the game playing theory of Pommerehne *et al*. (1994:52-69) referred to in Section 3.2.2 regards the interface between individual taxpayers and their respective governments as a dynamic process that analyses the relationship between government's public goods provision, government waste, fairness considerations and taxpayer compliance. Upon the conclusion of every interface, taxpayers reflect on previous interfaces and decide how to react through their decision on how much to pay. It is influenced by the provision of public goods and, furthermore, by the amount of misappropriation of government funds in the preceding interfaces. Some taxpayers adopt a retaliatory action, endeavouring to balance their payments made to the State with the public goods provided by the State to them in return. Thus non-compliance may be seen as a tool to gain even-handedness in the tax system (Mikesell & Birskyte, 2007:1069).

Further evidence in this regard was provided by Wallschutzky's (1984:384) study in Australia, which revealed that the exchange relationship was the main issue that convicted evaders had taken into account in deciding to be tax non-compliant. Perceived exchange injustice leads to lower levels of tax compliance (Alm, McClelland & Schulze, 1992:38; Falkinger, 1995:72; Porcano, 1988:67). Furthermore, Alm *et al*. (1993:303) have confirmed that the chances of taxes being paid are greater if sufficient public goods are granted.

#### *3.4.3.8 Procedural justice*

Residents of a country deem procedural aspects important in their relations with the State. Tyler and Lind (1992:91) claim that the neutrality of the procedure, the trustworthiness of the tax authority, together with polite, dignified and respectful treatment all contribute to a person's assessment of perceived fair treatment. Procedural fairness forms an integral part in moulding the legitimacy that residents confer on the authority, which in turn sustains the system that is crucial to govern efficiently, without compulsion (Tyler, 2006:400).

At the individual level, procedural justice is defined as the quality of conduct in interactions involving taxpayers and the relevant authorities, the quality of information offered by the tax authorities, the compliance and administration costs and the dynamics of the allocation of revenues (Kirchler, 2009:84). The accessibility of tax law and adequate justification for amendments to tax law may lead to increased fairness perceptions (Wartick, 1994:23), as might the clarification of complex tax law issues and an increase in transparency (Carnes & Cuccia, 1996:56). Effectiveness in the relationship between taxpayers and tax authorities, the time spent in queues at service points and approval of treatment when being audited also determine perceptions of procedural justice (Wallschutzky, 1984:384). Smith and Stalans (1991:53) argue that the respectful treatment of taxpayers, together with the perceived neutrality and trustworthiness of the authorities, may have a positive influence on procedural justice perceptions.

At the societal level, procedural fairness refers to the neutral actions of tax officers with regard to peer groups such as work- or income-related groups (Kirchler, 2009:85). The perception among taxpayers that some constituencies have more freedom than others may result in those taxpayers' perceiving themselves as being treated unjustly (Murphy, 2003:407, 2004b:209).

Moreover, tax morale is influenced by direct participation in general and is noticeably better where participation involves political judgements closely linked with financial issues. It can therefore be concluded that trust in the State's institutions has a positive influence on tax morale (Fjeldstad, 2004:562; Torgler, 2003c:302, 2005a:157; Tyler & Degoey, 1996:356).

Thus, if a tax authority treats taxpayers equally and with respect, trust in the tax authority may improve and may result in improved compliance, which is likely to increase at the individual, group and societal levels.

#### *3.4.3.9 Retributive justice*

Retributive justice deals with the severity of tax audits, the restoration process, and the suitability of penalties in cases of norm-breaking (Kirchler, 2009:87).

A taxpayer's stance towards the tax office and taxes is negatively influenced by invasive audits and unreasonable penalties (Spicer & Lundstedt, 1976:305; Strümpel, 1969:22). Hasseldine and Kaplan (1992:60) argue that levies for misconduct are generally accepted if they are believed to be appropriate. Furthermore, they attest that in countries where there is high tax morale, tax misconduct is viewed as a major offence which must be duly punished.

Falkinger and Walther (1991:67-79) criticise the *status quo* of tax laws, which tend only to punish taxpayers for wrongdoing, while providing no positive reinforcement for law-abiding tax conduct. Combining economic analysis with moral and practical doubts, they propose the introduction of at least some form of financial benefit as a reward for controlled honesty. This may increase the prospect that tax compliance can develop into an alternative rational choice, because it is not only morally correct, but also economically optimal, without displaying the negative features of prohibitive punishment (Hite, 1989:267; Paternoster & Simpson, 1996:584). However, Bird and Zolt (2003) indicate that in general these "incentives" do not work well in practice, especially if they are not backed up with proper enforcement.

Therefore, taxpayers' perceptions of the interaction between themselves and the State influence their judgement on retributive fairness and may influence their tax compliance behaviour.

#### *3.4.3.10 Motivation to comply*

There are a number of motivational reasons that may explain compliance by taxpayers. Kirchler (2009:96) argues that a taxpayer's willingness to be tax compliant is influenced by social representations. A combination of variables may affect the taxpayer's willingness to behave in an honest manner when it comes to taxes. Braithwaite (2003b:39) argues that this combination of concepts and collective shared opinions and evaluations is related to "motivational postures".

At a societal level, citizens' general opinion of the government, tax and non-compliance generates a country's tax morale (Schmölders, 1960) and civic duty (Frey, 1997). Motivational postures therefore assimilate subjective knowledge of tax law, subjective concepts, attitudes, norms and fairness perceptions, in order to determine a taxpayer's stance towards tax authorities.

Braithwaite (2003b:20) suggested a very useful way of viewing and assessing the motivational postures of taxpayers, as summarised in Table 11.

**Table 11: Motivational postures and statements representing them**

| Motivational posture | Description | Statements representing motivational postures |
|---|---|---|
| **Commitment** | Commitment combines a positive orientation towards tax authorities and deference. The tax system is perceived as desirable, tax law and tax collection are perceived as fair. Committed taxpayers feel a moral obligation to pay their share and to act in the interest of the collective. | a) Paying tax is the right thing to do.<br>b) I feel a moral obligation to pay my tax.<br>c) Overall, I pay my tax with goodwill. |
| **Capitulation** | Capitulation reflects a positive orientation in terms of acceptance of the tax authorities which hold legitimate power to pursue the collective's goals, as long as citizens act in a supportive way. | d) If I cooperate with the tax authorities, they are likely to be cooperative with me.<br>e) The tax system may not be perfect, but it works well enough for most of us.<br>f) No matter how cooperative or uncooperative the tax authorities are, the best policy is to always be cooperative with them. |

| Motivational posture | Description | Statements representing motivational postures |
|---|---|---|
| **Resistance** | Resistance reflects a negative orientation and defiance. The authority of tax officers may be doubted and their acts may be perceived as controlling and dominating rather than supportive. | g) If I do not cooperate with the tax authorities, they will get tough with me.<br>h) It is important not to let the tax authorities push me around.<br>i) It is impossible to satisfy the tax authorities completely. |
| **Disengagement** | Disengagement also reflects a negative orientation and correlates with resistance. Individuals and groups keep socially distant and blocked from view and have moved beyond seeing any point in challenging tax authorities. | j) If I find out that I am not doing what the tax authorities want, I am not going to lose any sleep over it.<br>k) I do not care if I am not doing the right thing according to tax authorities.<br>l) If the tax authorities get tough with me, I will become uncooperative with them. |
| **Game-playing** | Game-playing expresses a view of law as something that can be moulded to suit one's purposes rather than as a set of regulations that should be respected as guidelines of one's actions. In the field of tax behaviour, game-playing refers to "cops-and-robbers" games with taxpayers detecting loopholes for their advantages and perceiving tax officers as cops who engage in catching cunning taxpayers. | m) I enjoy spending time working out how changes in the tax system will affect me.<br>n) I enjoy talking to friends about loopholes in the tax system.<br>o) I like the game of finding the grey area of tax law. |

Source: Braithwaite (2003b:20)

Braithwaite (2003b:39) argues that a taxpayer can hold distinct motivational postures at the same time. These postures are applied by taxpayers in different situations (Taylor, 2003:92) and these motivations that the taxpayers hold influence their attitude and behaviour towards tax compliance. Braithwaite's (2003b:39) work on motivational postures highlights the significance of subjective and socially shared portrayals of a country's tax system for taxpayers' tax behaviour.

### *3.4.3.11 Tax morale*

Kirchler (2009:99) argues that in general tax morale implies the collective (intrinsic) motivation to be tax compliant. The construct of tax morale is defined by Schmölders as the "attitude of a group or the whole population of taxpayers regarding the question of accomplishment or neglect of their tax duties; it is anchored in citizens' tax mentality and in their consciousness to be citizens, which is the base of their inner acceptance of tax duties and acknowledgment of the sovereignty of the state" (Schmölders, 1960:979-988). Braithwaite and Ahmed (2005:523) describe tax morale as an "internalised obligation to pay tax", and Orviska and Hudson (2002:102) associate this concept with the notion of civic duty. Civic duty implies that individuals are inspired to be tax compliant by a sense of accountability and devotion to their country, not just the optimisation of their own well-being.

In general, higher tax morale was found to lead to better tax compliance (Eichenberger & Frey, 2002:265-288; Lewis, 1982:161; Strümpel, 1966:70-77, 1969:13-22; Torgler, 2002:657-683; Vogel, 1974:499-413).

### 3.4.4 Decision-making perspective

According to Kirchler (2009:103), this perspective relates to a decision made by taxpayers on whether to evade taxes or pay their due. This decision can have an impact on society. For example, if a few people decide to evade taxes, it will benefit them and will have no major effect on the other taxpayers, but if more people evade tax, it will start to have an impact on the public services that are funded through taxes. Thus, in the end, society receives less when people do not pay taxes (Dawes, 1980:193; Messick & Brewer, 1983:240; Stroebe & Frey, 1982:137; Van Lange, Liebrand, Messick & Wilke, 1992:28).

As already indicated in the discussion above of the economic theories, taxpayers tend to engage in tax evasion if it benefits them more to evade taxes than to pay the tax due (Allingham & Sandmo, 1972:328-338; Srinivasan, 1973:339-346). These authors assume that taxpayers base their decision to evade tax or not on "parameters" such as audit probability, repeated audits, the fines if they are caught, the marginal tax rate, and the effect on their income. These "parameters" are discussed in Table 12 (overleaf).

**Table 12: Determinants and situations conducive to tax compliance**

| Audit Probabilities | Repeated Audits | Fines | Marginal tax rate | Income |
|---|---|---|---|---|
| Alm, Cronshaw and McKee (1993:45), Fischer, Wartick and Mark (1992:46) and Worsham (1996:39) conclude that both an increase in the audit probability and the perceived audit probability will increase tax compliance (Mason & Calvin, 1978:89; Spicer & Lundstedt, 1976:305).<br><br>By contrast, other studies found that the audit probability had only a small effect (Andreoni *et al*., 1998:860; Weck-Hannemann & Pommerehne, 1989:556) or no statistically significant effect (Mason & Calvin, 1978:89; Spicer & Lundstedt, 1976:305; Wärneryd & Walerud, 1982:211).<br><br>Torgler (2005b:531) discovered that taxpayers are willing to pay their tax if they are certain that government will use the tax to the country's benefit, | Kirchler (2009:118-119) believes that if taxpayers are audited they will probably evade tax after an audit to "get back" what they were fined for if an inconsistency was found. Taxpayers who evade tax and are audited, but are not caught for evasion, will keep on evading tax, because they perceive the auditors not to have the necessary resources to detect the inconsistency (Kirchler, 2009:118-119).<br><br>The taxpayers are then non-compliant after being audited, as they are of the opinion that they will not be audited twice in a row. Taxpayers tend to learn how the audits work and when they might occur, thus giving the taxpayer the opportunity to learn what the auditors look for when tax evasion is investigated (Kirchler, 2009:120-121; Mittone, 2006).<br><br>There are, however, a number of studies that | In general, it is assumed that fines lead to increased tax compliance (Kirchler, 2009:111).<br><br>Friedland, Maital and Rutenberg (1978:116) found evidence that higher fines or punishment were slightly more efficient to curb tax non-compliance than a perceived higher audit probability.<br><br>Subsequently, Friedland (1982:59) claimed that fines did not enforce a higher compliance rate than audit probability. Webley *et al.* (1991) did find evidence to substantiate Friedland *et al*.'s (1978) findings, but also found evidence consistent with Friedland's (1982) research.<br><br>Fjeldstad and Semboja (2001:2074) and Weck-Hannemann and Pommerehne (1989:556) had doubts on the effectiveness of fines as a measure to | The majority of research dealing with marginal tax rates indicates that as the marginal tax rate increases, so does tax evasion (Alm, Jackson & McKee, 1992:114; Clotfelter, 1983:373; Collins & Plumlee, 1991:576; Friedland *et al*., 1978:116; Moser, Evans & Kim, 1995:634; Pommerehne & Weck-Hannemann, 1996:170; Slemrod, 1985:238; Weck-Hannemann & Pommerehne, 1989:556).<br><br>Porcano (1988:67) found that the marginal tax rate had no effect on previous evasion or under-reporting.<br><br>Baldry (1987:383) found that the marginal tax rate was insignificant; however, Alm *et al*. (1995:18) found the contrary in a Spanish sample.<br><br>By contrast, Calderwood and Webley (1992:748) found that there is no response, in terms of tax evasion, when | Anderhub, Giese, Güth, Hofmann and Otto (2001:206) and Weck-Hannemann and Pommerehne (1989:556) argue that high income taxpayers are more prone to evade tax. Park and Hyun (2003:684) could not find evidence in support of this argument, but Alm *et al*. (1992:114) found that high income and a high tax rate may result in increased tax evasion. |

| Audit Probabilities | Repeated Audits | Fines | Marginal tax rate | Income |
|---|---|---|---|---|
| whereas if they feel that government is wasting the taxpayers' money and stealing it to benefit themselves and not the country, taxpayers are more likely to evade tax.<br><br>Slemrod *et al.* (2001:483) conclude that low- or middle-income taxpayers are less likely to evade tax than high-income taxpayers.<br><br>Kirchler (2009:110), however, concludes that taxpayers are more likely to be tax compliant if they know they will be fined, than if they know there is a probability that they will be audited. He also argues that subjective estimation determines taxpayer behaviour instead of actual audit risk. | provide evidence to the contrary, showing that taxpayers improve compliance after being audited (Spicer & Hero, 1985:267; Webley, 1987:270).<br><br>The auditing of self-employed taxpayers at the beginning of their business might lead to an increase in future tax compliance (Kirchler, 2009:125). Some authors suggest that positive reinforcement is more effective than implementing fines or punishment and that it encourages rapid learning (Angermeier, Bednorz & Hursch, 1994). | improve tax compliance. Park and Hyun (2003:684) suggest that compliance is improved by the probability of an audit as well as fines. Alm *et al*. (1995:18), however, reported evidence that fines had a more dominant impact on compliance than audit probability did. Varma and Doob (1998:184) conclude that the decision to evade tax is more influenced by being apprehended than by fines being received.<br><br>Schwartz and Orleans (1967:300) argue that moral appeals have a much greater impact on tax compliance than fines do. When government becomes oppressive and starts harassing taxpayers, and the delivery of public services deteriorates, it will result in an escalation of tax resistance amongst taxpayers (Kirchler, 2009:114). | the marginal tax rate increases; instead most people will work still harder. | |

Source: Adapted from Kirchler (2009:103–151)

### 3.4.5 Self-employment

According to Kirchler (2009:152), self-employed taxpayers tend to be more likely to evade tax than salary-earning taxpayers. Small business owners confessed that they tried to avoid tax and used tax practitioners to assist them with effective tax planning (Kirchler, 2009:153). In a study done by Kirchler and Berger (1998:462), it was found that self-employed taxpayers had an interest in non-compliance. Erard and Ho (2001:50) found that the non-filing of returns is more common among self-employed taxpayers, and taxpayers who receive income in cash, as it is easier to conceal income.

Self-employed taxpayers who work hard for their income are more likely to be non-compliant if the marginal tax rate is high (Calderwood & Webley, 1992:748). Collins, Murphy and Plumlee (1990:1) also found a positive relation between hard-working self-employed taxpayers and an increase in non-compliance.

According to Kirchler (2009:166), factors that play a role when self-employed taxpayers opt for the evasion of taxes include a lack of accounting skills and a lack of experience of tax. These taxpayers perceive that their freedom is impaired and that their right to invest money is infringed.

### 3.4.6 Interaction between tax authorities and taxpayers

The “interaction[s] between tax authorities and taxpayers are determined by both parties’ basic assumptions about the other’s goals and strategies” (Kirchler, 2009:168). If tax authorities perceive taxpayers as non-compliant, they begin to act as “cops”, taxpayers feel that they are being prosecuted and try to evade more tax and look for loopholes in the legislation to avoid paying more tax (Kircher, 2009:168).

If tax authorities change their view and see that there are more taxpayers who are willing to pay their dues than ones who do not, then they should follow a different approach. Trying to help the taxpayer comply with legislation and offer support for queries will also change the taxpayers’ views and enable them to perceive tax authorities as fair and empathetic (Kirchler, 2009:168). This will change compliance behaviour.

The relationship between tax authorities and taxpayers is determined by the perceptions that taxpayers have about the tax authorities and the way the authorities treat taxpayers. If taxpayers are treated fairly, with respect and courtesy, and not as criminals, taxpayers are more likely to show mutual respect and honesty towards the tax authorities (Kirchler, 2009:170). Taxpayers may be reluctant to engage with tax authorities in situations where the authorities are perceived to be unhelpful when taxpayers have enquiries about tax returns, and the authorities are perceived not to be equitable in their treatment of taxpayers (Niemirowski & Wearing, 2003:200).

Some countries have tried to increase compliance by awarding a bonus to tax inspectors and informants, but taxpayers believed that these people only performed such actions to "ensnare people" (Adams & Webley, 2001:216). Corruption may, however, occur among tax officials where inspectors receive low salaries (Kirchler, 2009:169).

If tax authorities use threats and coercion to try to increase compliance, they can expect the opposite behaviour (Murphy, 2004b:209). Tyler and De Cremer (2006:433) conclude that if tax authorities use more incentives than sanctions, they can improve compliance behaviour. Taxpayers are more likely to comply if the "political and legal systems enhance compliance" (Torgler, 2003b:140).

## 3.5 TAX PRACTITIONERS AS PROFESSIONALS

The first section of this chapter focused on factors that play a role in the tax compliance of taxpayers. The other side of the coin is equally important in this study, namely to explore the determinants and situations that may have an effect on tax practitioners' compliance behaviour. This is the focus of the remainder of this chapter.

In his article published in the *Cape Times* of 14 February 2006, Benatar wrote:

> Professionals play an important role in society. Indeed, society could not function effectively without trustworthy professionals. This raises questions about the ethics of how institutions operate and exert influence on those who work within them. In the face of the powerful forces eroding professionalism, there is a great need to promote core professional values. (Benatar, 2006:s.p.)

Due to their expertise and skill in matters of importance, trustworthy professionals play a vital role in society. Professional expertise is a form of power, and for it not to be exploited or abused, it should be governed by the highest ethical standards. Professional bodies that understand this have taken specific measures to foster these high ethical standards, typically by means of codes of conduct for their members, and measures to enforce these codes (Rossouw, Du Plessis, Prinsloo & Prozesky, 2009:24).

Taxpayers rely on tax practitioners for assistance regarding their tax matters, for example, reassuring them that their tax affairs are in order (OECD, 2008:14) and, tax practitioners play an important role in setting standards and identifying acceptable risks (Sakurai & Braithwaite, 2001:20).

The OECD (2008:14) recognises the crucial role played by tax practitioners, and in 2008 commissioned a study into the role of tax intermediaries. The study team recognised that tax practitioners can indeed influence taxpayer decisions by providing advice and by representing the interests of their clients in engaging with revenue authorities. Similar to Tan's (2006:15) study, the OECD (2008:14) study also found that tax practitioners are well-positioned to influence the tax decisions of their taxpayer clients, and in doing so, may in some instances be contributing to non-compliance.

In South Africa, SARS (2012a:17) too shares this view; for example in its *Compliance Programme 2012/13-2016/17* (SARS, 2012a:17), SARS states that tax practitioners sometimes facilitate tax evasion by their clients by providing advice to this effect. Book (2008:29) suggests that, besides providing advice of this nature to taxpayers, tax practitioners are likely to contribute to non-compliance in many other ways as well; for example, by

- not understanding tax legislation sufficiently;

- not obtaining all the relevant facts provided by clients that would enable practitioners to apply the tax laws correctly; and
- not acting with due diligence, by properly verifying information provided by the client.

As indicated by the OECD (2008:14) tax practitioners face a dual predicament: on the one hand, they have an obligation to act in the interests of their client, the taxpayer, and on the other hand, they have to uphold the provisions of the tax code. The morality of advising clients to evade taxes is more complex than a simple decision to evade taxes on one's own behalf, as they involve professional codes of ethics which generally prohibit or discourage such aggressive advice. It is reasonable to expect that practitioners resolve this dual predicament in different ways, for instance, depending on their personal morals, as well as the external influences, such as their professional code of conduct in order to address an ambiguous tax issue.

## 3.6 FACTORS INFLUENCING THE TAX COMPLIANCE BEHAVIOUR OF TAX PRACTITIONERS

Marshall, Smith and Armstrong (1997:11), Yetmar and Eastman (2000:271) and the OECD (2008:14) have identified factors that may determine the perceived judgements and potential compliance behaviour of tax practitioners. Killian and Doyle (2004:162) and subsequently Nienaber (2010:46) provide a list of determinants of tax aggression which was used as a framework to determine those factors that have an influence on tax practitioners' behaviour.

Therefore, many studies support the view that a complex system of conflicting factors does indeed influence tax practitioner tax compliance behaviour. In principle, these factors can be categorised into three key groups:

- regulatory and legislative factors;
- taxpayer-specific factors; and
- tax practitioner-specific factors.

Taking into account these studies, the remainder of this chapter provides an overview of a variety of factors that influence the behaviour and aggressiveness of tax advice provided by tax practitioners to taxpayers.

### 3.6.1 Regulatory and legislative factors

#### *3.6.1.1 The regulation of tax practitioners*

Roth *et al.* (1989:174) argue that many observers believe that tax practitioners dissuade clients from the practice of underreporting a tax liability, since it exposes clients and the practitioner to sanctions imposed by the revenue authority and professional associations.

In the Forum on Tax Administration (FTA) countries, the regulation of tax practitioners can take on two forms. Either they could be entirely self-regulated, generally in terms of the framework provided by professional (or qualifying) bodies, and/or revenue bodies could play a more active role in providing regulatory oversight. In most instances, the ethical standards determined by professional bodies are usually supplemented and superseded by the standards set by international accounting and legal firms (OECD, 2008:14).

Research conducted by Ayres, Jackson and Hite (1989:300) found that regulated tax practitioners are consistently more pro-taxpayer than non-regulated tax practitioners.

According to Roberts (1998:78), an IRS-sponsored survey showed that CPA tax practitioners were more aggressive than lawyers and unlicensed practitioners (IRS, 1987). In research subsequent to the 1987 IRS study, Jackson, Milliron and Toy (1989:333) reported similar findings. An Australian study, conducted by Marshall *et al*. (1998:1273) also found that participants only “somewhat agreed” with the contention that a professional code of conduct raises the ethical standards of tax practice.

It has emerged from the above findings that the regulation of tax practitioners does not necessarily guarantee that their loyalty is primarily aimed towards the revenue bodies. This conclusion seems to be in line with the statement of the OECD (2008:14) that the primary consideration of tax practitioners is the taxpayers and the law.

#### *3.6.1.2 Ambiguity of the tax issue at hand*

Milliron (1988:15) examined the ambiguity of the tax issue at hand as one of the most important determinants of tax practitioners' aggressiveness. In addition to Milliron's (1988:1-15) study, several other studies, for example, by Beck and Jung (1989), Klepper and Nagin (1989:487), McGill (1988:111) and Scotchmer (1989:199), also suggest that the degree of ambiguity in tax legislation in different scenarios affects tax practitioners' behaviour and perceptions regarding tax advice.

Klepper *et al.* (1991:229) state that tax practitioners play dual roles, depending on the ambiguity of the tax law. In ambiguous tax situations, tax practitioners tend to recommend aggressive positions; in unambiguous matters, they tend to be more conservative. A study by Carnes, Harwood and Sawyers (1996:1-26) has demonstrated that several characteristics of tax practitioners significantly influenced their judgements, but that these effects differed, based on the level of ambiguity of the underlying tax scenario. Cuccia, Hackenbrack and Nelson (1995:228) have suggested that the adoption of aggressive positions by practitioners may be a result of the leeway permitted by vague tax legislation. In the South African context, Killian and Doyle (2004:184) have confirmed the finding that the degree of ambiguity surrounding tax issues has an impact on the aggressiveness of the advice that tax practitioners are prepared to offer taxpayers.

### 3.6.2 Taxpayer-specific factors

#### *3.6.2.1 Taxpayer pressure founded on taxpayers' risk attitude*

One of the most difficult issues that tax practitioners have to deal with is clients who place enormous pressure on them to adopt overly aggressive reporting positions when dealing with their tax affairs (Finn, Chonko & Hunt, 1988:305).

However, Hite and McGill (1992:389) claim that the majority of taxpayers do not have a preference for aggressive tax advice.

CPA tax practitioners in the United States are expected to exercise sensitive moral judgement and to maintain the public trust (AICPA, 1997:1). However, in many cases, there is disagreement about whom practitioners owe their loyalty to. The IRS seems to hold a strong view that the tax practitioner's loyalty should ultimately be to the federal tax system, and that tax practitioners should act as government agents. Contrary to the opinion of the IRS, the AICPA recognizes that CPA tax practitioners have a responsibility to both the client and the IRS (AICPA, 1997:1). The fact that taxpayers are generally ambivalent about whether or not tax cheating is morally wrong increases the pressure on tax practitioners (Kaplan & Reckers, 1985:97; Song & Yarbrough, 1978:442; Vogel, 1974:499).

Research has been conducted on tax practitioners' willingness to advocate aggressive client positions. The results suggest that various issues could influence the aggressiveness of tax practitioners. The likelihood that experienced tax practitioners would recommend an aggressive tax position was found to be significantly greater if the taxpayer's risk attitude was more aggressive than conservative (Carnes *et al*., 1996:1; Cloyd, 1995:50). Schisler's (1994:124) research indicates that the decisions of CPA tax practitioners were more aggressive than those of their taxpayer clients. By contrast, a study conducted by Kadous and Magro (2001:469) found that tax practitioners were less likely to recommend an aggressive position to high-risk taxpayers.[7]

Research on the influence of taxpayer prejudice on tax practitioners has reported divergent findings (Duncan, LaRue & Reckers, 1989:91-106; Kaplan, Reckers & Roark, 1988:427-443; Roark, 1985). The objective of all these studies was to assess the influence of taxpayer prejudice by manipulating taxpayer risk profiles in case scenarios. Roark (1985) reported noteworthy

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[7] With high risk taxpayers the following characteristics are present: Unreasonableness, uncooperativeness, unable to substantiate information; frequent involvement in litigation membership in a high-risk industry; fee pressure; financial difficulties and involvement in suspicious transactions (Kadous & Margo, 2001:456).

evidence of such an influence, while Kaplan *et al*. (1988:441) found insignificant evidence. Research by Duncan *et al.* (1989:106) and Helleloid (1989:403) revealed that clients' risk orientation was significantly related to the position adopted by their tax practitioners, but in a surprisingly counterintuitive fashion. The results revealed that the more diffident a particular taxpayer is, the more aggressive the tax practitioner is with his/her recommendations. In other instances, where taxpayers are more aggressive, the tax practitioners opted for less aggressive tax advice. Milliron (1988:15) found that taxpayers' aggressiveness was a key contributor to tax practitioners' compliance behaviour.

However, in the South African context, Killian and Doyle (2004:178) indicate that only 44% of the tax practitioners in their study reported that their actions would be affected by the tax aggressiveness of their clients.

*3.6.2.2 Payment or withholding status of the taxpayer*

Taxpayers who expect a tax refund for overpaid taxes are in a non-payment situation and are likely to be more conservative in their tax reporting, to avoid jeopardising their refunds. By contrast, taxpayers who expect to make large tax payments are deemed more likely to opt for more aggressive approaches in their tax reporting[8] (Elffers & Hessing, 1997:304).

However, a number of researchers have found that the payment status of the taxpayer generally had little or no influence on tax practitioners' recommendations (Duncan *et al.,* 1989:91; LaRue & Reckers, 1989:37; Schisler, 1994:124, 1995:76). Sanders and Wyndelts (1989:41) found a significant interaction between experience, payment status and tax savings. Schisler (1994:124) revealed a noteworthy interaction between withholding status and taxpayer risk attitude.

In the South African context, Killian and Doyle (2004:178) indicated that for more than 80% of the tax practitioners in the study suggested that the year-end

[8] The prospect theory as contemplated by Kahnerman and Tversky (1979:263-291) can be used as foundation for this explanation.

payment status of the taxpayer did not affect their approach in providing the tax service.

Evidence therefore suggests that year-end status alone plays a minor role in tax practitioners' behaviour and perceptions. However, it may be more significant in interaction with other variables such as the economic incentive that tax practitioners have to satisfy their clients (Roberts, 1998:121). Schisler (1994:124) found that tax practitioners' behaviour is not affected by a taxpayer's payment status until they are exposed to the taxpayer's preference concerning the type of tax advice he or she requires.

#### *3.6.2.3 Size or importance of the taxpayer*

Reckers, Sanders and Wyndelts (1991:31) stated tax practitioners may differentiate among taxpayers based on the revenue-generating potential of the individual taxpayer. McGill (1988:90) reports that the preferences of more important taxpayers have an influence on tax practitioners' judgements. Reckers *et al.* (1991:38) show that less important taxpayers are more likely to receive more conservative advice from tax practitioners, and they argue that a rational tax practitioner would be willing to risk tax authority sanctions only if the compensation for taking such a risk is greater than the cost of the sanctions. This suggests an interaction between client importance and preparer penalties.

By contrast, in their study, Bandy, Betancourt and Kelliher (1994:1) found that the economic importance of a taxpayer had little or no effect on tax practitioners' advice or willingness to sign an aggressive return. In South Africa, Killian and Doyle (2004:177) also found that the relative importance of the taxpayer in terms of the taxpayer's income-generating potential to the tax practice seemed not to have an effect on the aggressiveness of the decisions tax practitioners made.

Given the inconsistent findings regarding the effect of client importance, it cannot be stated categorically that the size or importance of the taxpayer has an effect on tax practitioners' compliance behaviour, and the issue is still open for debate.

#### *3.6.2.4 Information provided by the taxpayer*

One of the main concerns raised in a study by Marshall *et al*. (1998:1265) is tax practitioners' failure to make reasonable enquiries when information or documentation provided by a client appears to be inaccurate or incomplete.

This factor appears to be of concern to tax practitioners internationally as well – in the United States, Yetmar, Cooper and Frank (1998:31) ranked this factor as the third highest of the 54 factors tested contributing to non-compliance. The study conducted by Marshall *et al*. (1998:1265) revealed similar findings, with this factor being the most frequently reported ethical issue amongst tax practitioners in Western Australia.

Also in relation to late submissions and associated penalties and interest, tax practitioners interviewed by the Foreign Investment Advisory Service (FIAS) claimed that numerous taxpayer clients postpone bringing their financial records and documentation to their tax practitioners to the last minute. The practitioner is then beleaguered and may be incapable of completing all the work in time to adhere to the statutory deadlines (Coolidge *et al*., 2009:27).

In South Africa, section 241(2) of the *Tax Administration Act (28 of 2011)* provides power to the process of regulating tax practitioners, since it allows a senior SARS official to lodge complaints with recognised controlling bodies if a registered tax practitioner has, in the opinion of the official, assisted a taxpayer with the preparation, approval or submission of any tax document without performing a proper due diligence on the information provided to the practitioner by the taxpayer.

Two professional bodies in South Africa also provide guidance on the extent to which tax practitioners are required to determine the accuracy and reasonability of client representations. These are contained in Section 410 of the SAICA Code of Conduct (SAICA, 2008:66) and the South African Taxation Standards SATS 3000 (in Exposure Draft) issued by the SAIT (2011). The SAICA code stipulates that, in general, a member may rely on information provided by a client, as long as it appears reasonable. A review of the supporting documents is not required. The SAIT (2011) standard contains similar provisions, and states that unsupported information may be used to prepare a tax return, unless the information appears to be incorrect.

### 3.6.3 Tax practitioner-specific factors

#### *3.6.3.1 Tax practitioners' credentials*

Most tax practitioners are supposed to be associated with professional organisations that uphold particular codes of ethics. During their training, professionals are taught to be loyal to the profession and subscribe to its standards.

Tan (2006:24) comments that, despite the fact that a code of conduct may be in place, tax practitioners may still concede to the demands of their clients for aggressive advice, depending on their interpretation of the code, and the meaning of the term "reasonable support" contained in such a code. This view is also held by Marshall, Smith and Armstrong (2006:499), who argue that phrases such as "reasonably arguable", as contained in Australian legislation, can also be open to varying interpretation by tax practitioners.

SARS (2012e:17) seems to hold the view that belonging to a professional body does have a positive influence on the compliance behaviour of tax practitioners. In its *Compliance Programme 2012/13-2016/17*, SARS states that tax practitioners who are not registered with a professional body appear to be less compliant. An example provided by SARS (2012e:17) is the fact that the average debt per case for tax practitioners who are not registered with a professional body is more than four times than that of those who do belong to a professional body. It then becomes a noteworthy area of interest whether a code of conduct actually can and does influence the behaviour of tax practitioners.

#### *3.6.3.2 Technical competence and experience levels of tax practitioners*

Marshall *et al.* (2006:500) found that failure to maintain technical competence, for example, by not keeping up to date with developments in tax legislation and administration, is an issue that should raise concern. Technical competence (meeting the demands of continually updating and improving professional skills) was cited as the second most frequently observed ethical issue identified in Australia.

There is an intuitive belief that the quality of professional judgement and decision-making improves with experience. Kaplan *et al.* (1988:441) suggest that experience may affect aggressiveness in ambiguous settings, since tax practitioners depend on knowledge structures when making judgements. These authors reason that it takes many years for tax professionals to develop these knowledge structures, and claim that more experienced tax practitioners have better developed knowledge structures for making decisions in ambiguous settings.

McGill (1988:112) also reports that more experienced tax practitioners tend to be more aggressive, but Ayres *et al*. (1989:306), Carnes *et al.* (1996:26) and Cuccia (1994:66) found little or no relation between tax practitioners' number of years of experience on the one hand, and aggressive tax advice provided by tax practitioners on the other. Helleloid (1989:26) found that the relationship between years of experience and the level of the aggressiveness of advice was marginally significant.

Duncan *et al.'s* (1989:106) results suggest that the more actively tax practitioners are involved in advising taxpayers in similar tax situations, the more aggressive the positions that they adopt. Similarly, those tax practitioners in their study who reported higher percentages of favourable audit experiences over the previous two years also adopted more aggressive positions. Perhaps the results of their study explain the mixed results found in other studies that examined tax practitioners' experience as a variable that has an impact on aggressiveness.

Finally, in the South African context, Killian and Doyle (2004:182) have provided some evidence that tax practitioners' experience can influence tax practitioners' compliance behaviour.

### *3.6.3.3 Exposure to practice risk*

Tax practitioners should objectively evaluate all the relevant facts when preparing advice (AICPA, 1999:1; Cloyd & Spilker, 1999:299). Tax practitioners sometimes make wrong or inappropriate recommendations, and then have to face significant exposure to potential monetary and non-monetary costs as a result (Ferguson, 1996:501; Schaefer & Zimmer, 1997:69).

Differences between tax practitioners' exposure to practice risk arise from differing clientele with differing attitudes and risk preferences (Coyne, 1987:1).

Fiore's (1998:36) research has shown that practice risk may vary with client characteristics. Characteristics synonymous with high practice risk included being unreasonable or uncooperative, being involved in frequent litigation, membership of a high-risk industry or service category, experiencing fee pressure, financial or organisational difficulties, and being implicated in suspicious transactions (Bandy, 1996:46; Fiore, 1998:36; Kahan, 1996:46; Pascarella, 1996:197). A client with a history of problematic behaviour, such as displaying a fault-finding personality, questionable integrity and weak control, poses a greater practice risk to a practitioner than do clients who do not have such characteristics (Bandy, 1996:46).

Kadous and Magro (2001:451) suggest that tax practitioners do not evaluate tax evidence objectively for all types of taxpayers and that tax information is processed differently, depending on clients' different risk levels. These authors state that tax practitioners use both positive and negative outcome information in making judgements about a high-risk client, but apparently do not use negative information when making judgements about a low-risk client. As a result, tax practitioners are less likely to recommend aggressive positions for taxpayers that they perceive to represent a high practice risk, especially when negative outcome information has been provided.

Reckers *et al*. (1991:30) argue that tax practitioners are more conservative when the threat of preparer penalties is explicit. By contrast, Cuccia (1994:41) have concluded that increased penalties for paid tax practitioners had little effect on how aggressively they interpreted ambiguous issues. If the probability of penalty imposition increases, tax practitioners expend more effort in searching for information (Cuccia, 1994:41).

Finally, the OECD (2008:14) indicates that tax practitioners in recent times are more attuned to reputation risks and as a result tend to implement internal risk management and quality review procedures to manage their exposure to these risks.

#### *3.6.3.4 Previous success in revenue negotiations*

Recent professional success may introduce a bias in tax practitioner behaviour. Kaplan *et al.* (1988:441) propose that the most relevant aspect of contact with the tax authority is not the extent or amount of contact, but the outcome of the contact, especially of any recent contact. The outcome provides tax practitioners with feedback that either confirms or contradicts their beliefs about the tax system. Kaplan *et al.* (1988:441) found that more favourable outcomes were associated with more aggressive positions. This finding was confirmed by the results of Duncan *et al.* (1989:106).

#### *3.6.3.5 International practice versus a small practice*

Ayres *et al.* (1989:306) reported no difference in tax practitioners' judgements across firm type. Carnes *et al.* (1996:26) found that the level of tax practitioners' aggressiveness varies, depending on firm type, although the differences in their study were only marginally significant. Aggressiveness could vary across firm type for several reasons. The training provided by the Big Four firms (Deloitte, Ernst & Young, KPMG and PriceWaterhouseCoopers) is almost exclusively done internally, while other firms are more likely to send their tax practitioners to training seminars run outside the firm. However, it is not clear if this would lead to more or less aggressive positions (Carnes *et al.,* 1996:26). The clientele of the Big Four firms also varies from that of other firms. Big Four firms would, on average, be expected to have larger business clients that may be better equipped to challenge the IRS (or other tax authorities), while smaller clients at other firms may be less willing to risk IRS sanctions (or sanctions by other collecting agents) (Carnes *et al.*, 1996:26).

In the South African context, Killian and Doyle (2004:182) have not uncovered any evidence that the internationalisation of tax practitioner firms has had an influence on tax practitioners' tax compliance behaviour.

#### *3.6.3.6 Gender*

McGill (1988:112) and Sanders and Wyndelts (1989:72) have shown that male tax practitioners are prone to be more aggressive than female practitioners, while Ayres *et al.* (1989:312) and Cuccia (1994:16) found no relationship between gender and aggressive tax advice. Cognitive psychologists have reported that males tend to have a greater risk propensity than females for a wide variety of tasks (Carnes *et al.*, 1996:26).

In the South African context, Killian and Doyle (2004:185) found no evidence that linked the gender of a tax practitioner to the type of tax advice that he or she provides.

#### *3.6.3.7 Perceived audit probability*

Roth *et al.* (1989:174) suggest that some tax practitioners promote under-reporting of tax liability by their own carelessness. When an unfamiliar issue arises, some tax practitioners may be tempted to guess what the most favourable interpretation would be, instead of thoroughly researching the matter to ensure correctness. This might happen particularly when the amount involved seems unlikely to trigger an audit, and/or the client is unwilling to pay for the time required to develop a reasonable basis for the decision. Given that audits generally result in some costs for the taxpayer, that taxpayers fear audits and that tax practitioners are concerned with client relations, tax practitioners would be less likely to recommend an aggressive tax position for individual clients when the perceived audit probability is high (Roberts, 1998:121).

Kaplan *et al.* (1988:42-433) manipulated audit probability experimentally and found that it significantly influenced the advice rendered by their tax practitioner subjects. Duncan *et al.* (1989:91) and La Rue and Reckers (1989:37) determined that the perceived likelihood of a tax audit had no effect on tax practitioners' willingness to encourage aggressive reporting. The perceived likelihood of success in the event of an audit did, however, affect their aggressiveness.

## 3.7 CONCLUSION

In this chapter, it was revealed from literature and theory that a taxpayer's political perspective, social psychological perspective, subjective tax knowledge and mental concepts, decision-making perspective, self-employment status and interaction with the tax authorities, all play a fundamental role in moulding a taxpayer's tax compliance behaviour. With regard to tax practitioners, the review of literature showed that compliance behaviour is determined by regulatory and legislative factors, a number of taxpayer-specific factors, and some tax practitioner-specific factors.

It is therefore evident that there are numerous factors that can influence the compliance behaviour of both taxpayers and tax practitioners. Hence, the empirical evidence and the conclusions reached in the current study should also, apart from the findings of Chapter 2, be interpreted in Chapters 9 and 10 against this background.

The next chapter sets out the methodology followed in the empirical phase of this particular study. The results of this phase are presented in Chapters 5 to 8.

# CHAPTER 4:
# RESEARCH METHODOLOGY

## 4.1 INTRODUCTION

This chapter presents the details of the qualitative empirical approach used in this study to gain an understanding of the expectation gap between taxpayers and their tax practitioners in the South African context. A rationale is provided for the selection of the particular methods and research design chosen. Furthermore, the data analysis procedures employed in the study are outlined, including the roles of participants and facilitators. Ethical issues and matters relating to the trustworthiness of the research are addressed, and the specific provisions and precautions employed to enhance the quality of the data are discussed.

## 4.2 RESEARCH ORIENTATION

Saunders, Lewis and Thornhill (2009:600) describe research as the systematic collection and interpretation of information with the primary purpose of making new discoveries. Creswell (2009:5) maintains that the interconnection of philosophical worldviews (paradigms), strategies of inquiry and research methods influence research practice.

A research design can be described as the plan and the specific methods used to conduct a study, with an emphasis on the wider philosophical postulates, strategies of inquiry and the precise techniques adopted for data collection and analysis (Creswell, 2009:5; Tustin, Ligthelm, Martins & Van Wyk, 2005:82). These three elements, namely, philosophical paradigms, strategies of inquiry and research methods, form the cornerstone of the broader research design.

### 4.2.1 Research paradigm

The first element forming the cornerstone of the broader research design is the research paradigm. Guba and Lincoln (1998:195) define a paradigm as the "basic belief system or world view that guides the investigation". Denzin and Lincoln (2000:19) argue that a research paradigm is "the net that contains the researcher's epistemological, ontological, and methodological premises". According to Creswell (2009:6), a researcher's philosophical worldview or paradigm refers to the general point of reference that the researcher maintains towards the world and the nature of research. Creswell (2009:6) identifies four different worldviews relevant to research today, namely post positivism, constructivism, advocacy and pragmatism, as summarised in Table 13.

**Table 13: Four worldviews**

| **Post positivism** | **Constructivism** |
|---|---|
| Determination | Understanding |
| Reductionism | Multiple participant meanings |
| Empirical observation and measurement | Social and historical construction |
| Theory verification | Theory verification |
| **Advocacy** | **Pragmatism** |
| Political | Consequences of actions |
| Empowerment issue-oriented | Problem-centred |
| Collaborative | Pluralistic |
| Change-oriented | Real-world practice orientated |

Source: Creswell (2009:6)

The research paradigm most appropriate for investigating the research problem in this study was a constructivist paradigm. The primary objective of this research paradigm, supported by a strong systems theory approach, is to represent the meaning of a phenomenon in terms of its elements and the relationships amongst them (Northcutt & McCoy, 2004:44). This suggests that the way in which individual contributors construct their world and the phenomenon that is researched was an important point of departure for this study. Hayes (2000:8) argues that although there may only be one reality, different individuals tend to interpret reality differently. As a result, different understandings are created as individuals interact with the world they are interpreting, and this interaction is founded on each individual's historical and social perspective (Ogden, 2002:2-4). Creswell (2009:4) suggests that in general, social mind-sets influenced by human interaction are responsible for the basic generation of meaning.

Constructivism therefore serves as the foundation for addressing the three fundamental paradigmatic questions posed in Table 14 (below) for this research when engaging in a process to understand the perceptions of participants regarding the phenomenon under scrutiny – as recommended by Guba and Lincoln (1998:111) – namely the expectation gap between taxpayers and their tax practitioners in the South African tax environment.

**Table 14: Three fundamental paradigmatic questions**

| Paradigmatic question | The position of constructivism |
|---|---|
| **Ontology**<br>*What is the nature of reality?* | Multiple subjective realities are constructed and interpreted through human interactions, for example, taxpayers' and tax practitioners' subjective perceptions on the expectation gap between taxpayers and their tax practitioners in the South African environment. |
| **Epistemology**<br>*What is the nature of knowledge, reality and truth?* | Events are understood through interpretation and influenced by interactions in social context, for example, one can gain an understanding of these matters by interacting with taxpayers and tax practitioners, with specific reference to their perceptions of the expectation gap between taxpayers and their tax practitioners in the South African environment. |
| **Methodology**<br>*How can knowledge and understanding be obtained?* | Various qualitative research techniques and methods can be applied, for example, a specific style of conducting and analysing focus groups as a methodology (Interactive Qualitative Analysis as the style chosen for this particular study). |

Sources: Adapted from Adams, Collair, Oswald and Perold (2004), Archer (2012:21) and Guba and Lincoln (1998)

The paradigm followed in this study is constructivism, which serves as a foundation both for engaging with literature and as for interpreting data. The research strategy of enquiry, discussed in the next section, therefore had to comply with constructivist principles and thinking.

### 4.2.2 Strategy of inquiry

The second element of the broader research design is the strategy of inquiry followed in the research. Creswell (2009:11) argues that a study's chosen strategy of inquiry should link to the types of quantitative, qualitative and mixed methods designs or models that provide direction for procedures in the research design with the specific strategies he identified, as summarised in Table 15.

**Table 15: Strategy of inquiry**

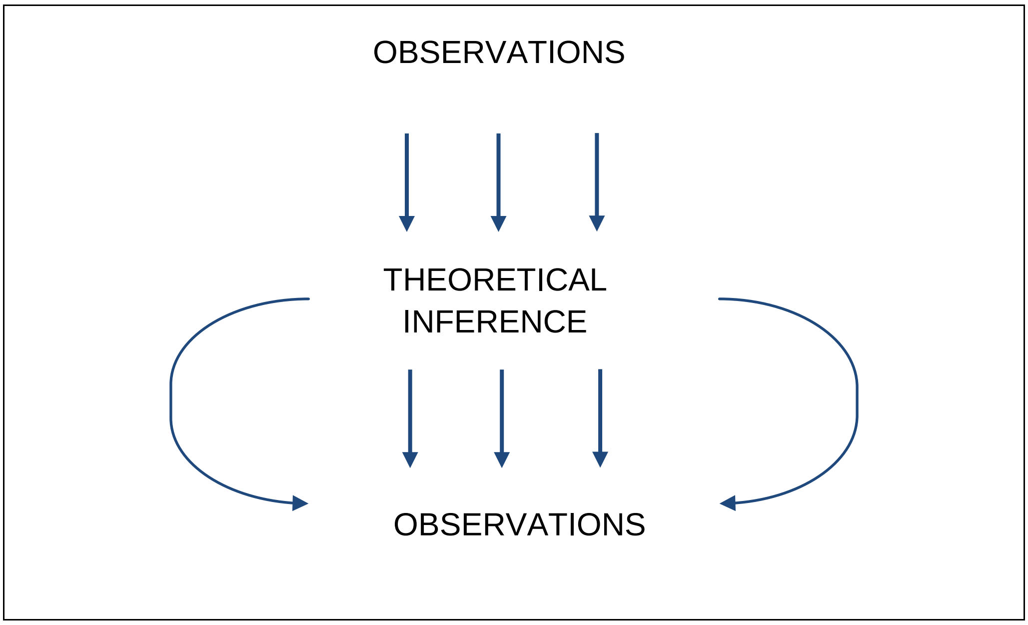
<table>
<tr><th>Quantitative</th><th>Qualitative</th><th>Mixed methods</th></tr>
<tr><td>Experimental design</td><td>Narrative research</td><td>Sequential</td></tr>
<tr><td rowspan="4">Non-experimental design such as survey research</td><td>Phenomenology</td><td>Concurrent</td></tr>
<tr><td>Ethnographies</td><td rowspan="3">Transformative</td></tr>
<tr><td>Grounded theory studies</td></tr>
<tr><td>Case studies</td></tr>
</table>

Source: Creswell (2009:12)

Qualitative research is a research strategy that concentrates on exploring and understanding the meaning that individuals or groups ascribe to a social or a human problem, and the research process involves emerging questions and procedures. In this strategy, data are obtained in the participant's setting and are analysed inductively, building from details to general themes and interpreting the meaning of the data (Creswell, 2009:232).

In line with the constructivist research paradigm, the strategy of enquiry applied in this study was qualitative research, and more specifically an inductive phenomenological approach. Hayes (2000:5) indicates that in inductive research, the starting point is the collection of data in order to obtain a set of annotations to interpret, instead of starting with a theory and the construction of a testable hypothesis, which is more frequently associated with hypothetico-deductive research. Subsequent to collecting the data, the information gained from the data collection is applied to formulate a theory or framework that forms the basis for further scholarly investigation. It is argued that inductive research is particularly useful when a researcher is at the start of exploring a phenomenon, as was the case in this research. Figure 22 illustrates the inductive research cycle.

**Figure 22: The inductive research cycle**




Source: Hayes (2000:5)

A phenomenology strategy aims to portray participants' descriptions of the essence of their own human experiences regarding a particular phenomenon. In this particular study, this phenomenon would be factors contributing to the expectation gap between taxpayers and their tax practitioners (Creswell 2009:13; Schurink *et al*., 2011:21). In order to achieve the objectives of this study, it was deemed appropriate to use small groups of participants, namely one group consisting of taxpayers, and three separate groups consisting of tax practitioners, and to study their perspectives, experiences and perceptions through rigorous and extensive interaction to obtain patterns and relationships of significance (Moustakas, 1994:1-24).

Having chosen a constructivist paradigm, the researcher had to set aside his own experiences regarding the phenomenon at hand to enable him to comprehend the participants' experiences of the phenomenon objectively (Creswell, 2009:13). Hayes (2000:8) argues that in a phenomenological approach, a researcher should gain an understanding of a social event through the eyes of participants who are actively involved in that event. The social event in this study was not a single short-lived event. Instead, the event unfolded and continues to unfold as new tax legislation was or is enacted, and new systems by SARS were or are introduced. Role players in this context, such as tax practitioners, need to adapt to comply and serve customers (taxpayers), and taxpayers need to learn their rights and responsibilities in the context of continuously changing taxation legislation and so develop realistic expectations of the role of practitioners. It was therefore imperative that the researcher be receptive to participants' own ideas. As a result of this requirement, it was inappropriate to formulate a hypothesis in advance, since doing so would provide an explanation and presuppose in-depth knowledge of the phenomenon by the researcher beforehand.

This study, following a constructivist paradigm, used an inductive phenomenological qualitative strategy of enquiry.

### 4.2.3 Research methods

Research methods are the last of the three elements of the broader research design. Research methods refer to the technique(s) that a researcher uses for collecting, analysing and interpreting data (Creswell, 2009:23).

Berg and Lune (2012:105-349), Creswell (2009:181), Schurink *et al*. (2011:39-82), as well as Welman *et al*. (2005:193-207) identify different qualitative data collection methods that a researcher can use. Table 16 (below) lists various options for qualitative data collection, and provides a short summary of the advantages and limitations of each method.

**Table 16: Summary of qualitative data collection methods**

| Qualitative observation |
|---|
| Options available in this method |
| • The researcher can be a complete participant in which he conceals his role as researcher.<br>• The researcher can completely observe the participants and not participate himself.<br>• The researcher can be an observer as a participant and his role as researcher is known.<br>• The researcher can take on the participant observer role and the participation role is primary to the observation role. |
| Advantages of the method |
| • The researcher can get to know the participants and interact with them.<br>• The researcher can record important information immediately as it is received.<br>• The researcher can detect unusual information as it is received.<br>• Topics that can make the participants uneasy can be explored. |
| Limitations of the method |
| • Participants can see the researcher as nosy.<br>• Participants' private information that can be observed may be difficult to report on or cannot be reported at all. |

| |
|---|
| • The researcher's observation and listening skills may not be good.<br>• Some participants may present special problems.<br>• Sometimes participants' permission is necessary before the researcher can start observing.<br>• Participants may feel that their anonymity is being compromised if the researcher is doing the observation. |
| **Qualitative interviews** |
| Options available in this method |
| • The researcher can have a face-to-face or one-on-one interview with each participant.<br>• The researcher can interview participants telephonically.<br>• The researcher can have a focus group where the participants are interviewed in a group.<br>• The researcher can interview participants over the internet via e-mail. |
| Advantages of the method |
| • This method helps when a participant cannot directly be observed.<br>• It is useful where participants can provide important historic information.<br>• The researcher can control the types of questions asked.<br>• A wide geographical area can be reached through telephonic interviews or internet-based interviews at a reasonable cost.<br>• Telephonic interviews can easily be recorded.<br>• Telephonic interviews increase the participants' anonymity; hence, participants tend to be more willing to participate.<br>• The researcher can use Computer Assisted programmes to help with capturing the information given by the participants. |
| Limitations of the method |
| • Information is gathered through the view of the participant (interviewee).<br>• The information is gathered in an unnatural setting (i.e. the interview is not done in participants' work environment about which information is gathered).<br>• Participants may feel that they must provide answers the researcher wants to hear (social desirability bias).<br>• All the participants may not understand the questions that the researcher has provided.<br>• When using telephonic interviewing, it is possible that participants wait for their voicemail to pick up in order to avoid researchers, or their telephone numbers may not be listed in a telephone directory. |
| **Qualitative documents** |
| Options available in this method |
| • Various types of documents can be used, such as public documents, which include minutes of meetings or newspapers and private documents, which include journals, diaries or letters. |
| Advantages of the method |
| • The researcher can use the precise wording and language in the documents.<br>• The researcher can use the documents when and wherever required.<br>• The thoughts of the participants are written in the documents.<br>• The answers are written by the respondents themselves, therefore the researcher does not need to transcribe them. |
| Limitations of the method |
| • The information the researcher needs may be protected or not available to the public.<br>• The researcher may be required to look for information in hard-to-find places.<br>• The information may be incomplete on the documents received.<br>• The documents may be false. |
| **Qualitative audio and visual materials** |
| Options available in this method |
| • Various sources exist from which a researcher can retrieve information, such as photographs, videotapes, art objects, computer software and film. |
| Advantages of the method |
| • It is not an obvious method when collecting information.<br>• Participants can directly share information through their reality.<br>• Using this method catches the eye easily, because it involves visual data or audiodata and attracts attention. |
| Limitations of the method |
| • The researcher can experience difficulty in interpreting the information.<br>• The information may not be available to everyone.<br>• The presence of the researcher may make the participant feel uncomfortable (e.g. when photos are taken). |

| Case study research |
| --- |
| Options available in this method |
| • The researcher attempts to understand the uniqueness of a specific case as well as its complexity. |
| Advantages of the method |
| • The technique is not limited to individuals, but can use documents and records as well.<br>• The researcher can conduct fieldwork by observing and collecting information where participants are in their natural circumstances in a specific case. |
| Limitations of the method |
| • The case that is researched should have set boundaries.<br>• Findings should be corroborated by at least three different approaches.<br>• There is a limitation on the units of analysis used in a case. |

Sources: Berg and Lune (2012:105-349), Creswell (2009:179-180), Schurink *et al.* (2011:39-82) and Welman *et al.* (2005:193-207)

Taking into account the qualitative methods listed and their respective advantages and limitations, it was decided to implement the Interactive Qualitative Analysis (IQA) research methodology, which can be classified under interviews, and more specifically as a specific focus group interview method. The reason for this decision was that the IQA is a qualitative research method that attempts to incorporate and merge some of the disconnections that arise in theorising about the purposes and methods of qualitative research. It also provides a comprehensive, application-orientated systematic process through which data collection, data analysis and data interpretation are amalgamated as an ensemble (Northcutt & McCoy, 2004:16). Northcutt and McCoy (2004:16) state that the objective of IQA research is to explore "reality in consciousness rather than in reality itself".

The research question addressed in this study was most appropriately addressed by means of IQA. In this qualitative study, different focus groups were used, applying the IQA research design in order to ultimately understand the factors contributing to taxpayers' and tax practitioners' perceptions, which then result in the expectation gap between taxpayers and their tax practitioners. The IQA method has been used before in South Africa for studies conducted by Du Preez (2010), Mampane (2010) and Tabane (2009).

The research design consisted of four phases. The first phase was the literature review (as reported in Chapters 2 and 3 of this thesis), which was done in order to provide a theoretical background to underpin an understanding – as recommended by Northcutt and McCoy (2004:299) – of the possible factors leading towards the expectation gap between taxpayers and tax practitioners, as described by other scholars in the field.

In Phase 2, the research question was addressed by means of qualitative in-depth focus group interviews with participants from four different groups representing different constituents in the tax system (South African taxpayers, Chartered Accountant tax practitioners, professional accountant tax practitioners and other tax practitioners), exploring their experiences and perceptions of the role expectation and experiences of taxpayers and tax practitioners. The rationale for using multiple focus groups, each consisting of a set of homogeneous participants, was ultimately to ensure richer descriptions of the elements that emerged.

The themes identified in the focus group interviews, which are named “affinities” in the IQA method (Northcutt & McCoy, 2004:297), are the elements, determinants or factors that contribute in a systematic way to explain the expectation gap between taxpayers and tax practitioners.[9] The focus groups were conducted by adhering to the focus group protocol suggested in the IQA method (Northcutt & McCoy, 2004:87).

Subsequent to Phase 2 (the IQA focus group interviews), theoretical coding was conducted on the affinities identified in the IQA focus group sessions in order to determine how the different factors can be configured in a system of perceived influence in Phase 3 (theoretical coding), as recommended by Northcutt and McCoy (2004:297).

Phase 4 made use of a qualitative thematic analysis that was performed on the four sets of affinities that were generated by the four different focus groups in order to answer the primary research question, which focused on determining the factors contributing to the expectation gap. The objective of the final stage was to identify the over-arching determinants, and to use these to develop a

[9] Elements, determinants or factors are considered as synonyms for the purposes of the study, and in the context of this study’s research methodology and outcomes the terms are used interchangeably.

systematic conceptual framework of the factors contributing to the expectation gap.

The sections below discuss the research process in detail. A broad introduction of the specific methodology selected, namely the IQA method, is covered first. This is followed by a more detailed outline of the specific IQA methods and research process. This exposition elucidates the IQA research process of data generation and construction, analysis and interpretation. Finally, the elements for ensuring trustworthiness in this qualitative research, together with the support systems, and the personal role of the researcher in the research process, are clarified. Table 17 (overleaf) provides an outline of the sections that follow.

**Table 17: Outline of the research process**

| | **Phase 2**<br>Focus group | **Phase 3**<br>Theoretical Coding | **Phase 4**<br>Thematic Analysis |
|---|---|---|---|
| **Research design**<br>(Sections 4.3, 4.4, 4.5 and 4.6) | IQA protocol focus groups<br>(exploring and identifying themes) | Theoretical coding using the Pareto protocol prescribed by the IQA method (determining how these different themes configure in a system of perceived influence) | Thematic analysis in order to explore for themes of importance that arise from the body of material, using Atlas.ti as Computer Aided Qualitative Data Analysis Software (CAQDAS). |
| **Selection process (sampling)**<br>(Section 4.4.2.2) | For compilation of focus group a combination of:<br>• Purposive<br>• Convenience and<br>• Snowball sampling methods | | |
| **Data collection**<br>(Sections 4.4, 4.5 and 4.6) | Focus group according to IQA | Theoretical Coding according to IQA | Thematic analysis using Atlas.ti |
| **Population**<br>(Section 4.4.2.1) | Four focus group constituents:<br>• Taxpayers<br>• Chartered Accountants<br>• Professional Accountants<br>• Other Tax Practitioners | | |
| **Data analysis**<br>(Section 4.6) | • Inductive coding<br>• Deductive coding<br>• Axial coding<br>• Analytical coding<br>• Theoretical coding<br>• Emergent coding<br>• Pattern coding<br>• Focused coding | | |
| **Quality criteria**<br>(Section 4.8) | *Trustworthiness properties adhered to:*<br>• Credibility<br>• Transferability<br>• Confirmability<br>• Dependability | | |
| **Ethical considerations**<br>(Section 4.8) | *Data collection and analysis have to be*<br>• Public and non-idiosyncratic<br>• Replicable in reasonable bounds<br>• Not dependent on the nature of the elements themselves<br>• Part of same process<br>*Other considerations:*<br>• Confidentiality and anonymity<br>• Informed consent<br>• Voluntary participation and withdrawal<br>• Approval from the University of Pretoria<br>*No deception and/or betrayal* of *participants* | | |

## 4.3 INTERACTIVE QUALITATIVE ANALYSIS (IQA)

### 4.3.1 Introduction to the IQA method

In the IQA method, a structured process is followed that commences with the research question to clarify the nature of the issue at hand (Northcutt & McCoy, 2004:46). For the subsequent process of collecting and analysing data, the IQA method stipulates protocols “designed to minimize erosion”. These protocols also aim to assist the researcher in guiding participants, and to generate and analyse the research data independent from outside influences (Northcutt & McCoy, 2004:44). Northcutt and McCoy (2004:28) argue that systems based on representations of phenomena should answer at least two research questions in the sequence indicated below, namely:

- What are the components of the system?
- How are the components related to each other?

If more than one system is investigated, a third question might be answered, namely: How do the systems compare?

The current study focused on the social system of taxation, and more specifically the existing interactions or relationships between taxpayers and their tax practitioners in the South African environment. Northcutt and McCoy (2004:40) define a social system for the purposes of the IQA as “systems in which human interpretation of meaning is involved”. They argue that the elements of the social system could operate either on an individual psychological level, at an organisational or institutional level, or at the perceived relationship level. Northcutt and McCoy (2004:40) contend that a system’s elements are as diverse as the numerous ways of making meaning of it, but believe that the relationships between the elements are consistent. The outcome of an IQA research process is to explicate the cause and effect or influence of elements in a system, delineating the pattern of influence among the elements by means of a diagram (Northcutt & McCoy, 2004:41).

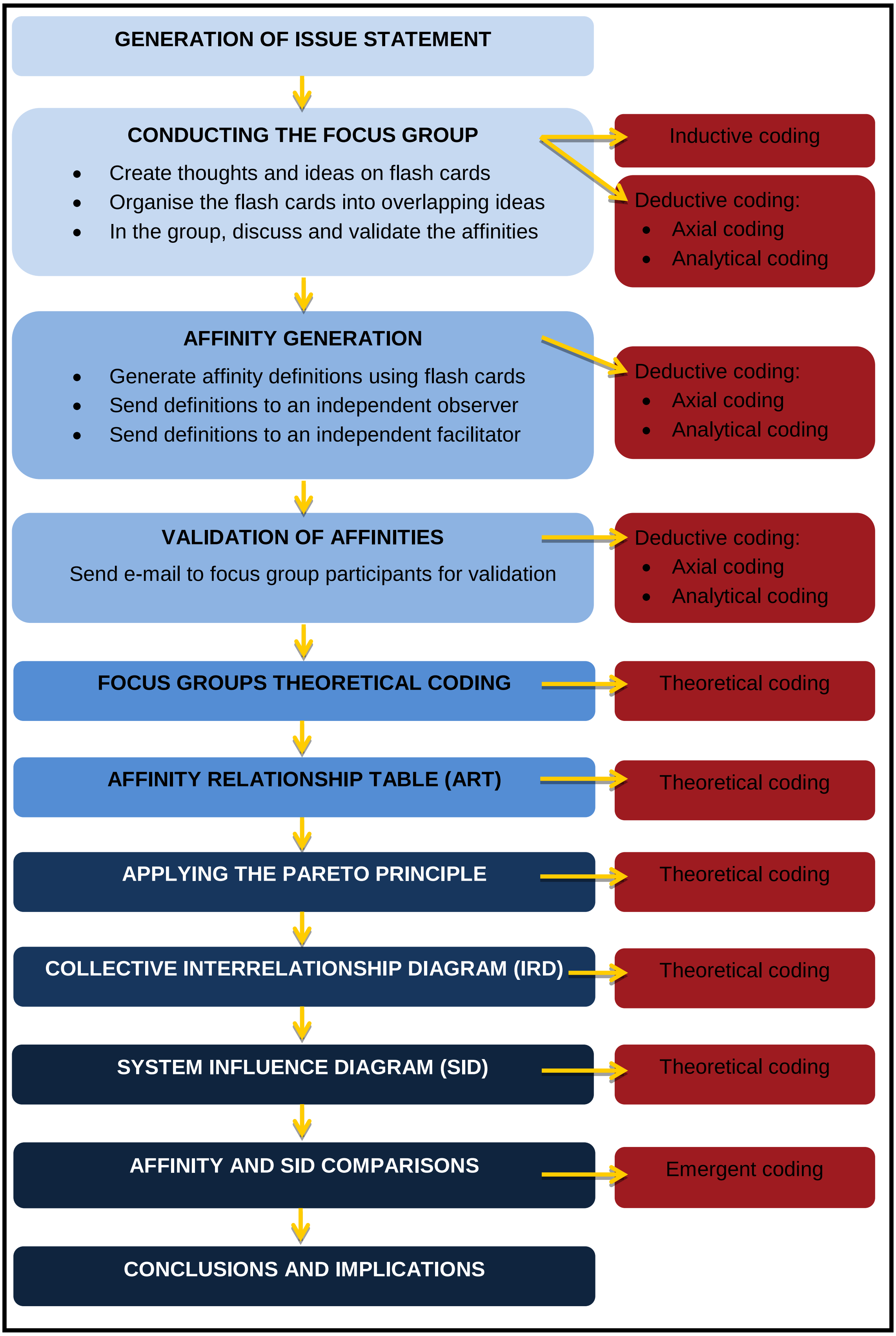
Northcutt and McCoy (2004:1-426) developed the IQA systems approach bearing in mind the methods based in the Total Quality Management (TQM) literature (Northcutt & McCoy, 2004:xiii). Social systems theory serves as the foundation for this research method. The method's main objective is to represent meanings of a specific research phenomenon in terms of either elements/themes, or factors/determinants – these are called affinities. IQA's end goal is to illustrate the possible relationships among the identified affinities (Northcutt & McCoy, 2004:xxi). In addition to this objective, the IQA research method concludes with a conceptual graphical interpretation of the system that represents a group's perceptions based on an issue statement posed to the group (Northcutt & McCoy, 2004:xx, 149). The issue statement functions as a key phrase introducing the research problem, and is an important aspect of operationalizing the research question. The process involved in developing the issue statement that is posed to the focus group sheds more light on the research question.

After the issue statement has been determined, it is followed by focus group sessions which generate affinities through an interactive process of collecting, organising and analysing data (Northcutt & McCoy, 2004:xxi-xxii). The IQA method also provides an approach for the identification of different categories of meanings constructed by participants and for reporting on the findings of different homogeneous groups of participants.

The IQA method assumes a constructivist research paradigm (Northcutt & McCoy, 2004:xxi), which acknowledges that in the IQA process, with the assistance of the researcher, participants take on the role of both the researcher and the participant in the research, since they generate and interpret data collected during focus group sessions themselves (Harris & Graham, 1994:233; Strommen & Lincoln, 1992:468).

Figure 23 (overleaf) provides a flow chart adapted from Northcutt and McCoy (2004:45) to illustrate the process followed during the IQA focus group sessions in the current study.

**Figure 23: Data collection flow chart (focus groups)**




Source: Adapted from Northcutt and McCoy (2004:45)

In Phase 2, the data collected for this research project were generated by means of an inductive stage (the process of naming) and a deductive reasoning stage (the process of reorganising) using analytical or axial coding, described by Dewey (1910:79-86) as the “double movement of reflective thought”, and recommended by Cooper and Schindler (2003) and Northcutt and McCoy (2004:96). This is an inherent part of the IQA process, where data collection and analysis are regarded as a singular process, and where participants are solely responsible for creating themes or affinities, as well as for creating theory associated with the phenomenon that is being researched.

The details of Phases 2 and 3 in the IQA process (Northcutt & McCoy, 2004:88-103) and the different types of coding that were used in the focus group are discussed below.

Phase 2 (Interactive Focus Group sessions):

- The Interactive Focus Group sessions were facilitated by an independent facilitator who is experienced in the IQA protocol. During these sessions, an IQA brainstorming technique was applied that enabled the participants of each focus group to generate qualitative data (*inductive coding)*.
- Subsequently, the participants arranged the data that had been generated into meaningful categories *(deductive coding).*
- The independent facilitator then assisted the participants in clarifying the meaning of the identified affinities *(analytical or axial coding)*.
- The identified affinities then served as a foundation for the researcher to write up the definitions of these affinities *(analytical or axial coding)*.
- In order to ensure that the essence as perceived by each focus group was captured in the affinities, the independent facilitator and independent observers were consulted for their input *(analytical or axial coding).*
- Finally, an e-mail was sent to the participants for further refinement and endorsement of the affinities to ensure that the affinities reflect the issue at hand accurately *(analytical or axial coding).*

Phase 3 (Theoretical coding):

- First, a detailed Affinity Relation Table (ART) was constructed using the final affinities generated during the second phase. In this ART, the affinities were then paired without taking into account any directional importance.
- An e-mail was sent to participants of the focus group containing the detailed Affinity Relationship Table (ART) in order to document the perceived directional influences between each pair of affinities in the system. Participants were required to complete the ART table by indicating the perceived directional relationship (left-to-right, right-to-left or no relationship) for each pair of affinities *(individual theoretical coding)*.
- A combined group ART was obtained by adding all the directions indicated, and this was further refined using the Pareto protocol *(group theoretical coding)*.
- Finally, the group's reality was presented by the researcher through a process of rationalising the system and ultimately creating an uncluttered group System Influence Diagram (SID) (Du Preez, 2010:47).

## 4.4 PHASE 2: INTERACTIVE FOCUS GROUP SESSIONS

This section provides a short general overview of the focus groups, followed by the list of criteria taken into consideration in planning the focus group interviews and a description of the data-collection and analysis procedures used in the focus groups.

### 4.4.1 Focus groups in general

The use of focus groups (also called group interviews) originated with a study undertaken by Merton (1946:541-557) in the 1940s. Brotherson (1994:104) explains that although focus groups were not used much for some time, from the early 1990s, focus groups re-emerged as an interview method and such interviews were integrated into different research paradigms and designs. Focus groups are a kind of group interview by means of which a researcher collects data (Berg & Lune, 2012:164; Creswell, 2009:180; Patton, 2002:385).

Schurink *et al*. (2011:71) describe a focus group or group interview as a purposive dialogue on a particular topic happening between a small number of persons with comparable backgrounds and mutual interests. The interaction of the group may entail both verbal and non-verbal communication on different perceptions and opinions, stimulating discussion without necessarily influencing the views of other participating individuals. Powell and Single (1996:499-500) indicate that focus groups use "guided interactional discussions, as a means to generate rich details of complex experiences and reasoning behind individuals' actions, beliefs, perceptions and attitudes". The general understanding of a focus group is therefore a meeting of individuals with related experiences, assembled by a researcher in order to be observed by any number of researchers. Schurink *et al*. (2011:71) point out that a focus group enables a researcher to create research data inductively, based on the intimate knowledge of the subject being investigated among the individuals participating in the focus group. In order to address the research question, the use of focus groups gave the researcher an opportunity to retrieve information from the group as a whole, as well as from individuals, as suggested by Schurink *et al.* (2011:82). A focus group stimulates interaction amongst the participants that results in different thoughts being brought together, and the creation of new ideas. This enables participants to debate comments and opinions in order to reach consensus on a phenomenon of interest.

There are a number of advantages to conducting focus groups (Berg & Lune, 2012:172; Schurink *et al*., 2011:81-83; Welman *et al*., 2005:203). Focus groups are highly flexible when it comes to the number of participants and number of groups, focus groups can be conducted in a short period at a relatively low cost, information can be obtained immediately, and a wide variety of participants can be used. Berg and Lune (2012:172) and Welman *et al*. (2005:203) also mention that the advantages include the fact that complex sampling strategies are not required, even though the use of focus groups does allow a large amount of information to be gathered, and that the researcher can immediately link information addressing the research question, and can ask additional questions to probe the topic in more detail if necessary.

Some disadvantages of using a focus group include the influence that the different participants could have on each other, and the possibility that participants could feel intimidated by other participants, or even by the researcher (Berg & Lune, 2012:172; Schurink *et al.*, 2011:81-83; Welman *et al*., 2005:203). This may have the effect that some participants in a focus group become cautious about voicing their opinion on the research problem (Welman *et al.,* 2005:203), and it could create an opportunity for one participant or more participants to dominate the focus group discussion and limit the participation of others. Berg and Lune (2012:172) also caution that in focus groups the overall opinion of the group should be gathered and not the opinions of specific individuals.

In order to address the research question, the use of focus groups gives a researcher an opportunity to retrieve information from the group as a whole, as well as from individuals, as suggested by Schurink *et al*. (2011:82). A focus group stimulates interaction amongst the participants that results in different thoughts being brought together and the creation of new ideas. This enables participants to debate comments and opinions in order to reach consensus on a phenomenon of interest.

In an IQA focus group specifically, the subject is introduced with an issue statement and the purpose of the focus group is to identify the characteristics of a system (in this case, the interaction between taxpayers and tax practitioners in the South African context). The social contexts and representations of the participants' experiences with the phenomenon are examined by the research in these contexts (Northcutt & McCoy, 2004:44) – in this case, the expectation gap between taxpayers and tax practitioners. This corresponds with the view of Stewart and Shamdasani (1990:15) that focus groups serve to uncover individuals’ understanding of a phenomenon of interest.

In order to address some of the known disadvantages of focus groups, in this particular research, an independent facilitator for the focus groups was asked to be actively involved in the process, in order to clarify any uncertainty immediately. Comments made by the participants could also be expanded upon without delay. This resulted in participants' debating comments and opinions in order to reach consensus on the research problem at hand. Furthermore, the IQA method used in the current research applied a number of focus group techniques that involved procedures to elicit the opinion of each member of the group (Northcutt & McCoy, 2004:103). Importantly, the IQA protocol[10] for focus groups was used to allow each participant's opinion to be raised and recorded.

Another disadvantage that certainly applies to this particular study is that it is sometimes hard to find a sufficiently large group of participants to participate in a study. The functioning of focus groups may differ as well, for example, one group can digress into a discussion that deviates considerably from the research problem, while another group can be very helpful in answering the research question (Berg & Lune, 2012:172; Schurink *et al*., 2011:83). The reason for the difficulty in acquiring participants in the current study was that the majority of appropriate participants are professional people who normally charge an hourly fee for their professional services, and they had to be persuaded to participate in the research without remuneration for the benefit of the profession. This made it more challenging for the researcher to obtain enough members of the profession to constitute a sufficient number of participants for the focus groups.

### 4.4.2 Planning the focus group interviews

Schurink *et al*. (2011:73) describe steps and decisions to take into account in the planning stage of composing the focus groups, as discussed below in relation to the current study.

#### *4.4.2.1 Number of groups needed*

With regard to the phenomenon under scrutiny and based on the definition of the expectation gap in the tax environment, two constituents are involved. These two parties are the taxpayers on the one hand, and tax practitioners on the other. Therefore, in order to gain an understanding of the expectation gap

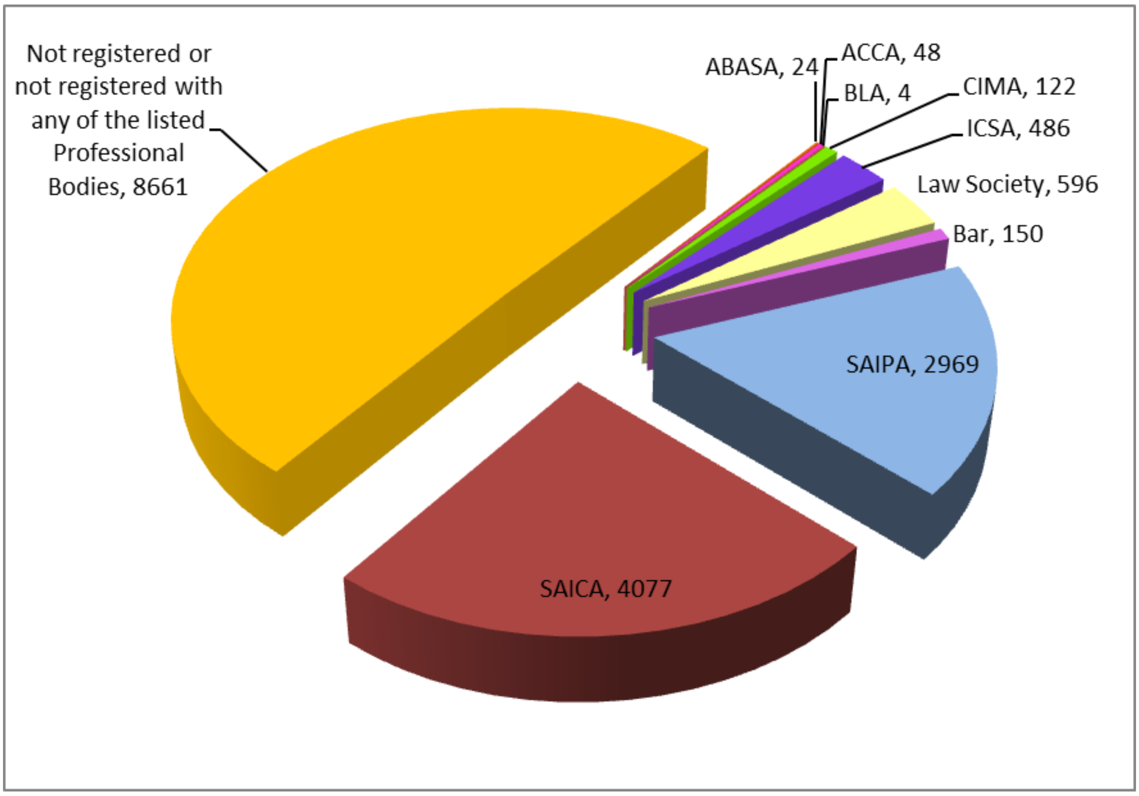
[10] See Section 4.3.1 for the IQA protocol followed for the focus group sessions.

between these two parties, there needed to be at least two focus groups, namely a homogeneous group consisting of taxpayers and a homogeneous group consisting of tax practitioners.

However, in the South African context, there are numerous types of tax practitioners. Tax practitioners belong to different professional bodies; they have different qualification requirements; they provide different services and their types of clients may also vary. As a result of these differences, it was decided to conduct three different types of focus groups amongst tax practitioners in order to enrich the understanding of the expectation gap from this more diverse group. Another reason for separating the tax practitioners into three groups is professional competition amongst the different tax practitioner “professions”, which might have led participants not to be completely honest in answering the issue statement if they were discussing issues in a diverse group, since there might have been a perceived risk that their personal views might portray the professional group they represented in a negative light.

Based on the most recent information from SARS on tax practitioners, as indicated in Figure 24 (overleaf), the majority of tax practitioners can be classified into four major groups. The first group belong to no professional body, those in the second group belong to professional bodies other than SAICA or SAIPA, and those in the third and fourth groups belong to either SAICA or SAIPA respectively.

**Figure 24: Practitioners: Membership of professional bodies**




Source: SARS (2012b)

It was therefore decided, for the purposes of this study, to conduct four different focus groups, one consisting of a group of taxpayers, and three consisting of different types of tax practitioners, namely Chartered Accountants (registered with SAICA), Professional Accountants (registered with SAIPA) and other tax practitioners.

In order for individuals to qualify as candidates for participation in the first focus group, the taxpayers, a person had to be a taxpayer or an official of a taxpaying entity responsible for its taxes, and had to use the services of tax practitioners for handling his or her tax affairs. This group also represents different taxpaying entities such as sole proprietors, close corporations, companies and listed companies.

For individuals to qualify as participants for the second focus group, the Chartered Accountant group, a person had to practise as a Chartered Accountant in South Africa and be registered with the South African Institute of Chartered Accountants (SAICA). Furthermore, the selected Chartered

Accountant professional had to be personally responsible for providing tax services to taxpayers in the form of compliance services, tax advice services or tax risk advice, or a combination of the above.

To qualify for participation in the third focus group, the Professional Accountants, a person had to practise as a professional accountant in South Africa and be registered with the South African Institute of Professional Accountants (SAIPA) and also had to provide relevant tax services to taxpayers, in a similar manner to the second group mentioned above.

Finally, the group consisting of other tax practitioners included only active tax practitioners belonging to the South African Institute of Tax Practitioners (SAIT) or the Law Society, or tax practitioners who were not registered with any professional body but who are registered with SARS as tax practitioners. These tax practitioners also had to provide relevant tax services to taxpayers, in a similar manner to the second group mentioned above.

It should be noted that with the exception of the composition of each focus group, the actual research process in each of the four IQA focus groups remained the same, as detailed in the sections below.

#### *4.4.2.2 Selection and recruitment of participants*

Sampling methods can be categorised into probability and non-probability sampling methods. With probability sampling, the probability that any individual unit of analysis in a population will be included in the sample can be determined, whereas with non-probability sampling, this is not possible (Berg & Lune, 2012:50; Welman *et al*., 2005:56). Non-probability sampling methods are usually applied in qualitative research, since the sample selection is not based on probability, but rather on creating a purposive quasi-random sample of participants with the objective of their engaging in dialogue on a particular topic based on comparable backgrounds and mutual interests (Berg & Lune, 2012:51; Welman *et al*., 2005:67). Non-probability sampling methods include the following:

- purposive sampling, when the researcher's special knowledge regarding a population is applied to decide on those units of analysis that represent a population (Berg & Lune, 2012:52; Saunders *et al*., 2009:598; Welman *et al*., 2005:69);
- convenience sampling, which uses those who are the easiest to include in the sample as the units of analysis (Berg & Lune, 2012:51; Saunders *et al*., 2009:589; Welman *et al*., 2005:69);
- snowball sampling, where initial sampled units are approached and used to identify further units of analysis through purposive sampling (Berg & Lune, 2012:52; Saunders *et al*., 2009:601; Welman *et al*., 2005:69);
- accidental sampling where the most convenient unit of analysis is used because these people are easily accessible (Welman *et al*., 2005:68); and
- quota sampling, in which a specific effort is made to sample pre-determined targets, usually from specific demographic groups, as the unit of analysis, in order for the sample to have characteristics similar to the population it represents (Berg & Lune, 2012:53; Saunders *et al*., 2009:599; Welman *et al*., 2005:67).

In order to compile the identified groups in this particular study, a combination of the purposive, convenience and snowball sampling methods was used. Purposive sampling was used to identify knowledgeable taxpayers and tax practitioners that had both a profound and a broad base of tax experience, and that shared the required commonalities. Since the researcher was not personally acquainted with a large number of potential participants who might be willing to participate in the study, the researcher also used snowball sampling, whereby other suitable participants were identified from information provided by those already included in the sample, as recommended by Saunders *et al.* (2009:240,601) and Welman *et al*. (2005:203). For example, the Chartered Accountants with whom the researcher was familiar, were asked to suggest other Chartered Accountants for possible inclusion in the study. Since the focus groups were held in Gauteng, at specific dates, and involved professional people for whom the time needed to participate in research is limited, sampling was also based on convenience. This method of sampling selects potential participants haphazardly on the basis that they are the easiest to obtain access to (Saunders *et al*., 2009:241,589; Welman *et al*., 2005:69).

The recruitment of participants based on the sampling process (as described above) started with the researcher's personally contacting potential participants who met the requirements of any one of the four groups. The topic of the research, the research method and what would be required of participants was explained to each potential participant. When a potential participant indicated that he or she might be willing to participate in the study, a formal written invitation detailing the purpose of the research, what would be required from the participant, as well as preliminary logistics such as the date, time and venue for the focus group were communicated (see Annexure A for an example of this letter). In line with the principle of snowball sampling, the invited participants were also asked for contact details of other people matching the criteria for eligibility in the study. This process was followed until an acceptable number of participants had been reached.

#### *4.4.2.3 Size of the focus groups*

Berg and Lune (2012:164) stipulate that, in a focus group session, a small number of participants are usually guided by a facilitator. Schurink *et al*. (2011:74) suggest that the ideal number of individuals for a focus group is between six and nine participants, whereas Saunders *et al*. (2009:344) argue that focus groups should consist of four to 12 participants, and that the number of participants depends on the nature of the participants, the topic, and the competence of the focus group facilitator. Welman *et al*. (2005:203) suggest that six to 12 participants is a suitable size for a focus group.

However, Northcutt and McCoy (2004:87) propose that for the IQA process, a researcher could use larger focus groups. They suggest between 12 and 20 participants. According to Northcutt and McCoy (2004:87), smaller groups may not have sufficient group dynamics during the affinity production phase, which may influence the results during the theoretical coding process. In the IQA process using groups that are too small may result in a distortion of data. For example, if the group consists of five members, and if they all contribute equally, the influence of one individual out of five in a small focus group weighs 20% (Northcutt & McCoy, 2004:87).

Taking into account the above arguments, as well as the requirements of the IQA process, this study included between ten and 20 participants in each of the four focus groups.

#### *4.4.2.4 Selecting the focus group location*

The dynamics of focus groups may be influenced by numerous location-related factors, such as accessibility (easy access is required), travelling time (this should be kept to a minimum) and being free from outside distractions. The venue should also match the needs of the participants, as should the method used (Schurink *et al*., 2011:75).

Since the participants consisted of professionals, it was important to choose a formal setting to match the nature of the individuals. It was important for the study, but also for tax research in general, that the way the focus group sessions were conducted would be of a high standard and would be authoritative. The venue selected for the focus groups, namely the boardroom of the Leadership Centre at the University of Pretoria, was deemed to be an appropriate and professional setting for conducting the focus groups. It was also completely free from outside disturbances.

Due to the location of the University of Pretoria, near two major highways, it is a convenient venue for participants from the Gauteng province. The accessibility of the campus was complemented by ensuring that the participants had pre-arranged access and parking. To ensure that participants could locate the venue easily, a detailed map and directions to the venue were provided to each participant via e-mail. Directions from the reserved parking area to the interview venue were clearly given by prepared signs. Three assistants were also placed strategically to assist participants in locating the venue without difficulty.

The boardroom that was used as an interview venue has corporate furnishings and is fully equipped. The arrangements in the boardroom, such as files on the boardroom table, markers and pens, resembled a directors' meeting. The boardroom table allowed the participants to face each other and there was ample room for the participants to move around freely. The services of a professional caterer were also used to ensure that refreshments were of a high quality.

*4.4.2.5 Ensuring attendance of participants*

Since focus groups are time-consuming, and in this case the interviews required professional individuals to give up some of their time, it was of the utmost importance that the participants were assured that their time would not be wasted (Schurink *et al*., 2011:74).

Hence, the original telephonic request for participation was warm, sincere and professional, and explained in detail what would be required from each participant. The written invitations were personalised and emphasised that the participant's special experience or insight that would be of value to the research. The invitations also highlighted the nature and importance of the study and the necessity for the participant(s) to take part, as advocated by Krueger (1994:89-90).

The dates selected for conducting these focus groups fell during a relatively quiet period of the tax year. The dates and starting times of the focus groups were therefore chosen in order to enhance the participants' attendance.

*4.4.2.6 Selection and briefing of an independent moderator/facilitator*

An independent facilitator is used in focus groups to keep the participants focused and to keep the discussion inside the boundaries of the topic being discussed, to generate interest in the topic and to encourage discussion about the issue at hand. While doing this, the facilitator needs to remain objective and not influence the group in a specific direction (Saunders *et al*., 2009:347; Schurink *et al*., 2011:76-77).

In the IQA, Northcutt and McCoy (2004:93) list the possible functions of a facilitator. These include the following:

- setting a brainstorming agenda;
- managing the discussions, remaining objective and neutral;
- intervening in the process only and not in the content;
- ensuring an understanding amongst the participants;
- maximising participation;
- minimising dominance by individual participants;
- developing trust and rapport;
- maintaining the focus of the group;
- acting professionally;
- maintaining positivity; and
- retaining a sense of humour.

Northcutt and McCoy (2004:93) believe the facilitator “should be competent in the skills of organisation, listening, observation, analysis, systems thinking, questioning and probing, and use good judgement and discretion during the process”.

In order to increase objectivity, it was decided to engage an independent facilitator with relevant experience to facilitate the four focus group discussions. This decision was also made to enhance the credibility of the data and to avoid potential research bias emanating from the researcher. The selected independent facilitator had ample previous experience in conducting focus groups through the application of IQA protocols, and displayed all the above requirements for conducting the focus groups.

#### *4.4.2.7 Recording of the focus group*

Due to the sensitive and confidential nature of taxation, it was decided not to record the focus groups on audio- or videotape. This decision proved to be appropriate, since on two occasions participants enquired about whether the focus groups would be recorded, and indicated that they required assurance that nothing would be recorded on tape before they were willing to participate in the discussion.

In order to compensate for the non-recording of the focus groups, two independent observers were used during the focus group sessions. These two independent observers documented the proceedings of the focus group. All data generated by the researcher were sent to the participants for validation in the third phase of the study.

Finally, in the IQA process, the data were generated and organised by the participants themselves. They documented this process on flash cards, which the researcher later used to write the detailed affinities (Northcutt & McCoy, 2004:82). After these affinities had been put together, they were first critically evaluated by the independent facilitator and observers to ensure that the researcher's interpretation was accurate, after which they were sent back to the participants for validation.

### 4.4.3 Collecting and analysing the data

Subsequent to the planning stage, the four focus group sessions were held, two per day on 17 and 19 April 2012 respectively. The process followed in each session is detailed below.

#### *4.4.3.1 Laying the foundation for the focus groups sessions*

Prior to conducting the focus group sessions, the researcher took into account the research objectives and questions in developing the issue statement for this particular study. This issue statement put the research question into action in order to gain an understanding of the phenomenon.

After an initial draft of the issue statement was generated, it was critically evaluated by the supervisors of the study. They suggested changes to improve the clarity of the issue statement in order to enhance its effectiveness and ensure that it clearly addressed the research question.

Subsequently, the second draft of the issue statement was tested amongst six different individuals to determine how they would interpret the issue statement and whether their understanding was in line with what was intended. Valuable insights were gained and alterations were made where necessary.

Finally, the issue statement was presented to the independent facilitator responsible for executing the focus group for critical review in a focus group planning meeting. Taking into account his expert opinion, the final issue statement used for this particular study was the following:

> **Which factors contribute to the expectation gap between taxpayers and their tax practitioners in the South African context as perceived by the specific focus group, be it the taxpayers or one of the different groups of tax practitioners?**

During the initial planning meeting, the independent facilitator was also briefed about all the logistic arrangements for the focus groups to ensure that the focus group sessions would be conducted effectively.

*4.4.3.2 The starting phase of the focus group session*

At the beginning of each focus group session, the participants were welcomed by the researcher, and everyone was requested to complete an informed consent form (see Annexure B) to confirm his or her voluntary participation in the research project.

After the initial formalities, the focus group was conducted, adhering to the protocols of the IQA method. The facilitator ran the session, while the researcher and two independent observers observed the session. Through the issue statement, the IQA aspires to direct and assist participants in understanding the research question, since the issue statement deconstructs and operationalizes the research question (Northcutt & McCoy, 2004:46). The posing of the issue statement to the focus groups invites the focus group to engage and interrogate issues pertinent to the research question. The discussion is used to generate affinities that are perceived to relate to the research question.

In order to ensure complete participation by everyone in the focus group, it was crucial to ensure at the beginning of the focus group session that the participants were comfortable and relaxed (Northcutt & McCoy, 2004:90). All the participants received printed documents containing the issue statement and the definition of the expectation gap between taxpayers and their tax practitioners to enhance proper understanding of the issue statement. The definition of the expectation gap provided to the participants was the following:

> **The difference between taxpayers' expectations about a tax service provided to them and the tax practitioners' perceptions of those expectations on the one hand, and the tax practitioners' expectations about a tax service provided and the taxpayers' perceptions of those expectations on the other hand.**

The independent facilitator requested the participants to relax and to close their eyes for a moment, and gave the participants time for quiet reflection. The independent facilitator then asked them to listen to his voice as he read out the issue statement to them. This required the participants to listen and visualise what was being read and to apply their imagination and their own thoughts to the issue statement, as recommended by Northcutt and McCoy (2004:90).

*4.4.3.3 Affinity generation and coding of affinities into groups*The first step in the creation of affinities is a silent nominal phase. This brainstorming stage encourages participants to construct individual thoughts, feelings and ideas on the issue statement posed to them (Northcutt & McCoy, 2004:91). Hackman and Wageman (1995:314) are of the opinion that the objective of brainstorming is to allow ideas to originate from the creativity of the participants. Subsequently, the participants are requested to pin down their thoughts either as a word, a phrase or sentence on coloured index cards using marker pens (Northcutt & McCoy, 2004:91). In this study, the participants were reminded that during this stage, they were to work independently, in complete silence. They were to write one thought, phrase, word or sentence per card and to write as many cards as they wanted to. Due to the importance of this stage, a strict time limit was not set for this stage. The independent facilitator requested the participants not to limit their thoughts, but simply to write them down as the ideas came into their minds.

When the independent facilitator sensed that the group had finished writing index cards, the participants were asked to post their cards in any random order on one wall of the venue in silence. The group was then asked to reflect on what they saw on the wall. If any new thoughts came to mind, they should jot them down on additional index cards and also post them on the wall.

The independent facilitator then guided the participants through each card on the wall in order to clarify the meaning of each. Members of the group were invited to elaborate on thoughts and phrases that needed clarification and the group had to reach consensus on the meanings of the words and the phrases on the cards. This process of data clarification allowed for the development and capturing of new ideas.

At the same time, the participants also had an opportunity to sort or group the cards *(deductive coding).* No guidelines or criteria to sort the index cards were provided to participants – any criteria were acceptable as long as the focus group as a whole agreed afterwards that the groupings were representative of the combined perceptions of the focus group on the factors that contribute to the expectation gap between taxpayers and their tax practitioners. This process involved inductive coding and followed the previous stage of a broad generalisation of affinities by working from the specific to the general (Northcutt & McCoy, 2004:97). The independent researcher also guided the group in engaging in discussions before reaching consensus about the groupings or draft affinities that were obtained as an outcome.

#### *4.4.3.4 Axial coding: naming affinities*

In line with Northcutt and McCoy's (2004:99) description of the process, subsequent to the process of inductive coding, the participants named each grouping, clarified its meaning, and finally created names or headings for each of the groups. Labelling the groupings involves deductive coding, since the participants have to be more specific and use the multiple index cards of different individuals in the particular focus groups to derive a collective heading for the grouping of index cards (Northcutt & McCoy, 2004:100).

Finally, the independent facilitator asked each group's participants to reflect on each draft affinity or collective grouping and to ensure that each participant was happy that every affinity was clear and addressed the issue statement posed to the group at the beginning of the session. Participants also had to confirm that they all agreed with the heading they had provided for each affinity identified by the focus group.

After the focus group session was concluded, consistent with the explanations in the invitation letter, the researcher explained the phases to be followed after the focus group session that would require their involvement verbally. The participants were informed about the importance of their continued participation and they were thanked for their time and input.

Subsequent to conducting the focus group sessions, the researcher wrote a definition of each affinity using the participants' index cards and the points made in the discussions. Northcutt and McCoy (2004:100) stipulate that affinities should be descriptive and "grounded in the text", and should be compiled from particular quotes from the data collected from the index cards, or from notes taken of the participants' conversation during the focus group discussions.

After the definitions of these affinities had been drafted, they were critically evaluated by the two independent observers, and subsequently by the independent facilitator in order to validate the compilation and to confirm the individual participants' input on the written affinities. This internal control served to heighten accuracy and was required to minimise researcher bias during the writing of the affinities. After all these inputs had been received, a document was compiled by the researcher containing the affinities and the participants' descriptions of the affinities.

In describing the affinity themes, a researcher has to remain faithful to the language used by the participants and consult them for clarity and input (Northcutt & McCoy, 2004:100). The participants in each focus group therefore received the document containing the written affinities relevant to that person’s group via e-mail. The participants were requested to indicate whether they believed that the affinities noted by the researcher represented a true reflection of what was discussed and agreed upon in their specific focus group. Each participant had an opportunity to reflect on the affinities once again, validate them or, if the person was not in agreement, provide further input or comments to the researcher.

The refining of the affinity statements continued until the participants were satisfied with each affinity and the respective definition of each affinity. When this process was completed, the researcher was able to use the generated meanings for the next phase, which involved the theoretical coding of the affinities.

## 4.5 PHASE 3: THEORETICAL CODING: PARETO PROTOCOL

### 4.5.1 General orientation

Northcutt and McCoy (2004:149) explain that the theoretical coding of affinities refers to “ascertaining the perceived cause-and-effect relationships (influences) among all the affinities in a system”. In the IQA, this phase consists of presenting the affinities to the participants again, requesting them to indicate the directional links between the affinities. This phase starts with the construction of an individual detail affinity relationship table (ART), taking into account the final affinities generated by the participants during Phase 2 and pairing them without taking into account any direction.

Northcutt and McCoy's (2004:156) "Pareto protocol" was chosen as the strategy to indicate the agreement of each group's analysis of the relationships. Thus, a quantitative method was used to determine the cause-and-effect relationships between the affinities of a particular focus group.

### 4.5.2 Affinity Relationship Table (ART)

In order to perform the theoretical coding, participants were asked to indicate their understanding of the relationship between two affinities and to decide which affinity of every pair was the most influential. The first step for the theoretical coding in this study consisted of requiring participants to indicate the direction of the relationship (if any), by means of the detailed individual ART, and to provide explanations of relationships by creating "if/then" statements (if possible) for the relationship (Northcutt & McCoy, 2004:154). The brief "if/then" statements of the relationship should be based on the participant's own experiences and perceptions, using the principle of *individual theoretical coding.*

In line with Northcutt and McCoy's (2004:151) process, in the detailed ART, participants could indicate one of three possible relationships (see Table 18, below). If a participant is of the opinion that Affinity 1 influences Affinity 2, this influence is indicated as 1→2. If a participant thinks that Affinity 2 influences Affinity 1, it is indicated as 1←2. If a participant believes that there is no relation between a pair of affinities, this is indicated as 1 X 2. It should be emphasised that participants were not required to consider the strength of a relationship pair, but only to indicate their perception of the directionality of the relationship, an action which cognitive scientists have demonstrated humans to be capable of performing very accurately (Human-Vogel & Van Petegem, 2008:458).

**Table 18: Affinity relationship table**

| **Possible ART relationships** | |
|---|---|
| 1 → 2 | 1 influences 2 |
| 1 ← 2 | 2 influences 1 |
| 1 X 2 | No relationship |

Source: Adapted from Northcutt and McCoy (2004:151)

An example of an individual ART for a total of six affinities is shown in Table 19.

**Table 19: Individual ART**

| **Affinities**<br>1. Affinity 1<br>2. Affinity 2<br>3. Affinity 3<br>4. Affinity 4<br>5. Affinity 5<br>6. Affinity 6 | | | **Possible relationships**<br>If Affinity 1 influences Affinity 2, then:<br>1 → 2 (for → press ctrl + l)<br>If Affinity 2 influences Affinity 1, then:<br>1 ← 2 (for ← press ctrl + r)<br>If there is no relationship between affinities:<br>1 X 2 (for X press ctrl + n) |
|---|---|---|---|
| **Affinity pair Quantification** | | | Give an example in natural language using an IF/THEN statement to explain the relationship according to your personal experience (qualitative information). |
| **1** | | **2** | |
| **1** | | **3** | |
| **1** | | **4** | |
| **1** | | **5** | |
| **1** | | **6** | |
| **2** | | **3** | |
| **2** | | **4** | |
| **2** | | **5** | |
| **2** | | **6** | |
| **3** | | **4** | |
| **3** | | **5** | |
| **3** | | **6** | |
| **4** | | **5** | |
| **4** | | **6** | |
| **5** | | **6** | |

Source: Adapted from Northcutt and McCoy (2004:151)

After the completed detailed individual ART-documents had been returned to the researcher, they were used to compile a summarised ART for each focus group as a whole (Northcutt & McCoy, 2004:156). This compilation of the summarised ART was based on the frequency of each of the three directional hypotheses as noted and recorded by individual participants on their individual detailed ARTs. The purpose of compiling the summarised ART was to obtain the mutual view in each focus group of the relative directions between aspects of the phenomenon, as expressed in the affinities.

### 4.5.3 Pareto and conflict analysis

Northcutt and McCoy (2004:156) argue that the Pareto principle is a rigorous and robust method for achieving and documenting an acceptable group composite for each focus group. Craft and Leake (2002:729) explain that

Vilfredo Pareto, an Italian economist, is regarded as the father of the Pareto principle. Pareto was the first scholar who “discovered” that 80% of the wealth of a nation is usually owned by 20% of the population. The 20% represent the “vital few”. The remaining 20% of the nation's wealth is owned by the remaining 80% of the population, the “trivial many” (Human-Vogel & Van Petegem, 2008:459). This principle, also referred to as the “trivial many and the significant few principle”, is popularly referred to in other contexts as well. For example, in organisations, it is fairly common that 80% of profits are generated by 20% of the clients.

It is generally acknowledged that in any group composition there will be some discrepancies in how the relative directions of relationships are viewed. If the Pareto principle is transferred to the IQA process, this principle suggests that 20% of the variables in a system may account for 80% of the total variation in the outcomes of that system (Northcutt & McCoy, 2004:156-157). In essence, this suggests that a minority of the relationships in any system account for the majority of disparities or variances in that system.

According to Northcutt and McCoy (2004:157), the first step in compiling a Pareto protocol is to count the frequencies or precise number of relationships (frequency) from the respondent sample, and count the number of left to right, no relationship, and right to left frequencies, until the indicated relationships or affinity from the sample pair has been collated. The results are summarised in the group ART, which represents the group’s view of the interrelationships for each affinity pair.

The second step involves the arrangement of the relationships in descending order of frequency using the Pareto protocol and the power analysis column (explained below). The result of this process is that the affinity pair with the most recorded relationships is listed first, and the one with the least relationships is listed at the end of the table. After completing the sorting in descending order, the researcher adds four columns to this table. Example 1, provided in Table 20, demonstrates how such a table functions.

**Table 20: Example of affinities in descending order of frequency with the Pareto protocol and power analysis table**

| (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|
| **Affinity pair relationship** | **Frequency sorted (descending)** | **Cumulative frequency** | **Cumulative percentage (relation)** | **Cumulative percentage (frequency)** | **Power** |
| 2→4 | 12 | 12 | 20 | 40 | 20 |
| **1→5** | **10** | **22** | **40** | **73** | **33** |
| 3←6 | 5 | 27 | 60 | 83 | 23 |
| 5→3 | 3 | 30 | 80 | 100 | 20 |
| 1←3 | 0 | 30 | 100 | 100 | 0 |
| Total frequency | **30** | | | | |

Source: Northcutt and McCoy (2004:159)

Each of the additional columns is now described in further detail.

- *Cumulative frequency column (Column 3):*

  In the cumulative frequency column, the cumulative frequency is recorded. This is achieved by adding the frequency to the running total of the previous listed affinity pair (Northcutt & McCoy, 2004:160).

- *Cumulative percentage (relation) column (Column 4):*

  The cumulative percentage (relation) represents the percentage expected when all affinities are equally important in the aggregated data, and therefore signifies each relationship as a percentage of the total number of possible relationships – in Example 1, this means 20% (one out of a total of five) (Northcutt & McCoy, 2004:160).

- *Cumulative percentage (frequency) column (Column 5):*

  The cumulative percentage (frequency) column represents the cumulative frequency as a percentage of the total number of relationships (in the example in Table 20, it is 30, see the gold block) (Northcutt & McCoy, 2004:160).

- *Power column (Column 6)*

  The power column acts as an index of the degree of optimisation of the system. This is calculated by deducting the outcomes of Column 4 from the outcomes in Column 5 (Northcutt & McCoy, 2004:160).

Therefore, the two important criteria to be considered when deciding which of the affinity pairs should be included in the Interrelationship Diagram (IRD) are the maximum variance in the system (Column 5), and then minimising the number of affinity pairs (Column 4). The objective of this decision is to determine the cut-off point for the inclusion or exclusion of affinity pairs from the IRD. The power column provides an indication of the degree of optimisation in the system. In the above example, power reaches its maximum in the second line of the table, which suggests that from the sample evidence, it is possible that only two relationships account for 73% of the variation in the system. In that case, only the first two affinity pairs should be included in the group IRD (see Table 20, the blue blocks).

Thirdly, ambiguous or conflicting relationships need to be identified. These relationships are ones where the combined results of the participants suggest opposite relationships to a pair of affinities, for example, 1→2 and 1←2 (Northcutt & McCoy, 2004:161-162). These affinities receive votes to be both a cause and an effect. In such cases, the conflicting affinities with the highest frequencies are included in the construction of the IRD. The affinity pair with the lower frequency is reconciled at a later stage in the analysis.

### 4.5.4 Interrelationship Diagram (IRD)

The next stage in the IQA is to create an IRD in order to summarise the inter-relationships of each focus group's activity and provide a rationale for the system (Northcutt & McCoy, 2004:170). This IRD is a matrix containing a system's affinity pairs or relationships. In this matrix, arrows are indicative of the kinds of relationships between the affinities. When the arrow points from Affinity 1 to Affinity 2, it indicates that 1 is perceived to have a direct influence on 2 (see Table 22, overleaf). For each affinity pair, two arrows should be present, one pointing upwards and the second one pointing left (Northcutt & McCoy, 2004:170). The IRD diagram therefore indicates whether each affinity in a pair is perceived to be a cause or an effect, or if there is no relationship between the affinities in the pair.

Example 2, below, commence with Table 21 and provides an explanation of how the Pareto protocol is used in the process of creation of a System Influence Diagram (SID).

**Table 21: Example of affinity pair relationships**

| Affinity Pair Relationship |
|---|
| 2→4 |
| 2→5 |
| 3←6 |
| 3→5 |
| 1←3 |
| 3 X 4 |
| 1←6 |
| 1→2 |
| 4→5 |

Source: Adapted from Northcutt and McCoy (2004:158)

Taking into account the above data, a tabular IRD for Example 2 was created. as presented in Table 22.

**Table 22: Example of tabular IRD**

| Tabular IRD | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | | **Out (↑)** | **In (←)** | Δ |
| | | | | | | | | (A) | (B) | (A-B) |
| **1** | | ↑ | ← | | | ← | | 1 | 2 | -1 |
| **2** | ← | | | ↑ | ↑ | | | 2 | 1 | 1 |
| **3** | ↑ | | | | ↑ | ← | | 2 | 1 | 1 |
| **4** | | ← | | | ↑ | | | 1 | 1 | 0 |
| **5** | | ← | ← | ← | | | | 0 | 3 | -3 |
| **6** | ↑ | | ↑ | | | | | 2 | 0 | 2 |

Source: Adapted from Northcutt and McCoy (2004:172)

At this stage, it is important to understand how the Delta (Δ) value, in the last column of the table, is calculated in the IRD and how it is used in the construction of the IRD table. A Δ value is calculated for each affinity by subtracting the number of arrow facing left (also termed the "Ins") from the number of arrows facing upwards (also termed the "Outs") linked to the affinity.

The function of the Δ value is to categorise each affinity as a driver, a pivot or an outcome of the system. A driver is an affinity with a positive Δ, in other words, there are more "Outs" than "Ins". By contrast, an outcome is an affinity with a negative Δ, thus with more "Ins" than "Outs" (Human-Vogel & Van Petegem, 2008:458; Northcutt & McCoy, 2004:173). In instances where the number of "Ins" is equal to the number of "Outs", a pivot is created. Since affinities cannot influence themselves, a blue block indicates this position in the IRD table.

Subsequently, the table (see Table 22, above) is arranged in descending order according to the ∆ (see Table 23, below).

**Table 23: Tabular IRD in descending order according to the ∆s**

| Tabular IRD | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **1** | **2** | **3** | **4** | **5** | **6** | | **Out (↑)** | **In (←)** | ∆ |
| | | | | | | | | (A) | (B) | (A-B) |
| **6** | ↑ | | ↑ | | | | | 2 | 0 | 2 |
| **2** | ← | | | ↑ | ↑ | | | 2 | 1 | 1 |
| **3** | ↑ | | | | ↑ | ← | | 2 | 1 | 1 |
| **4** | | ← | | | ↑ | | | 1 | 1 | 0 |
| **1** | | ↑ | ← | | | ← | | 1 | 2 | -1 |
| **5** | | ← | ← | ← | | | | 0 | 3 | -3 |

Source: Adapted from Northcutt and McCoy (2004:172)

In order to draw a SID diagram in the next stage, all the affinities need to be classified into drivers, outcomes or pivots. The affinities are classified using the values in the ∆ and the “Out” and “In” columns of the IRD.

An affinity characterised by a positive ∆ resulting from many “Outs” but zero “Ins” is classified as a primary driver (a significant cause). This primary driver affects many other affinities, but is not influenced by any other affinities. A secondary driver is a relative cause or influence on other affinities in a system, and it has both “Outs” and “Ins” in the IRD, but there are more “Outs” than “Ins”. For an affinity to be labelled a “Circulator” or a “Pivot”, there needs to be an equal number of “Ins” and “Outs” (Northcutt & McCoy, 2004:173).

An affinity with a high negative ∆ that results from many “Ins” but no “Outs” constitutes a primary outcome. This resembles an effect that is caused by numerous other affinities, but does not affect others. Secondary outcomes are obtained when there are both “Ins” and “Outs”, but there are more “Ins” than “Outs”.

Affinity pairs are arranged in order of ∆ values. The relationships for all the construct pairs as indicated in the IRD relationship diagrams are carried over and depicted visually, resulting in a cluttered SID.

**Table 24: Tentative SID Assignments derived from Table 23**

| Tentative SID Assignments | |
|---|---|
| 6 | Primary driver |
| 2 | Secondary driver |
| 3 | Secondary driver |
| 4 | Circulator / Pivot |
| 1 | Secondary outcome |
| 5 | Primary outcome |

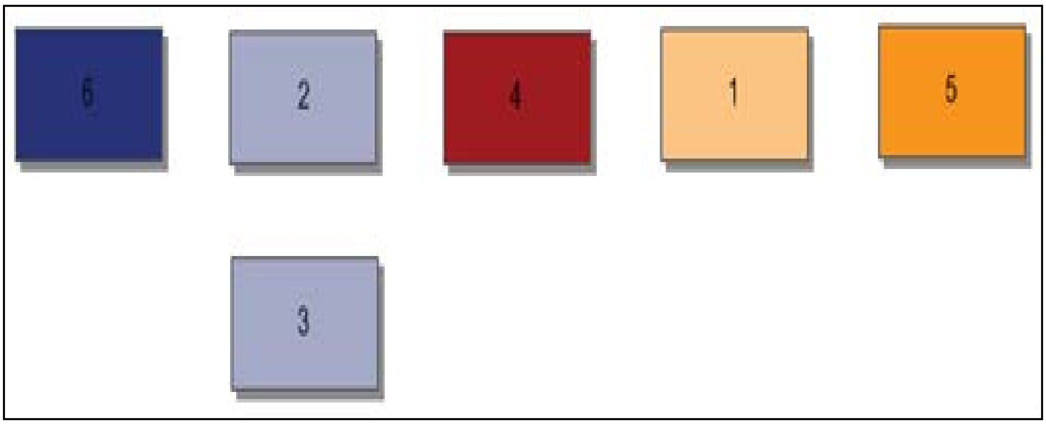
Source: Adapted from Northcutt and McCoy (2004:174)

### 4.5.5 System Influence Diagrams (SIDs)

At this stage of the analysis, the data generated is ready for use in a SID, the final phase of each focus group's data analysis. An SID consists of a visual representation of the entire system of influence and outcomes (Northcutt & McCoy, 2004:174) in the form of a mind map, which Northcutt and McCoy (2004:342) define "as a coherent set of relationships, a systematic internally consistent picture of the theory in action that forms and guides a group's or an individual's understanding of the meaning of a particular phenomenon".

To illustrate the SID process, all the drivers are positioned on the left side of the diagram, and the outcomes on the right. As the diagram in Figure 25 (overleaf) shows, the primary drivers and outcomes are positioned on the far left and right sides of the diagram respectively. The secondary drivers and outcomes are positioned between the primary and secondary drivers, with the circulators or pivots in the centre. Affinities classified with an identical status need to be positioned vertically above/below one another.

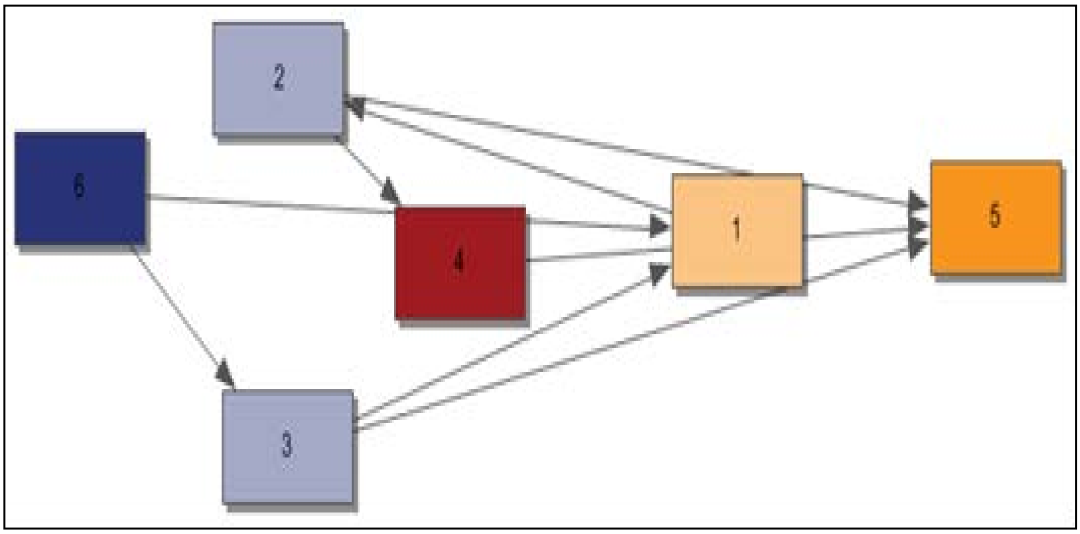
**Figure 25: SID with the affinities only**




Source: Adapted from Northcutt and McCoy (2004:179)

In drawing a preliminary SID, all the relationships summarised on the IRD need to be included. For each relationship between two affinities, an arrow is drawn indicating the relationship and the direction of influence. This kind of SID is called a cluttered SID – an example is provided in Figure 26.

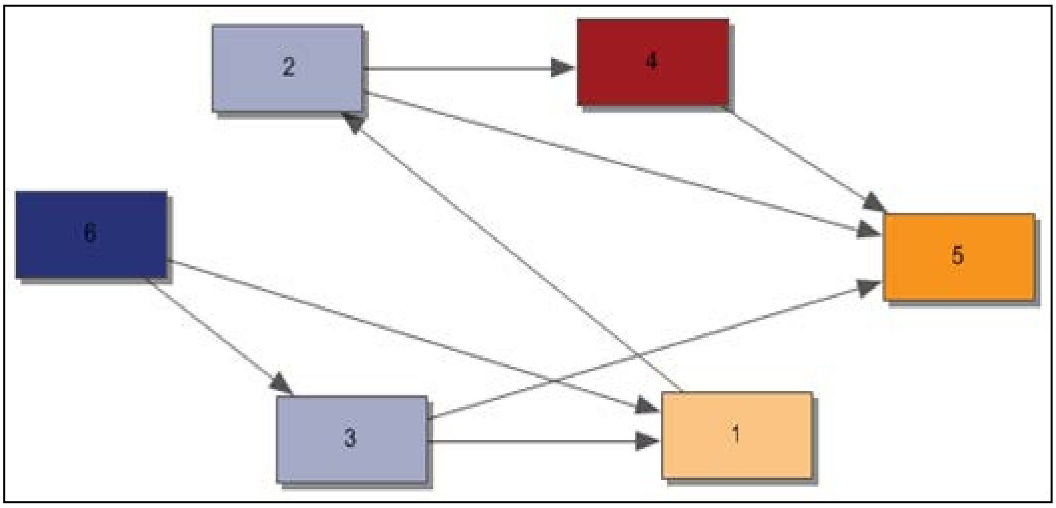
**Figure 26: Cluttered SID**




Source: Adapted from Northcutt and McCoy (2004:179)

In order to simplify the process of identifying and removing redundant links, the above cluttered SID is then rearranged and laid out in a circular manner as indicated in Figure 27.

**Figure 27: Cluttered SID – better organised**



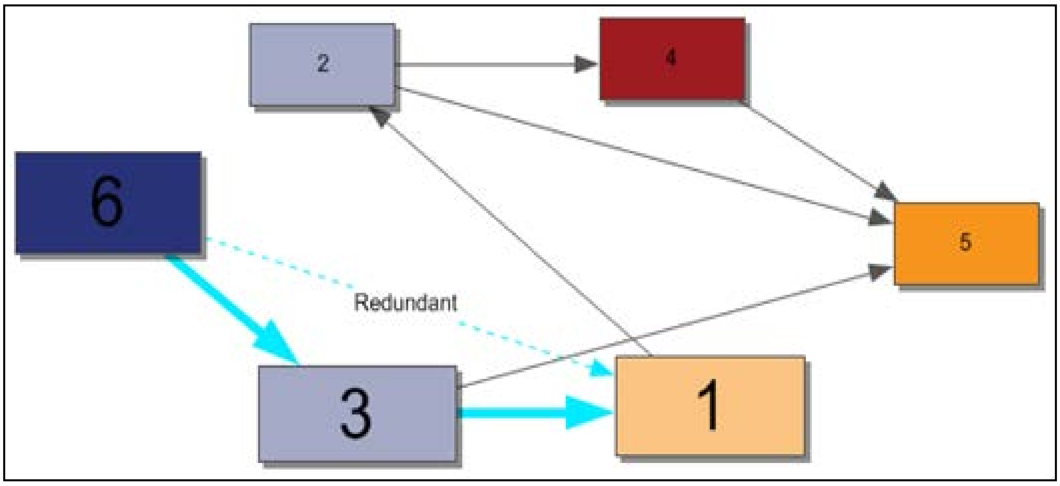

Source: Adapted from Northcutt and McCoy (2004:179)

The diagrams in Figures 26 and 27 are completed cluttered SIDs. The cluttered SIDs are used to create a diagram that corresponds to all the relationships in the system. When several affinities are involved, there is an increase in the number of relationships in a SID, which may make a cluttered SID too complex to allow conclusions to be easily drawn from the diagram. A cluttered SID is therefore of no real value. For a cluttered SID to become functional, it is vital that it be uncluttered or rationalised.

According to Northcutt and McCoy (2004:37), rationalisation is "undertaken to describe the comprehensiveness, complexity, parsimony or simplicity and visual interpretability" of data. As mentioned in the previous paragraph, the links in a cluttered SID are established by linking the highest Δ to the lowest, while the direction of the link (arrow) is determined by an IRD. The objective of this uncluttering or rationalisation process is to retain those relationships that also retain meaning, but to eliminate redundant parts. A systematic and transparent method is used to eliminate links so that only one representation of the system is possible. This process generally involves investigating the affinity with the highest Δ value first, considering its direct link with the affinity with the lowest Δ, moving to the right systematically until all direct links have been eliminated where a direct link can also be explained via an indirect link (Northcutt & McCoy, 2004:182-183).

This process of eliminating all the relationships that could possibly be substituted with another pathway on the diagram is illustrated in the diagram in Figure 28 (below). The figure shows a relationship between Affinities 6 and 1. There is also a relationship between Affinities 6 and 3 and then Affinities 3 and 1. The arrow between 6 and 1 is therefore redundant, as the relationship between 6 and 1 already exists through 3.

**Figure 28: Process to create uncluttered SID**




Source: Adapted from Northcutt and McCoy (2004:179)

This process of uncluttering or rationalisation of the SID continues until all redundant relationships have been eliminated from the SID, and it represents a mind map that contains only the smallest number of links required to completely represent the underlying logic of the IRD for each group (Northcutt & McCoy, 2004:183).

In Phase 4, the affinities generated and information for each individual focus group is then analysed and interpreted further, in order to establish an array of mutual themes for all four groups by means of a thematic analysis.

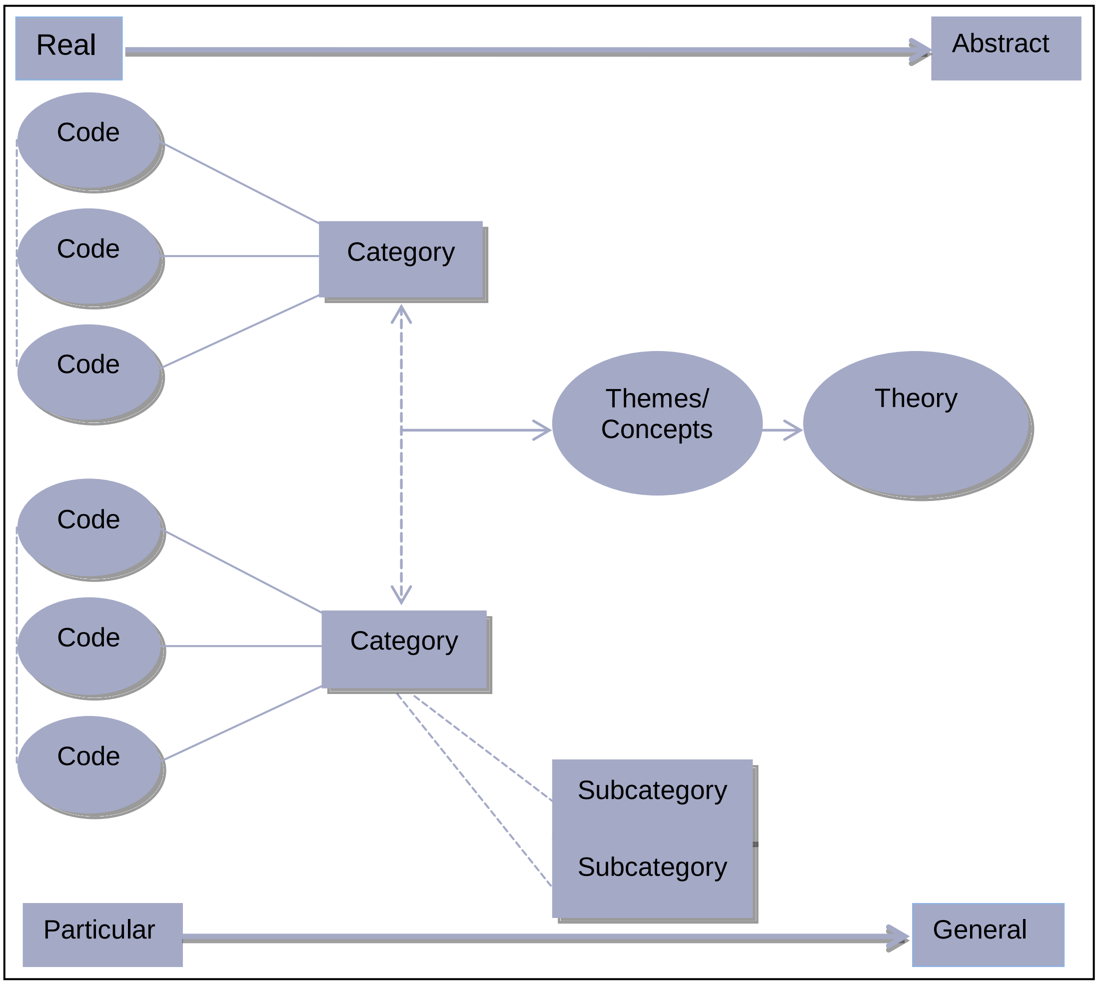
## 4.6 PHASE 4: THEMATIC ANALYSIS

### 4.6.1 General orientation

According to Berg and Lune (2012:349), as well as Leedy and Ormrod (2010:144), a content analysis is a careful, detailed analysis and interpretation of a particular set of material or data. In this study, the affinities were used as the data that were created by the different focus groups, in order to identify patterns, themes, biases and meanings between and among the affinities. Joffe and Yardley (2004:56) explain that a content analysis is a method that can be used to explore text by means of a numerical description of features of the particular text, or a series of images with the specific purpose of determining the frequencies of the occurrence of specific words or groups of words. A thematic analysis is similar in that it provides a systematic element and thus allows a researcher to merge the analysis of the frequency of codes with their contextual meaning in order to add the advantages of "subtlety and complexity of a truly qualitative analysis" (Archer, 2012:17-19; Joffe & Yardley, 2004:56). Fereday and Muir-Cochrane (2006:80) indicate that a thematic analysis enables a researcher to explore the important themes that emerge from the body of material at hand.

According to Rice and Ezzy (1999:258), the process followed in a thematic analysis involves the recognition of themes by means of pattern recognition. This is achieved by a careful reading and re-reading of the body of material that is to be analysed. Joffe and Yardley (2004:57) explain that a theme refers to a particular pattern discovered in the data of interest to the researcher, and that it can be deduced from existing theoretical ideas (deductive coding) or from the raw information itself (inductive coding). Boyatzis (1998:161) defines a theme as "a pattern in the information that at minimum describes and organises the possible observations and at a maximum interprets aspects of the phenomenon". Figure 29 (overleaf) sets out a streamlined codes-to-theory model for qualitative inquiry.

**Figure 29: Streamlined codes-to-theory model for qualitative inquiry**




Source: Saldaña (2009:12)

The rationale for conducting a thematic analysis in this study was incorporating the affinities identified by each focus group into a set of combined themes for all four groups. The IQA analyses for each of the four different focus groups address the study's objectives, as set out in Section 1.5. This thematic analysis of the different focus groups' affinities allows an overview of important themes to address the aim of the study. It also assists in addressing the research questions designed to enable a deeper understanding of the factors contributing to the expectation gap between taxpayers and their tax practitioners, as perceived by taxpayers and different groups of tax practitioners.

The thematic analysis approach decided on for this research was a hybrid approach incorporating both a deductive approach (based on the affinities generated by the different focus groups) and a data-driven inductive approach.

### 4.6.2 Thematic analysis using ATLAS.TI

Smith and Short (2001) argue that the development of technology has improved the efficiency of qualitative data analysis. However, qualitative data analysis can be time-consuming and thus expensive when a large amount of data is generated. Basit (2003:143) points out that the decision of whether to use manual or electronic coding depends on the size of the project, the time and the funding available, as well as the preference and expertise of the researcher.

Software programs called Computer Aided Qualitative Data Analysis Software (CAQDAS) can be used for data analysis and the coding of data (Berg & Lune, 2012:377; Saldaňa, 2009:23). Saldaňa (2009:23) warns that CAQDAS itself does not actually code the data on behalf of the researcher and that the coding still remains the researcher's responsibility. He maintains that a CAQDAS system has the advantage that it allows a researcher to store, manage, arrange and reconfigure the research data effectively to allow for analytic contemplation. It also assists in providing descriptions of the steps the researcher follows in the process of interpreting and analysing the data. These thorough descriptions allow a reader to retrace the logical steps of the development and provide an understanding of the grounding for the researcher's conclusions (Maclaran & Catterall, 2002:34). The resulting traceability also enhances the trustworthiness of the analysis process (Wickham & Woods, 2005:698).

In Phase 4 of the current study, the CAQDAS program Atlas.ti, a qualitative data analysis program developed to analyse textual data (Guidry, 2002:1; Smit, 2002:65, 74), was used as a tool in the thematic analysis process. Muhr (2004) argues that Atlas.ti enables a researcher to analyse data in a structured manner and to depict distinct relations between affinities during the analysis of data using various tools in the program. Through the storing of all pertinent information in a "Hermeneutic Unit", Atlas.ti also allows the affinities of the various focus groups used to be integrated so that the researcher does not lose sight of the bigger picture when focusing on a particular focus group's affinities. It also allows the researcher to reveal concepts which he or she might not even be looking for and ensure that the data are considered and analysed systematically. In this study, four different documents, each containing the affinities created by the four different focus groups, served as the body of text for this qualitative thematic analysis.

### 4.6.3 The thematic analysis process

The coding process in this particular study involved identifying significant ideas and encoding them (identifying them as part of something) prior to the process of interpreting them (Boyatzis, 1998:1; Saldaňa; 2009:5). These authors suggest that a code has virtue if it captures the qualitative richness of the phenomenon, and that the aim of encoding the information is to arrange it and assist in the development of themes.

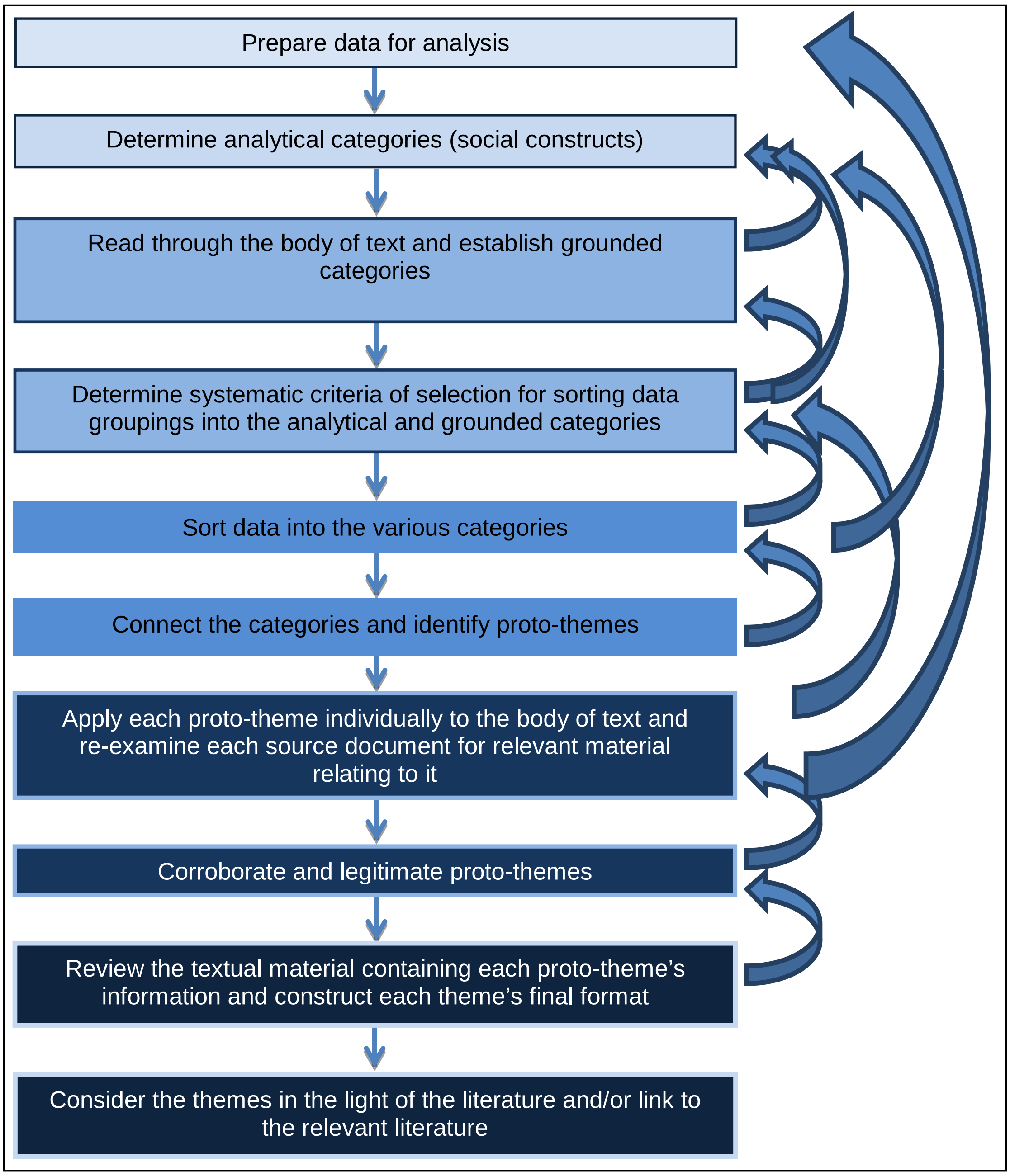
In addition to an inductive approach, a deductive approach was also used in this study. The interactivity was applied continuously throughout the qualitative process of inquiry. This involved a template in the form of codes generated from the affinities of the first focus group under scrutiny. The list of codes was expanded as the process progressed to the other groups. The predetermined codes were used to arrange the text for subsequent analysis.

After the finalisation and documentation of all four focus groups' separate affinities, these documents were uploaded into the Atlas.ti data management system as source documents to serve as the body of text in the thematic analysis phase. After the documents had been uploaded, a systematic step-by-step process of data coding and theme creation was performed.

Although this step-by-step process is described as linear, it involved an interactive and reflexive process. Saldaňa (2009:45) points out that this process can even be cyclical, rather than linear. In this phase of the study, data collection and analysis were conducted in two cycles, as suggested by Saldaňa (2009:45). First, the data collection and analysis were performed concurrently. In the second stage, the data were re-read and assessed before progressing to further analysis of the data in order to identify themes. The purpose of the second stage was to ensure that the themes generated were grounded in the original data generated by each focus group.

Berg and Lune (2012:373) and Hayes (2000:178) provide a stage model for qualitative thematic analysis. The researcher created a combined and modified version of these stage models, as set out in Figure 30. This version serves as framework to explain the thematic analysis process used in the current study.

**Figure 30: Framework explaining the thematic analysis process**




Source: Adapted from Berg and Lune (2012:373), Creswell (2009:185) and Hayes (2000:178)

#### *4.6.3.1 Preparing the data for analysis*

The purpose of conducting a thematic analysis in this study was to incorporate the affinities identified by each of the different focus groups into a set of combined themes for all four groups in order to address the primary research objective of the study.[11]

The four different documents containing the affinities generated by the four focus groups served as the body of text for this qualitative thematic analysis. These documents were prepared in such a way that they could be revisited more than once by the researcher, as recommended by Hayes (2000:175). This process involved formatting and saving each focus group's set of affinities uniformly and uploading them as primary documents onto the Atlas.ti system for analysis.

#### *4.6.3.2 Determining the analytical categories (social constructs)*

The next step in the process was to create a variety of social constructs or analytical categories by arranging the themes or categories of the various groups of data contained in the body of text (Berg & Lune, 2012:371). This body of text consisted of affinities already sorted and arranged into analytical categories by the different focus groups.

This stage had therefore already been completed by the participants in the focus groups themselves in the previous phases of the research. A preliminary code manual was created beforehand, based on the affinities generated by each focus group, and expanded as the process progressed to the remaining groups. The focus group that generated the most affinities (16), the Chartered Accountants' group, was used as the first set of affinities. The analytical categories' code identification was in line with those suggested by Boyatzis (1998:161). They were identified by a label or name (a definition of what each was concerned with). As a starting point, themes were identified by the

[11] Primary research objective of the study: To gain an understanding of the expectation gap between taxpayers and tax practitioners by determining the factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context, as perceived by taxpayers and different groups of tax practitioners.

predetermined codes based on the affinities generated by the focus groups, because the likely outcomes are known as theory-led thematic analysis (Hayes, 2000:176). The predetermined codes were created by means of the Atlas.ti code manager to be used in the actual electronic coding process.

#### *4.6.3.3 Reading through the body of text and establishing grounded categories*

In conjunction with the predetermined codes, inductive coding analysis was done. In this process, further codes emerge when the primary documents are carefully reread to make sure all details were incorporated. In this case, each focus group's affinities were carefully re-read to determine further possible grounded categories. This process was conducted on the electronic documents and uploaded into Atlas.ti, after which newly identified grounded codes were added to the code manager already created in the previous step.

#### *4.6.3.4 Determining systematic selection criteria for sorting data groupings into the analytical and grounded categories*

After establishing the analytical and grounded categories, the criteria for selecting a code need to be determined. In other words, when should such a code be used? The identification of codes already includes a definition of what the code is about and how and when the code should be applied. In this case, the descriptions of the codes were included as a memo under each code on the Atlas.ti system, in order to assist the researcher to use a consistent method to code the primary data.

#### *4.6.3.5 Sorting the data into the various categories*

Once the criteria for selection had been clarified, the next stage involved the sorting of the data contained in the primary documents accordingly. In this step, themes started to emerge (Berg & Lune, 2012:373; Hayes, 2000:176). Sets of codes that were similar were grouped together.

The electronic primary documents were then read. Applying the selection criteria, text groupings were created using Atlas.ti. These text groupings were then electronically allocated to the analytic and grounded codes already determined and uploaded into the Atlas.ti's code manager. Throughout this process, the applicability and appropriateness of categories and selection criteria were constantly assessed and categories and criteria were adjusted if this was deemed necessary.

#### *4.6.3.6 Connecting the categories and identifying proto-themes*

The codes developed in Stage 5 are not yet themes, and connecting codes is a further step in the development of themes. It involves identifying patterns in the different sets of primary data. At this stage, similarities between the different focus groups' affinities were used as codes. This indicates possible areas of consensus in response to the research question posed to the different groups.

Archer (2012:37) maintains that meaningful grouping of codes results in themes in qualitative research. Using the Atlas.ti family manager tool, similar codes can be grouped into meaningful groups (families) that represent proto-themes. At this stage of the process, the researcher also provided this proto-theme with a preliminary title and a first draft of the written definition.

#### *4.6.3.7 Applying each proto-theme individually to the body of text and re-examining each primary document for relevant material relating to it*

After completing the proto-themes, the researcher applied each of the proto-themes to each of the documents containing the affinities generated by each of the individual focus groups. Each document was once again thoroughly read to determine whether data that were relevant to the specific proto-theme had been excluded.

#### *4.6.3.8 Final corroborating and legitimating of the proto-themes*

This stage involves a further clustering of themes, which are similar data patterns. During this stage, the preceding procedures were inspected to guarantee that the themes created so far were a fair representation of the initial objective of the analysis and the codes assigned.

A manual procedure, using different colours of highlighters, was also performed by the researcher and one of the independent observers, independently from each other, on different copies of the printed primary documents in order to ensure that each affinity and its description as suggested by the different focus groups was included in a theme at least once. This process of triangulation ensured the completeness of the codification of the primary data. During this process, the appropriateness of the codes and themes was once again verified. A manual double-check on the electronic coding for each group of text was also conducted to also ensure the appropriateness and correctness of the coding.

##### *4.6.3.9 Reviewing the textual material containing each proto-theme's information and constructing the final themes*

The interface of text, codes and themes in the current thematic analyses consisted of several iterations before the interpretative stage was reached. Therefore, once the themes had been established, it was necessary to describe and explain them in the interpretative stage. During the interpretative stage, family outputs generated by Atlas.ti containing all relevant text or material relating to each theme were used to construct an explanatory framework consistent with the original text for each theme. Using the summary of text provided by Atlas.ti, the final format for each theme was created. Each contained

- the name of the theme;
- the definition of the theme; and
- the supporting data on the theme.

##### *4.6.3.10 Considering the themes in the light of the literature and/or linking to the relevant literature*

The next stage of the thematic analysis process involved comparing the current research findings to those of previous research and existing theory. This was necessary to determine whether the current research findings corroborate or contradict prior research findings. The results of the thematic analysis were therefore triangulated with the literature review presented in Chapter 2 and 3.

### 4.6.4 Interpreting the meaning of themes and creating meta-themes

#### *4.6.4.1 Second cycle coding process*

Saldaña (2009:149-150) describes second cycle coding methods as sophisticated methods to restructure and analyse data obtained by means of original thematic coding in order to develop a reduced and more select list of broader themes or concepts called meta-themes. The aim of second cycle coding is therefore to create a sense of a categorical, thematic, conceptual and/or theoretical arrangement based on the array of themes generated in the first cycle. Meta-themes are the category labels that group similarly coded data together in order to improve the organisation of the data corpus and also to attach meaning to this organisation.

In order to develop a coherent synthesis of the individual theme corpus, it was necessary in this particular study to perform a second cycle coding process (Morse, 1994:25; Saldaña, 2009:149). The second cycle coding process enabled the themes generated through the thematic analysis process described in Section 4.6.3 to be transformed into a substantive corpus of insightful meta-themes or concepts in the form of a conceptual framework.

The principles of pattern coding, focused coding and axial coding were used in the second cycle coding process and are defined as follows:

- *pattern coding* is a process whereby category themes are created that organise data coded into a corresponding archetype in order to attach meaning to this organisation (Saldaña, 2009:150);
- *focused coding* organises coded data in terms of their thematic or conceptual resemblance (Saldaña, 2009:149); and
- *axial coding* is a process of coding that pronounces the properties of the categories and how the categories and sub-categories relate to one another (Saldaña, 2009:159).

As was mentioned above, the second cycle coding process organises the themes generated into a substantive corpus of insightful meta-themes or concepts, which then form the key elements of the conceptual framework. Such a conceptual framework can be described as a system of interwoven notions, obtained from relevant forms of enquiry or research methods, which collectively offer a comprehensive understanding of a phenomenon (Jabareen, 2009:51; Smyth, 2004:2). Therefore its aim is to support a researcher to communicate the understanding gained of the phenomenon under scrutiny in a user-friendly manner (Smyth, 2004:2).

## 4.7 THE RESEARCH SETTING AND THE ROLES OF THOSE INVOLVED

In qualitative research, the roles of the individuals involved in the study need to be clarified. In the current study, these individuals were the researcher, participants, the independent researcher or facilitator, the independent observers and the independent consultant.

### 4.7.1 The role of the researcher

The researcher is a registered student for a PhD degree in Taxation. He obtained ethical clearance from the Research Ethics Committee of the Faculty of Economic and Management Sciences, in compliance with the research ethics policy of the University of Pretoria (2012).

The researcher acted as an observer of the focus groups to ensure that the descriptions of the affinities generated by the participants in the different focus groups were documented accurately and were formulated to represent a true reflection of what each group meant in the focus group discussions. Applying the IQA method, the researcher compiled a SID for the affinities generated by each focus group, thereby indicating interactions or relationships between the different affinities. Subsequently, the researcher performed a thematic analysis on the different group’s affinities to combine the group’s affinities into overall themes.

Throughout the research process, the study's three supervisors were regularly consulted, either individually or in pre-arranged regular official meetings. During these meetings, the researcher was guided through the complexities of the research process, and the context and the complexity of the phenomenon were discussed, which enhanced the researcher's own understanding.

### 4.7.2 The role of the participants

During each separate focus group session, the participants in that group had to formulate their own perceptions of the factors that contribute to the expectation gap between taxpayers and their tax practitioners. The participants of each focus group organised their perceptions of this phenomenon into categories called affinities. This process was the first stage of the data analysis in this research. Subsequent to the focus group sessions, the researcher requested the participants of each focus group first to validate the affinities written down by the researcher and then to provide their perceptions of the possible different relationships that might exist between or among the affinities in a separate document, the ART.

### 4.7.3 The role of the independent researcher or facilitator

Each of the focus group sessions conducted was facilitated by an independent facilitator to enhance the objectivity of the process. The independent facilitator confirmed and double-checked all the thematic and affinity allocations in the analysis performed by the researcher in Phase 2. The use of an independent facilitator enhanced the trustworthiness of this study by strengthening its confirmability and consistency.

### 4.7.4 The role of the independent observers

Since the focus groups were not recorded on tape, each of the focus group sessions conducted was attended by two independent observers, in addition to the researcher. The independent observers also participated in the process of confirming and double-checking all the thematic and affinity allocations in the analysis performed in the second phase of the IQA analysis. The use of these independent observers further enhanced the trustworthiness of the current research by strengthening its confirmability and consistency.

In Phases 2 and 3 of the IQA research process, at least one of the independent observers double-checked the processes followed by the researcher to enhance the trustworthiness of the findings by strengthening their confirmability and consistency.

### 4.7.5 The role of the independent consultant

To enhance the trustworthiness of the thematic analysis performed in Phase 4, an independent consultant was approached. The purpose of this consultation was to obtain input on the correctness of the qualitative procedures and methodologies followed in conducting this thematic analysis, in order to ensure complete and accurate documentation. This documentation was used to construct an audit trail of the qualitative thematic analysis process of all the affinities.

## 4.8 TRUSTWORTHINESS

Trustworthiness is important in procedures used for qualitative data collection and analysis, and requires the application of ethical principles. In the IQA process, the data collection and analysis have to be public and non-idiosyncratic, replicable within reasonable bounds, and not dependent on the nature of the elements themselves (Northcutt & McCoy, 2004:38).

During the interactive focus group and theoretical coding phases of the IQA, the validity of the findings should be strengthened by being guided by honesty, depth, richness, scope and the selection of suitable participants (Cohen, Manion & Morrison, 2000; Silverman, 2000). In order to increase the validity of the study, the researcher followed a consistent process and did regular self-checks to minimise researcher bias and neglect, and to minimise imprecision. The researcher also critically questioned procedures and decisions, and sought to use a theoretical base in the interpretation of the findings (Henning *et al.*, 2004).

Lincoln and Guba (1985:289-331) suggest that trustworthiness in qualitative research is ascertained in terms of the transferability, credibility, dependability and confirmability of the research, and that these reflect the underlying assumptions involved in qualitative research. These norms for trustworthy qualitative research acted as a foundation for this study. Their application to the current study is depicted in Table 26.

A comparison between the conventional quantitative terms and naturalistic qualitative terms is presented in Table 25 (below).

**Table 25: Comparison of criteria for judging the quality of quantitative versus qualitative research**

| Conventional terms in quantitative research | Naturalistic terms in qualitative research |
|---|---|
| External validity | Transferability |
| Internal validity | Credibility |
| Reliability | Dependability |
| Objectivity | Confirmability |

Source: Hoepfl (1997:9)

According to Lincoln and Guba (1985:289-331), transferability in qualitative research is enhanced by "thick" descriptions that allow another researcher to apply the results in another context. Credibility entails prolonged engagement, referential adequacy, peer debriefing and participant re-confirmation in order to enhance the confidence in the legitimacy of the outcomes of the research. These authors refer to dependability as the ability to indicate that the results of research are reliable and that the process could be replicated. They also believe that dependability is aligned with the concept of reliability. Finally, confirmability implies that the results of research are unbiased and impartial, independent of the researcher's own opinion and influences. Lincoln and Guba (1985:289-331) also recommend an audit trial to assist readers and peers to judge the dependability, credibility and confirmability of the findings.

**Table 26: Establishment of trustworthiness in this study**

| Construct | Attainment in this study | Meaning, according to Guba and Lincoln* | Application in the current research |
|---|---|---|---|
| Transferability | Thick description | In order to achieve transferability, proper and thorough descriptions are necessary, so that judgements are possible on the part of prospective users. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>This represents the extent of the similarity between the mind-maps constructed by independent samples in the different focus groups.<br>Consistency on the same phenomenon is needed. This is achieved through the public, accessible, standard and accountable procedures of the IQA (Northcutt & McCoy, 2004:38).<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>In order to provide themes (outputs) by means of rich descriptions that are contextually founded, the *Atlas.ti* qualitative data analysis program was used (Scientific Software Development, 1997). |
| Credibility | Prolonged engagement | The researcher should spend adequate time with participants to understand their "culture", to be able to test for misinformation due to distortions, and to build trust. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>More than one focus group was conducted and the participants were involved in the research process over a long time in different stages. These participants were involved in the data gathering, validating and SID building stages over a period.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>The data used for this phase were developed by the researcher, enriched by his familiarity with the literature, and were cross-validated with research participants. The data were gathered over an extensive period, as described in Phases 2 and 3 (see Sections 4.4 and 4.5). |
| | Referential adequacy | Adequate information should be available against which later data analysis and interpretations can be tested for adequacy. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>Various focus group sessions were conducted to ensure the representativeness of the data. This process involved the triangulation of data in the thematic analysis (Phase 4) in order to present representative themes (Mertens, 1998; Willig, 2001).<br>In each focus group, the data generated were documented on index cards. These index cards have been kept in both printed and electronic copies for reference.<br>Furthermore, the data were validated by the independent observers and the facilitator against the written notes they took during the focus group sessions.<br>Both printed and electronic copies of the individual validations and ARTs were kept for adequate referencing.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>*The Atlas.ti* qualitative data analysis program was used to generate outputs in the form of a web page that includes code networks that were used as a basis for the thematic analysis. |

| Construct | Attainment in this study | Meaning, according to Guba and Lincoln* | Application in the current research |
|---|---|---|---|
| Credibility (continued) | Peer debriefing | Peer debriefing is aimed at exposing the researcher to the independent ideas of disinterested peers to enhance the researcher's own line of thought. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>The independent facilitator, independent observers, and various academic and professional colleagues played the vital role of "devil's advocate" by constantly questioning and providing input on the research process and methodology, and continuously commenting on findings.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>An expert on thematic analysis and the use of Atlas.ti was consulted independently during this phase. |
| | Member checks | This involves participants' assessment of the data and information generated in the research process. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>Due to the nature of the IQA process, participants were part of the data collection and data generation process. As a result, member-checking was integral to this research process, and was done during the data generation, validation and systems generation stages.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>During this phase, checks took the form of independent observer and consultant reviews. |
| Dependability and Confirmability | Dependability | This is a prerequisite for credibility and refers to whether decisions, choices and analysis can be audited by reviewers to establish the dependability of the research. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>Since the IQA research method was used, in these phases, an inquiry audit seemed inappropriate, because each focus group's participants checked the procedures inherent to the process.<br>The only aspect to consider was that each constituency was chosen with due regard for a specific distance from and/or power over the phenomenon researched.<br>The dependability of the IQA process has been thoroughly assessed on groups of doctoral students over time, and more similarities than differences were found in terms of the elements and relationships among the elements (Northcutt & McCoy, 2004:38).<br>Dependability is also guaranteed by the fact that the IQA research procedures are publicly available, easily accessible and accountable (Northcutt & McCoy, 2004:1-423).<br>Supervisors, the independent facilitator, the independent observers and critical readers also examined the data generated during the IQA process in these phases.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>Supervisors, the independent consultant and an independent observer examined the data reconstruction and synthesis products generated by Atlas.ti in the form of a web page that includes network codes. |

| Construct | Attainment in this study | Meaning, according to Guba and Lincoln* | Application in the current research |
|---|---|---|---|
| | Confirmability | Confirmability refers to the degree to which the results represent the ideas and experiences of the participants. | • *Interactive qualitative focus group sessions (Phase 2) and theoretical coding (Phase 3)*<br>The IQA prerequisites for confirmabilty were strictly adhered to.<br>Throughout the research process, the bias of the researcher was limited, since the researcher predominantly played the role of observer and organiser of the process. As was already mentioned, the participants of each focus group formed part of the data collection and data generation process, and member-checking was integral to this process.<br>In each focus group there were at least ten participants, the minimum required for the group to have a voice and limit the chances that the data might be influenced by a single participant.<br>The prescribed silent stages in IQA also contributed to a stronger confirmability (Northcutt & McCoy, 2004:91).<br>An independent facilitator and independent observers validated and double-checked the researcher's thematic and affinity allocations.<br>• *Thematic analysis performed on the affinities (Phase 4)*<br>An independent observer validated and double-checked the researcher's thematic and affinity allocations. In addition, an independent consultant validated the processes followed. |

*Lincoln and Guba (1985:301-327).

Source: Adapted from Archer (2010:117), Babbie and Mouton (2001) and Lincoln and Guba (1985:301-327)

## 4.9 CONCLUDING REMARKS

This chapter covered the research process in this study, and the different stages in the qualitative approach followed were described in detail. The roles of the researcher, participants and independent persons were explained. Finally, the ethical considerations and quality criteria, and the processes followed to verify the research findings were discussed.

The next chapters outline and present the data analysis, the results and findings.

# CHAPTER 5:
# DATA ANALYSIS AND RESEARCH FINDINGS – FOCUS GROUP 1: TAXPAYERS

## 5.1 PRESENTATION OF THE RESEARCH FINDINGS

The primary objective of this study was to gain an understanding of the expectation gap between taxpayers and their tax practitioners in the South African context. The overall research design for achieving this primary objective has been presented in Chapter 4, where the research process and data analysis methods applied in this research were discussed and a rationale was provided for choosing these strategies. The IQA process and its strengths and limitations were also explained in the fourth chapter. The application of these methods, the actual data analysis and findings for the four different groups are discussed in Chapters 5 to 8, after which these findings are used to perform a thematic analysis in Chapter 9 in order to achieve the primary objective stipulated above. The outline of the results presentation in this thesis is summarised in Table 27 (below).

**Table 27: Chapter outline for presenting the research results**

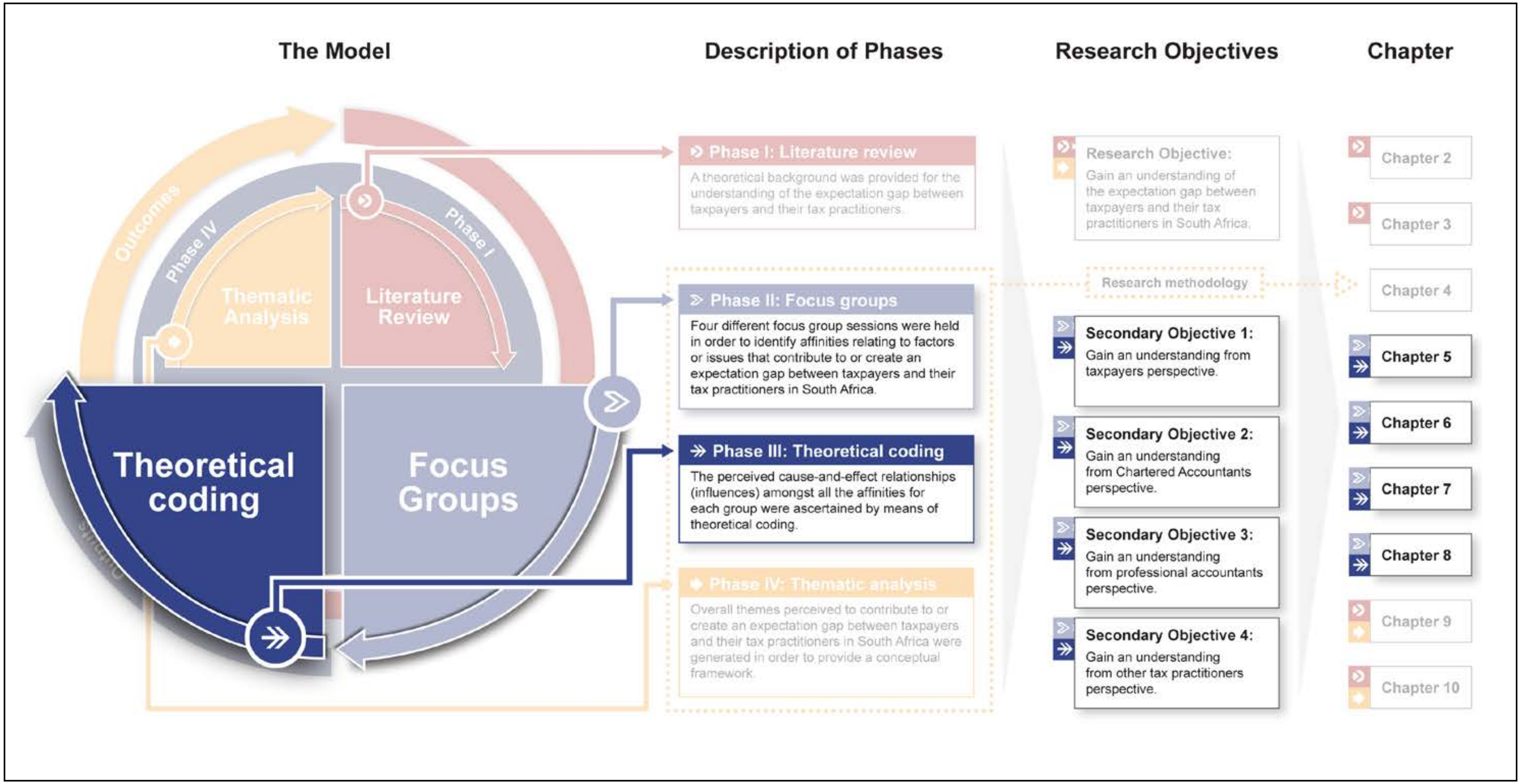
| Focus group | Participants | Partici-pants | Chapter | Secondary Objective |
|---|---|---|---|---|
| Focus Group 1 (FG1) | South African taxpayers | 13 | Chapter 5 | Secondary Objective 1 |
| Focus Group 2 (FG2) | Chartered Accountants in South Africa | 17 | Chapter 6 | Secondary Objective 2 |
| Focus Group 3 (FG3) | Professional Accountants in South Africa | 10 | Chapter 7 | Secondary Objective 3 |
| Focus Group 4 (FG4) | Other tax practitioners in South Africa | 11 | Chapter 8 | Secondary Objective 4 |
| Combined thematic analysis | | | Chapter 9 | Primary objective of the study |

The data analysis and findings are presented according to the phases in which the data were gathered. In Phase 2, different focus group sessions were conducted in order to generate affinities to identify the factors contributing to the expectation gap between taxpayers and their tax practitioners, as perceived by taxpayers and the three different groups of tax practitioners. The three tax practitioner focus groups consisted of South African Chartered Accountants, Professional Accountants and other tax practitioners. In Phase 3, the perceived influences among these identified affinities were assembled for each of the focus groups, and these are presented using a SID drawn from participants' feedback. The SIDs, together with the findings of the relationships between the affinities, are synthesised and reflected on in each chapter.

Finally, in Phase 4, a thematic analysis was conducted on the affinities generated by the four different groups. The outcome of this analysis is presented in Chapter 9 in order to summarise the collective findings of the four focus groups.

Figure 31 provides a graphic display of the phases of the study as a reminder of how the phases inform and influence each other, with specific reference to Phases 2 and 3.

**Figure 31: The relationship between the phases model and the research objectives**



## 5.2 RESEARCH FINDINGS FOR TAXPAYERS (FOCUS GROUP 1)

This chapter provides the data analysis and research findings for the first focus group (FG1), which consisted of 13 South African taxpayers. The focus group session and subsequent analysis was conducted to achieve Secondary Objective 1.

| | |
|---|---|
| Secondary Objective 1: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of taxpayers. |

## 5.3 PHASE 2: AFFINITY GENERATION – TAXPAYERS (FOCUS GROUP 1)

As indicated in Section 4.4.1, focus groups allow for purposive dialogue on a particular topic amongst a small number of individuals with comparable backgrounds and mutual interests. For the purposes of the current chapter, the focus group's aim was to elicit the perceptions of taxpayers who employ tax practitioners on which factors contribute to the expectation gap between these South African taxpayers and their tax practitioners. By applying the sampling methods[12] explained in Section 4.4.2.2, a group of taxpayers that met the criteria for inclusion[13] set out in Section 4.4.2.1 were recruited for participation in the study.

The focus group session for this group was conducted on 17 April 2012. The session was attended by 13 taxpayers, representing different types of taxpayers in South Africa. The sample size was adequate, considering the norm for focus group sizes generally applied in IQA analyses, as discussed in Section 4.4.2.3. The taxpayer participants ranged in age from 30 years to older than 60 years.

[12] In order to compile the identified groups, the researcher applied a combination of purposive, convenience and snowball sampling methods.

[13] In order for individuals to qualify as candidates for participation in Focus Group 1, the taxpayers, they had to be taxpayers or the responsible officials of a taxpaying entity and had to use the services of tax practitioners to handle their tax affairs.

The types of taxpayer participants included sole proprietors, close corporations, private/incorporated companies and public companies. Included among these participants were taxpayers who used the services of Chartered Accountants, of Professional Accountants and of other tax practitioners to assist them with tax matters.

The taxpayers in the first focus group generated affinities that represent factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.[14] Table 28 lists the 12 affinities that were generated, along with their descriptive names. The subsections in which the rich and thick descriptions of these affinities are discussed are also indicated.[15]

**Table 28: Affinities created by the taxpayers**

| Affinity number | Affinity description | Section number |
|---|---|---|
| 1 | Professional integrity of tax practitioners | 5.3.1 |
| 2 | Taxpayer expectations of tax planning | 5.3.2 |
| 3 | Taxpayer expectations of financial guidance | 5.3.3 |
| 4 | Up-to-date professional competency of tax practitioners | 5.3.4 |
| 5 | Lack of user-friendliness of tax information | 5.3.5 |
| 6 | Tax knowledge gap of taxpayers | 5.3.6 |
| 7 | Service delivery by tax practitioners | 5.3.7 |
| 8 | Taxpayers expect value for money | 5.3.8 |
| 9 | Lack of transparency on fees charged | 5.3.9 |
| 10 | Lack of communication to taxpayers | 5.3.10 |
| 11 | Personal relationships | 5.3.11 |
| 12 | Professional responsibility towards taxpayers | 5.3.12 |

### 5.3.1 Professional integrity of tax practitioners

This affinity is strongly associated with taxpayer expectations that tax practitioners must act with honesty, trust and integrity – thus they must act ethically. This includes the expectation of correct tax calculations, correcting the taxpayer's information, correct advice and confidentiality.

[14] For a full description of the protocol followed in conducting focus groups, see Section 4.3.1.
[15] These rich and thick descriptions are used in the thematic analysis in Chapter 9, and these are called affinities in an IQA system (Northcutt & McCoy, 2004:297).

### 5.3.2 Taxpayer expectations of tax planning

This affinity relates to taxpayers' expectation that tax practitioners have to assist them with their future tax planning. This includes the following:

- providing a detailed time plan to ensure compliance with the deadlines for different tax types;
- providing advice regarding actual income and expenditure for a specific period in order to complete VAT or provisional tax returns accurately; and
- planning taxpayers' tax affairs to ensure a maximum tax benefit by means of tax optimisation (so that taxpayers pay the minimum amount of tax legally possible).

### 5.3.3 Taxpayer expectations of financial guidance

This affinity describes the taxpayers' expectation that tax practitioners will provide them with comprehensive financial advice in addition to tax advice. This includes advice on company growth and on the most appropriate legal entity for their business – enabling the taxpayer to make worthwhile financial decisions.

### 5.3.4 Up-to-date professional competency of tax practitioners

This affinity emphasises the taxpayers' expectations that tax practitioners should be professionally competent. This competency includes thorough knowledge of current tax law so that practitioners are able to perform tax services quickly, and the ability to provide technical explanations on complicated tax issues and to resolve any tax problems that may arise. Taxpayers often regard tax practitioners as lacking in practical experience or, in other instances, as being inclined merely to criticise tax plans instead of solving problems relating to those plans.

### 5.3.5 Lack of user-friendliness of tax information

This affinity is associated with the taxpayers' opinion that the information and advice provided by tax practitioners is not always user-friendly. Taxpayers expect tax information to be shared in a thorough but simple (user-friendly) way that is easy for a taxpayer to understand, even one without a tax background; and they expect to be effectively assisted by the use of technology.

### 5.3.6 Tax knowledge gap of taxpayers

This affinity describes taxpayers' perceived lack of basic knowledge leading to a tax knowledge gap. This relates to tax basics such as the time frame for VAT, UIF or income tax compliance, as well as to what information taxpayers must provide and by when. Knowledge of these basics ensures timely service, correct advice and compliance with all requirements so that tax is not a complete mystery to taxpayers.

### 5.3.7 Service delivery by tax practitioners

This affinity describes the fact that taxpayers expect efficiency from tax practitioners in providing timely deadline reminders, timely execution and delivery of tax services, complying with all submission and payment deadlines, using technology effectively, and being readily available for consultation.

### 5.3.8 Taxpayers expect value for money

This affinity indicates that taxpayers want value for money. Taxpayers want to be able to assess the value they receive for the tax services rendered to them, and to compare it to the cost or fees they pay for these services. Taxpayers do this in order to receive maximum benefit in terms of cost.

### 5.3.9 Lack of transparency on fees charged

This affinity relates to a lack of transparency regarding the fees charged by tax practitioners for the tax services rendered. Taxpayers want to be able to determine the cost of fees charged for particular services (such as e-mail queries and phone calls) beforehand, but, because these costs are not always disclosed up-front, they cannot calculate in advance the costs they can expect to pay.

### 5.3.10 Lack of communication to taxpayers

This affinity emphasises the taxpayers' opinion that there is a lack of personal interaction between them and their tax practitioners. This also relates to ineffective use of technology such as e-mail and cell phones, which could limit delays in communication between taxpayers and tax practitioners. This also includes frequent personal feedback that would prevent misunderstandings between what is said and what is meant. Thus this affinity implies a need for frequent two-way communication.

### 5.3.11 Personal relationships

This affinity describes the fact that the relationship between taxpayers and tax practitioners is influenced by a tax practitioner's personality, the occurrence of regular personal conversation with taxpayers, as well as continuity regarding the individual tax practitioner who deals with a particular taxpayer's file and tax affairs.

### 5.3.12 Professional responsibility towards taxpayers

This affinity describes the taxpayers' opinion that tax practitioners who deal with their tax affairs should have a professional responsibility towards the taxpayers. Professional responsibility involves being up to date with the taxpayers' personal finances and having a good relationship with SARS in order to resolve tax issues effectively. Where tax practitioners fail to fulfil the above professional responsibilities, taxpayers may feel that they have been let down and that their tax practitioners do not care about the taxpayers' business.

## 5.4 REFLECTION ON THE FOCUS GROUP DYNAMICS – TAXPAYERS (FOCUS GROUP 1)

An important part of qualitative analysis is that the researcher reflects on the group dynamics of the focus group in order to determine any possible negative influences such dynamics might have had on the trustworthiness of the affinities generated by the focus group. In this reflection, the following issues are considered: the size of the group, venue-specific influences, participation in the group, possible dominance in the group and the group members' responsiveness in the third phase, when they were requested to complete the ARTs.

As has already been mentioned in Section 5.2, this focus group consisted of 13 taxpayers who represent a variety of different types of taxpayers in the South African environment. In terms of the requirements set out in Section 4.4.2.3, a total of 13 participants is generally accepted as adequate for conducting a focus group, and in this group the variety of taxpayers who participated achieved fair representation in the focus group.

The boardroom of the Leadership Centre at the University of Pretoria proved to be an excellent venue for conducting these focus groups and no location-related factors[16] (as discussed in Section 4.4.2.4) appeared to be present which could have had a negative influence on the dynamics of this focus group.

Regarding group participation, the IQA protocol applied in conducting the focus group sessions allowed for the participation of every individual participant at some stage of the focus group session and ensured that the group was not dominated by an influential individual. Initially, this group took some time to relax and participate comfortably in the session. A possible reason for this might be that taxpayers are not involved in tax matters every day. However, once they became oriented towards tax matters, the discussions were focused and constructive.

In this group, there were fortunately no domineering individuals who took control of the group. In a debriefing session held between the researcher, two independent observers and the independent facilitator, it was noted that all the group members participated productively in the focus group session. It was noted that, although participation was good throughout the session, the more

[16] The dynamics of focus groups may be influenced by numerous location-related factors, such as accessibility (easy access is required), travelling time (this should be kept to a minimum) and being free from outside distractions. The venue should also match the needs of the participants and the method (Schurink *et al*., 2011:75).

introverted participants were more comfortable about providing their input in the silent stages of the session. This once again provided evidence of the merit of the IQA focus group protocol, which allows for everyone's participation and gives everyone an opportunity to provide input in the focus group.

Afterwards, two participants wrote e-mails to the researcher commending him on the professional and well-organised manner in which the session had been performed. They especially mentioned the exceptional ability and experience of the independent facilitator to lead a focus group of this nature.

All 13 taxpayer participants took part in Phase 3, which involved the confirmation of the affinities by e-mail and the completion of the affinity relationship table (ART). A 100% response rate for 13 participants translates to a "vote" of 1 in 13, which is 7.7%. The risk of data distortion is thus mitigated.[17]

It can therefore be concluded that there were few negative influences which could detract from the trustworthiness of the affinities generated by the focus group and which could be attributed to the group dynamics of the taxpayers' focus group.

## 5.5 PHASE 3: THEORETICAL CODING – TAXPAYERS (FOCUS GROUP 1)

This section describes the relationships between the affinities identified in Phase 2.[18] This identification was achieved by applying the process of drawing the SIDs and its protocols.[19]

[17] According to Northcutt and McCoy (2004:87), smaller groups may not have sufficient group dynamics during the affinity production, and this may influence the results during the theoretical coding process. These authors maintain that data can become distorted if, for instance, the influence of one individual out of five in a small focus group weighs 20% (Northcutt & McCoy, 2004:87). Also see the discussion in Section 4.4.2.3.

[18] Northcutt and McCoy (2004:149) explain that theoretical coding refers to "ascertaining the perceived cause-and-effect relationships (influences) among all the affinities in a system".

[19] This process is detailed in Section 4.5.

### 5.5.1 Affinity Relationship Table (ART): Taxpayers (Focus Group 1)

Subsequent to the confirmation by the participants that the affinities compiled by the researcher were a true reflection of the group's perceptions, an individual ART was sent to each of the 13 taxpayer participants, requesting them to indicate the relationships they perceived between different affinities.[20] The completed documents were returned to the researcher to be collated, enabling him to generate the SID for the group by combining the relationships as indicated by the 13 taxpayer participants.

Using the individual ARTs returned by the participants, the first step in compiling the Pareto protocol was to tally the precise number of votes to obtain the frequencies for each relationship or affinity received in a summarised ART. To ensure the correctness of this counting process, the researcher and an independent researcher counted the number of votes for each pair independently, after which the total was recorded on the summarised ART. To reduce possible errors even further, this number on the summarised ART was also reconciled with the participants' numbers indicated to vote for a relationship. This number of votes was then documented in a "frequency affinity pair order table" and the sum of the total number of votes (frequencies) was recorded at the end of the table.

### 5.5.2 Pareto and conflict analysis: Taxpayers (Focus Group 1)

The next step required the sorting of the affinities in descending order of frequency using the Pareto protocol and a power analysis table. This kind of table lists the frequencies in descending order, which means that the affinity pair with the most votes is at the top of the table and the rest of the affinity pairs are arranged in descending order (from highest to lowest). At this point, four new columns were added to this table, namely "Cumulative frequency", "Cumulative percentage (relation)", "Cumulative percentage (frequency)" and "Power" – see Table 56 in Annexure C for the table containing the affinities in

[20] See Section 4.5.2.

descending order of frequency with the Pareto protocol and power analysis for taxpayers (Focus Group 1).

The first column added is the cumulative frequency column. Its purpose is to document the progressive or cumulative frequency. This cumulative frequency is calculated by adding the frequency of the current affinity pair to the progressive total of the preceding affinity pair. The next column added is the cumulative percentage (relation) column, which denotes each affinity relationship as a percentage of the aggregate possible number of affinity pairs. For this particular focus group (the taxpayers) the cumulative percentage (relation) was 0.76% (one out of a total of 132). The third column added is the cumulative percentage (frequency) column, which was employed in calculating the cumulative percentage (frequency). In this column, for each affinity pair, the corresponding value of the cumulative frequency column is conveyed as a percentage of the total number of frequencies (for this focus group, it was 618). The last column added, the power column, signifies an index of the degree of optimisation of the system, calculated by subtracting the results in the cumulative percentage (relation) column from the results in the cumulative percentage (frequency) column.

The purpose of the cumulative percentage (relation) and cumulative percentage (frequency) columns is to assist the researcher in determining which affinity pairs should be taken into account when compiling the Interrelationship Diagram (IRD). It serves as an indicator of the cut-off for the inclusion or exclusion of the affinity pairs taken into account in compiling the IRD. For this focus group, the power reached its maximum or cusp at Affinity Pair 61 (highlighted in blue in Table 56 in Annexure C) which implies that the first 61 relationships account for 74.4% of the variation in this system. This indicates that the first 61 affinity relationship pairs had to be used to compile the IRD.

Before the IRD could be compiled, the next step was to identify any conflicting relationships among these 61 pairs of affinity relationships. Conflicting relationships are relationships that have arrows pointing in both directions. They are affinities that elicited frequencies that indicate both a cause and an effect. In cases where such conflicting relationships prevailed, the affinity pair with the highest frequency was included when performing the next step, namely compiling the IRD. In the absence of a higher frequency affinity pair, the conflicting affinity pairs are normally returned to the participants of the focus group in order to re-assess the interaction between these affinity pairs to endeavour to identify an affinity pair which, according to the participants, has the highest frequency. The affinity pair that the participants indicate to have the highest frequency is then included in the IRD. The conflicting relationships for this focus group are indicated in Table 29 (below).

**Table 29: Conflicting affinity relationships: taxpayers (Focus Group 1)**

| Number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 29 | 1→4 | **7** |
| 41 | 3←8 | **6** |
| 51 | 1←4 | **5** |
| 56 | 3→8 | **5** |

Therefore, in the above cases of conflicting affinity relationships, the affinities highlighted in blue were the affinity pairs with the highest frequencies and were included in the construction of the IRD in the next step.

### 5.5.3 Interrelationship Diagram (IRD): Taxpayers (Focus Group 1)

This step involves the compilation of the IRD, which is a matrix containing the affinity pairs or relationships identified with the Pareto protocol of a system.[21] The IRD generated for this focus group is shown in Table 60 in Annexure D. Subsequently, the table was sorted in descending order, according to their Δ values (see Table 30, overleaf).

[21] Refer to Section 4.5.4 for a detail explanation on the IRD and its compilation.

**Table 30: Tabular IRD in descending ∆ order: taxpayers (Focus Group 1)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Out | In | ∆ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 9 | 0 | 9 |
| **12** | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | 9 | 2 | 7 |
| **4** | ← | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | | ↑ | | ← | 7 | 2 | 5 |
| **10** | ← | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | ← | 8 | 3 | 5 |
| **11** | | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ← | ← | | ↑ | 7 | 2 | 5 |
| **5** | | ↑ | ↑ | ← | | ↑ | ↑ | ↑ | ↑ | ← | ← | ← | 6 | 4 | 2 |
| **9** | ← | | ↑ | | ← | | ↑ | ↑ | | ← | ↑ | ← | 4 | 4 | 0 |
| **6** | ← | ↑ | | ← | ← | | ← | ↑ | | ← | ← | ← | 2 | 7 | -5 |
| **7** | ← | ← | ↑ | ← | ← | ↑ | | ↑ | ← | ← | ← | ← | 3 | 8 | -5 |
| **2** | ← | | ← | ← | ← | ← | ↑ | ↑ | | ← | ← | ← | 2 | 8 | -6 |
| **3** | ← | ↑ | | ← | ← | | ← | ← | ← | ← | ← | ← | 1 | 9 | -8 |
| **8** | ← | ← | ↑ | ← | ← | ← | ← | | ← | ← | ← | ← | 1 | 10 | -9 |

At this stage, the affinities can be classified as drivers or outcomes in order to be able to create the SID. This classification is based on the values in the ∆ column, as well as the "Out" and the "In" columns of the above IRD. All the affinities that have positive ∆ values (Affinities 1, 12, 4, 10, 11, 5) were classified as drivers (a relative cause), whereas those with negative ∆ values were classified as outcomes (a relative effect). In instances where the deficit between the "Out" and the "In" columns was equal to a zero ∆ (for example, with Affinity 9), that affinity was classified as a circular or a pivot. In refining the affinities further, affinities with a high positive ∆ as a result of many "Outs" and no "Ins" were classified as primary drivers (a significant cause), for example, Affinity 1. Affinities with a high negative ∆ as a result of many "Ins" and no "Outs" were classified as primary outcomes (a significant effect). In this focus group, there were no primary outcomes. The Tentative SID assignments generated from the IRD of this focus group are shown in Table 31 (overleaf).

**Table 31: Tentative SID assignments: taxpayers (Focus Group 1)**

| Affinity number | Affinity description | Classification |
|---|---|---|
| 1 | Professional integrity of tax practitioners | Primary Driver |
| 12 | Professional responsibility towards taxpayers | Secondary driver |
| 4 | Up-to-date professional competency of tax practitioner | Secondary driver |
| 10 | Lack of communication to taxpayer | Secondary driver |
| 11 | Personal relationship | Secondary driver |
| 5 | Lack of user-friendliness of tax information | Secondary driver |
| 9 | Lack of transparency on fees charged | Circulator/ pivot |
| 6 | Tax knowledge gap of taxpayers | Secondary outcome |
| 7 | Service delivery by tax practitioners | Secondary outcome |
| 2 | Taxpayer expectations of tax planning | Secondary outcome |
| 3 | Taxpayer expectations of financial guidance | Secondary outcome |
| 8 | Taxpayers expect value for money | Secondary outcome |

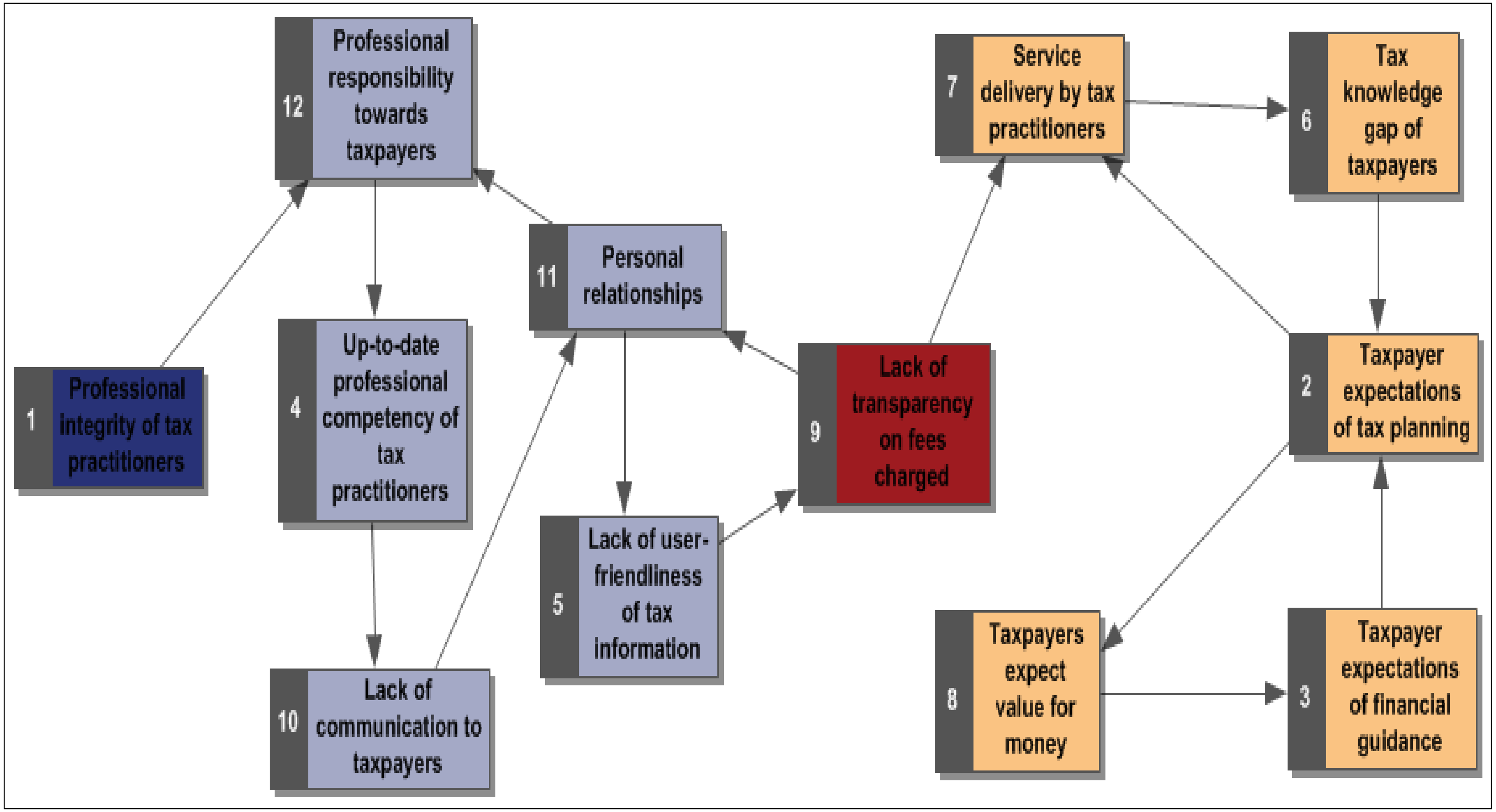
After the completion of the Tentative SID assignments, the data were ready to be used in the process of creating the final SID, which is the next step.

### 5.5.4 System Influence Diagram (SID): Taxpayers (Focus Group 1)

At this stage of the data analysis, the Tentative SID assignments are taken into account when starting to draw the SID. Employing the information derived from the IRD (see Table 30, above), a completed cluttered SID (see Annexure E, Figure 65) was compiled. This cluttered SID provides a visual representation incorporating all the relationships in the systems. The large number of affinities in this cluttered SID leads to a high number of relationships and results in a very complex diagram. Therefore, because of this complexity, this cluttered SID would not really be of much value in drawing conclusions. For this reason, it was essential for the SID to be uncluttered. Subsequent to the processes of uncluttering,[22] the final uncluttered SID for the taxpayers (Focus Group 1) is presented in Figure 32 (overleaf).

[22] The process of uncluttering is described in Section 4.5.5.

**Figure 32: Final uncluttered SID: Taxpayers (Focus Group 1)**



## 5.6 DISCUSSION OF SID: TAXPAYERS (FOCUS GROUP 1)

The uncluttered SID in Figure 32 for the taxpayers (Focus Group 1) presents the relationships between the 12 interacting affinities that originated from the taxpayer focus group.

### 5.6.1 Primary driver

In this SID, the taxpayer participants identified the **professional integrity of tax practitioners** to be a primary driver in the system. Hence, it appears that the taxpayers perceive this affinity to be a fundamental cause or source of influence on the affinities in this system.

The SID for this focus group implies that, although it has a fundamental influence on the system as a whole, the **professional integrity of tax practitioners** has a direct influence in particular on the secondary driver[23] with the highest positive value, namely **professional responsibility towards taxpayers**. With regard to this direct relationship, participants felt that "*having integrity results in responsibility*"[24] (FG1-3:11) and that if tax practitioners have integrity, they will accept their professional responsibility (FG1-5:11; FG1-8:11). The focus group's participants also attested that if tax practitioners behave professionally, they should take responsibility for resolving taxpayers' issues effectively (FG1-8:11). The taxpayers believe that if tax practitioners have ethical values and perform their work honestly, it will influence the care practitioners take in respect of taxpayers' tax affairs. This will result in their resolving issues with SARS within a reasonable timespan to prevent any extra fines and interest, and they will be up to date with the taxpayers' tax affairs, for example, informing the taxpayer in good time about scheduled tax payments such as first, second and third provisional tax payments (FG1-10:11).

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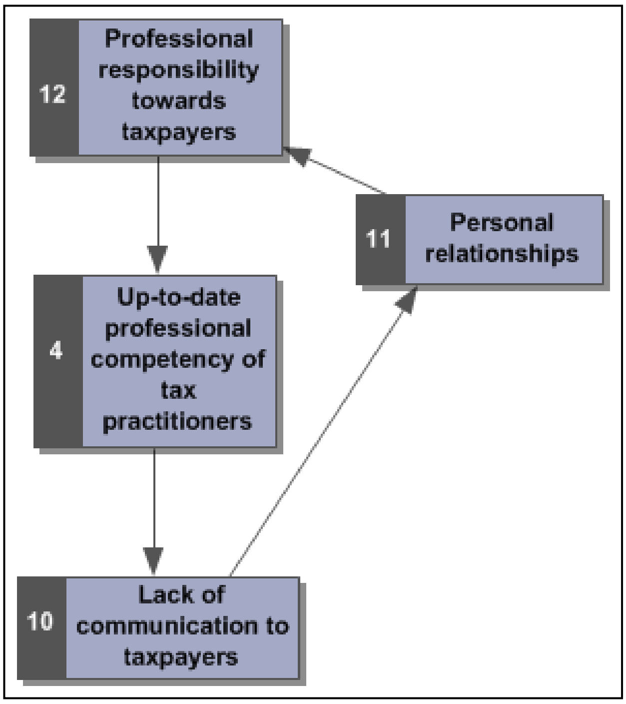
[23] Secondary drivers are those elements in a system that are influenced by primary drivers. Secondary drivers are also referred to as relative causes.
[24] Where a participant is quoted directly, the person's words are printed in italics. The focus group is indicated by FG (for example, FG1 refers to Focus Group 1) and the participant is indicated by a number, followed by a colon and a number indicating the line on the individual ART. Thus FG1-3:11 refers to comment on line 11 by the third participant in Focus Group 1.

### 5.6.2 Feedback Loop 1: Taxpayers' relationship expectations

**Professional responsibility towards taxpayers**, as the strongest secondary driver, also originates the first feedback loop (see Figure 33, below), which the researcher decided to label **taxpayers' relationship expectations**.

**Figure 33: Taxpayers (Focus Group 1) – Feedback Loop 1: Taxpayers' relationship expectations**




In the **taxpayers' relationship expectations** feedback loop, **professional responsibility towards taxpayers** has a direct influence on the affinity called **up-to-date professional competency of tax practitioners**. According to the focus group, "*it is the tax practitioner's responsibility to have up-to-date competency*" (FG1-3:38), and they argued that if tax practitioners are serious about their responsibility towards taxpayers, they will remain technically up-to-date in order to be competent tax practitioners (FG1-5:11). In conclusion, the focus group felt that tax practitioners have a responsibility towards taxpayers to deliver the best possible service, and therefore practitioners have to keep abreast of any tax developments that could influence their clients (FG1-13:38).

The group also felt that, in this feedback loop, **up-to-date professional competency of tax practitioners** has a direct influence on the **lack of communication to taxpayers**. They suggested that up-to-date competent tax practitioners should be able to communicate well with their taxpayer clients (FG1-5:36). Some participants were more sceptical, and felt that the fact that tax practitioners are competent and possess up-to-date knowledge does not guarantee that they can communicate effectively (FG1-7:36), but, in general, the participants felt that if tax practitioners act with up-to-date professional competency, regular personal feedback to taxpayers will occur. This personal feedback is a direct outflow of the affinity **lack of communication to taxpayers**.

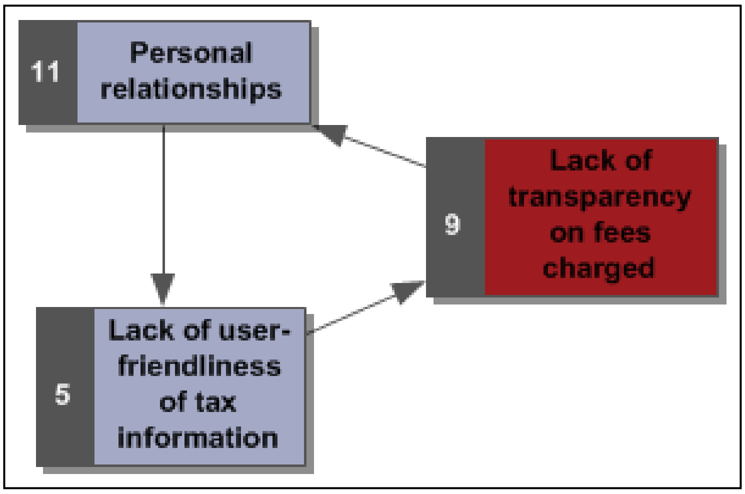
**Lack of communication to taxpayers** has a direct influence on the next affinity, namely **personal relationships**. The group's opinion was that good and regular communication will improve the personal relationship between taxpayers and tax practitioners, and will reduce misunderstandings between these parties (FG1-2:64; FG1-5:64). They felt strongly that a lack of communication between the parties strongly affects the personal relationship between the taxpayers and the practitioners at one stage or another (FG1-7:64; FG1-10:64; FG1-11:64). In conclusion, it was argued that improved personal contact will improve the relationship between the two parties (FG1-9:64).

Finally, in this **<u>taxpayers' relationship expectations</u>** feedback loop, the **personal relationship** between tax practitioners and taxpayers directly influences the affinity called **professional responsibility towards taxpayers**, since the absence of a personal relationship between taxpayers and tax practitioners may influence tax practitioners' professional responsibility towards the taxpayers (FG1-7:66). It was argued that the existence of a personal relationship between a taxpayer and tax practitioner would lead to increased professional responsibility towards the taxpayer/client (FG1-8:66; FG1-11:66).

### 5.6.3 Feedback Loop 2: User-friendliness of tax information

**Personal relationships** as an affinity also serves as the starting point for the second feedback loop, which the researcher chose to name **<u>user-friendliness of tax information</u>**, as illustrated in Figure 34 (overleaf).

**Figure 34: Taxpayers (Focus Group 1) – Feedback Loop 2: User-friendliness of tax information**




Apart from the direct influence that the **personal relationships** affinity has on tax practitioners' **professional responsibility towards taxpayers** (described above), it also directly influences the affinity named **lack of user-friendliness of tax information**. The foundation for this direct influence is that a sound personal relationship between taxpayers and tax practitioners will improve the user-friendliness of the tax information provided and the understandability of any information communicated (FG1-8:44; FG1-10:44).

The **lack of user-friendliness of tax information** affinity is also believed to influence the **lack of transparency on fees charged** affinity directly, and is based on the argument that if a tax practitioner cannot communicate tax information in a user-friendly manner, the tax practitioner is also not able to communicate the fees charged in a transparent manner (FG1-5:42). This inability to communicate tax information in a user-friendly manner creates the perception amongst taxpayers that with regard to fees for tax services there is a lack of transparency (FG1-8:42).

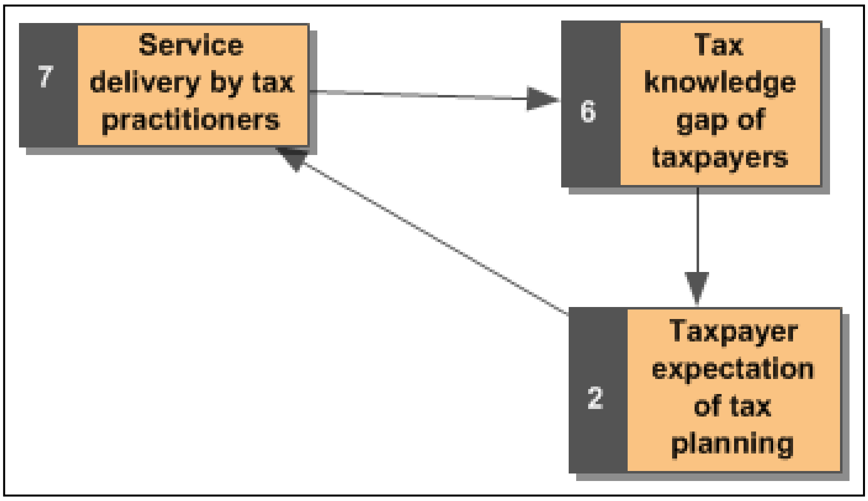
Finally, this feedback loop is completed through the influence that the **lack of transparency on fees charged** affinity has on the **personal relationships** affinity between the taxpayer and tax practitioner. The taxpayer focus group held the perception that transparency and thorough communication of fees charged for tax services could improve the personal relationship between these parties (FG1-3:62; FG1-7:62). The opposite is also true, in that not being transparent about fees charged for tax services will have a negative impact on any personal relationships these parties might have (FG1-5:62).

In addition to being part of the feedback loop **user-friendliness of tax information**, a **lack of transparency on fees charged** also has a direct impact on **service delivery by tax practitioners**. In this instance, transparency of fees charged results in taxpayers' understanding what they are charged for, and therefore being much more satisfied with the tax service delivered (FG1-2:53) – this increases their value-for-money experience (FG1-2:53). The transparency of fees charged is also perceived to enhance the perception of good service delivery by the tax practitioner, because if taxpayers are aware of what services tax practitioners are supposed to deliver and what taxpayers are charged for, it also enables taxpayers to manage the service provision process (FG1-5:53). If practitioners do not adhere to this original undertaking, the taxpayers perceive themselves as not having received a tax service that is of value (FG1-11:53).

### 5.6.4 Feedback Loop 3: Taxpayers' service delivery expectations

The third feedback loop in this system (indicated in Figure 35, below) also commences with the **service delivery by tax practitioners**. The researcher decided to term this loop **taxpayers' service delivery expectations**.

**Figure 35: Taxpayers (Focus Group 1) – Feedback Loop 3: taxpayers' service delivery expectations**



**Service delivery by tax practitioners**, as the secondary outcome with the lowest negative ∆ value, serves as a point of departure for this feedback loop, and has a direct effect on the **tax knowledge gap of taxpayers**. The focus group was of the opinion that receiving quality service from tax practitioners results in a decrease in the knowledge gap of taxpayers, since they are well informed about the service (FG1-5:46; FG1-8:46; FG1-11:46).

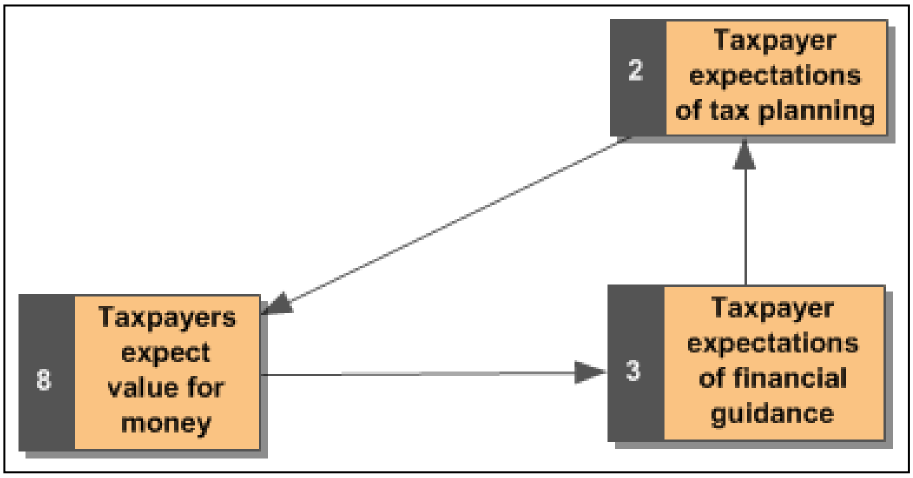
The **tax knowledge gap of taxpayers** has a direct impact on **taxpayer expectations of tax planning**, since it is essential for a taxpayer to have at least a basic tax knowledge to grasp the tax practitioners' reasoning behind tax planning advice (FG1-3:15). The focus group also expressed the opinion that the taxpayers' knowledge gap influences taxpayers' expectations regarding tax planning (FG1-5:15). It was also argued that this tax knowledge gap amongst taxpayers gives rise to the need for efficient tax planning by tax practitioners (FG1-10:15; FG1-11:15; FG1-13:15).

Finally, the loop is completed with the direct effect of **taxpayer expectations of tax planning** on **service delivery by tax practitioners**. In this instance, if clear and continuous tax planning advice is provided to the taxpayer, the perception of the quality of service delivery improves (FG1-2:16). Taxpayers' predetermined expectations regarding tax planning have an effect on the perceived quality of service delivery (FG1-5:16; FG1-7:16). In conclusion, the focus group argued that excellent service delivery includes proper tax planning (FG1-13:16).

### 5.6.5 Feedback Loop 4: Taxpayers' service value expectations

This brings us to the fourth and final feedback loop of this system, which the researcher called **<u>taxpayers' service value expectations</u>**, as illustrated in Figure 36 (overleaf).

**Figure 36: Taxpayers (Focus Group 1) – Feedback Loop 4: taxpayers' service value expectations**




The point of departure for the feedback loop called **taxpayers' service value expectations** is **taxpayer expectations of tax planning**. This has a direct bearing on the affinity called **taxpayers expect value for money**. It was argued that if proper tax planning is done, it should be measureable in tax savings or cash flow advantages, be it in the short or the long term (FG1-2:17; FG1-11:17; FG1-2:17; FG1-2:13). This implies that effective tax planning is perceived to contribute to the value-for-money experience of the taxpayer (FG1-3:17). Furthermore, taxpayers have certain expectations regarding tax planning services and determine the value of the tax planning service against these encoded expectations, such as tax savings (FG1-5:17; FG1-2:8).

In the **taxpayer service value expectations** feedback loop, the affinity **taxpayer expects value for money** has a direct impact on the affinity **taxpayer expectations of financial guidance**. This is classified as a part of the taxpayers' value-adding experience regarding tax services and their expectation of receiving high quality general financial guidance (FG1-7:26; FG1-8:26). Therefore, if a tax practitioner provides sound financial advice, apart from pure tax advice, the perception amongst taxpayers is that a tax service of value has been provided (FG1-11:26; FG1-13:26).

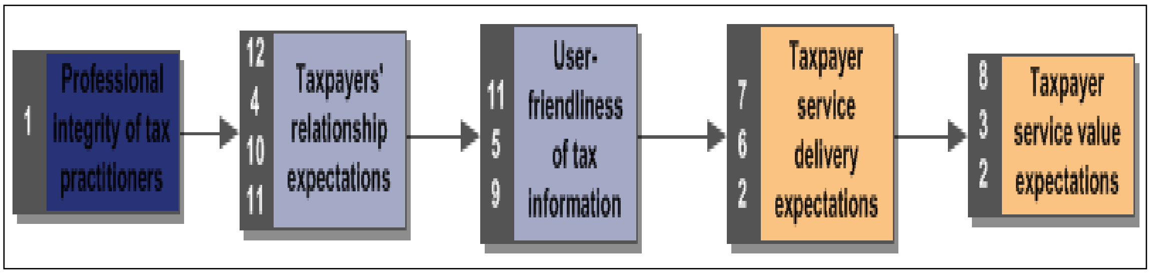
To conclude, **taxpayer expectations of financial guidance** have an impact on **taxpayer expectations of tax planning**. Since a holistic financial planning approach results in sound tax planning (FG1-2:12), these affinities are interrelated and do not function in isolation (FG1-3:12). It is therefore clear that if taxpayers' expectations regarding financial guidance are met, their expectations regarding tax planning are also addressed.

## 5.7 REFLECTION AND CONCLUSION ON TAXPAYERS (FOCUS GROUP 1)

To conclude, the researcher reflects on the discussion of the SID presented in the previous section and, by "zooming out", explores different views of the resulting system from a taxpayer's perspective. Northcutt and McCoy (2004:333) describe zooming out as the process of naming feedback loops (as already done in Section 4.5) and substituting the names of the feedback loops for those of the individual components of the loops. Through this process of zooming out, more straightforward views with less detail are constructed in order to reach a constructive conclusion on the system.

The diagram in Figure 37 (below) is based on the discussions of Section 4.5, and represents the key systemic factors that taxpayers see as contributing to the expectation gap between themselves and tax practitioners.

**Figure 37: Final system perspective on SID: taxpayers (Focus Group 1)**




Inspection of the above final system perspective reveals that taxpayers rate the importance of the **professional integrity of tax practitioners** highly, and feel that it acts as a primary driver of this system. Therefore, when tax practitioners behave with impeccable professional integrity, it will have a positive effect on the remainder of the affinities and especially on the **taxpayers' relationship expectations**.

According to the taxpayer constituency, the **professional integrity of tax practitioners** will result in tax practitioners' meeting their **professional responsibility towards taxpayers**, which includes maintaining the **up-to-date professional competency of tax practitioners**. In the taxpayers' opinion, it will also lead to improved **continuous communication** between taxpayers and their tax practitioners, creating an improved **personal relationship** amongst them.

A **personal relationship** is claimed to enhance the **<u>user-friendliness of tax information</u>** provided by tax practitioners to their clients (taxpayers). In the taxpayers' opinion, another positive outcome will be greater **transparency regarding the fees charged** by tax practitioners for the tax services rendered.

Improved **<u>user-friendliness of tax information</u>** will assist in addressing the expectations of taxpayers regarding service delivery. User-friendly communication of tax matters will assist taxpayers who have **limited tax knowledge with a basic understanding of tax**. It will also clarify for taxpayers what **tax planning entails** and what they should expect in this regard.

By addressing and managing **<u>taxpayer service delivery expectations</u>**, tax practitioners will also be able to understand and satisfy taxpayers' **<u>service value expectations</u>**, in that the service that taxpayers receive will be one that provides value for money.

Chapter 5 covered the taxpayers' perspective of the factors that contribute to the expectation gap between taxpayers and their tax practitioners and provided a view of the possible systematic relations between these issues. This chapter addressed Objective 1. The taxpayer group identified 12 affinities which determine the expectation gap, and initial systematic interactions between the determinants were suggested as a result of the power of the IQA process. The resulting systematic view is conceptually parsimonious, and could provide a useful framework for interventions and mechanisms that can be introduced by different groups of stakeholders to reduce the expectation gap.

The next chapter considers the factors or issues that Chartered Accountants believe to create or contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.

# CHAPTER 6:
# DATA ANALYSIS AND RESEARCH FINDINGS – FOCUS GROUP 2: CHARTERED ACCOUNTANTS

## 6.1 INTRODUCTION

Chapter 6 presents the results for the second focus group, the Chartered Accountants, thereby addressing Secondary Objective 2 of this study.

Secondary Objective 2**:** To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of Chartered Accountants.

This chapter also explores how the factors identified may be systematically related to each other from the Chartered Accountants' perspective.

The IQA focus group was conducted with 17 Chartered Accountants, and the group generated 16 affinities.

## 6.2 PHASE 2: AFFINITY GENERATION – CHARTERED ACCOUNTANTS (FOCUS GROUP 2)

A total of 17 Chartered Accountants were recruited using the sampling methods[25] described in Section 4.4.2.2. They were a group of individuals who were able to participate in purposive dialogue on the expectation gap between taxpayers and their tax practitioners.

The ideal was to assemble a diverse group of Chartered Accountants, irrespective of their different backgrounds, who provide tax services to taxpayers. The focus group session was held on 17 April 2012 at the University of Pretoria. The Chartered Accountants who participated represented different

[25] In order to compile the identified groups, the researcher applied a combination of purposive, convenience and snowball sampling methods.

age groups with a variety of years' experience in practice. The group also consisted of Chartered Accountants working in a variety of small, medium and larger firms, classified on the basis of the number of partners. The types of services that this group collectively provided included tax compliance, tax advice and tax risk advice. Thus the participants represented a wide variety of chartered accountancy firms providing a wide range of tax services.

In response to the issue statement "What factors or issues contribute to the expectation gap between taxpayers and their tax practitioners in a South African context?", which was posed to the Chartered Accountants, 16 affinities were generated. These 16 affinities are presented in Table 32 (below), and the affinities are described in the subsections below this table.

**Table 32: Affinities generated by the Chartered Accountants**

| Affinity number | Affinity description | Section number |
|---|---|---|
| 1 | Contradictory expectations of taxpayers on ethical practice | 6.2.1 |
| 2 | Taxpayers' expectations of receiving a professional service | 6.2.2 |
| 3 | Different interpretations of the definition of tax planning | 6.2.3 |
| 4 | Taxpayers' expectations on general non-tax advice | 6.2.4 |
| 5 | Taxpayers' knowledge gap on tax-related issues | 6.2.5 |
| 6 | Taxpayers' fear of SARS | 6.2.6 |
| 7 | Frustrations tax practitioners experience with SARS | 6.2.7 |
| 8 | SARS's marketing to taxpayers | 6.2.8 |
| 9 | Taxpayers' resistance to paying tax | 6.2.9 |
| 10 | Taxpayers' lack of understanding of timeframes in the tax environment | 6.2.10 |
| 11 | Taxpayers' expectations of fees charged by tax practitioners | 6.2.11 |
| 12 | Taxpayers' expecting additional free advice from their tax practitioners | 6.2.12 |
| 13 | Taxpayers' unrealistic expectations regarding tax audits | 6.2.13 |
| 14 | Insufficient communication from taxpayers to tax practitioners | 6.2.14 |
| 15 | Taxpayers' expectations of a personal relationship with their tax practitioners | 6.2.15 |
| 16 | Taxpayers shifting their responsibilities | 6.2.16 |

### 6.2.1 Contradictory expectations of taxpayers on ethical practice

This affinity is strongly associated with taxpayers' incongruent expectations of tax practitioners with regard to trust and confidentiality. On the one hand, taxpayers expect tax practitioners to be completely ethical and trustworthy in their dealings with taxpayers, but on the other hand, taxpayers expect tax practitioners to act unethically to the taxpayers' advantage when dealing with SARS. Similarly, taxpayers provide tax practitioners with confidential information about their finances, yet they expect the practitioners to conceal this information from SARS. With regard to trust, taxpayers are uncertain as to what "hat" tax practitioners wear when dealing with the tax affairs of taxpayers. Some taxpayers suspect that practitioners act as agents of SARS, whose aim (so taxpayers believe) is to get as much tax out of taxpayers as possible.

### 6.2.2 Taxpayers' expectations of receiving a professional service

This affinity describes the fact that taxpayers expect a professional service from their tax practitioners. Taxpayers expect tax practitioners and their staff to be professionally competent and to ensure accurate tax work, provide good communication on tax matters and be entirely compliant with tax legislation. Tax practitioners are also expected to assist with tax matters that taxpayers do not understand, such as the interpretation of tax laws.

### 6.2.3 Different interpretations of the definition of tax planning

This affinity is associated with different opinions that taxpayers and tax practitioners may hold concerning what tax planning denotes. These differences may refer, first, to tax evasion, where a taxpayer does not intend to pay any income tax or VAT. Secondly, the affinity may refer to tax avoidance, where taxpayers plan their tax affairs in order to minimise their tax liability using the best legal options available. In these instances, they expect tax practitioners to perform miracles in order to reduce the amount of tax to be paid. Lastly, it may refer to tax compliance assistance, which ensures that taxpayers' affairs are in order.

### 6.2.4 Taxpayers' expectations on general non-tax advice

This affinity relates to taxpayers' opinions that tax practitioners are experts in all business and economic sciences disciplines and that tax practitioners should know everything. Tax practitioners are expected to provide advice regarding prospective local and international economic trends in addition to tax advice.

### 6.2.5 Taxpayers' knowledge gap on tax related issues

This affinity describes a knowledge gap in taxpayers' understanding of tax-related issues. These issues relate to the perception that taxpayers have a limited knowledge or understanding of different tax types. This limited knowledge/understanding leads to confusion among taxpayers regarding different types of taxes, as well as confusion between types of taxes and levies. Provisional tax and the different due dates applicable were cited as examples. It also relates to taxpayers not understanding that if they limit the scope of the tax work to be performed, tax practitioners are not responsible for errors that fall outside the limitations imposed on the scope of the tax services demanded from them. Taxpayers also wrongly assume that tax practitioners are personally acquainted with SARS employees who can assist them in resolving tax issues.

### 6.2.6 Taxpayers' fear of SARS

This affinity is strongly associated with the fact that many taxpayers are afraid of SARS. This results in taxpayers' main objectives being to stay out of trouble with SARS and avoid legal consequences, such as being jailed.

### 6.2.7 Frustrations tax practitioners experience with SARS

This affinity describes the fact that taxpayers are not aware of, or do not understand the frustrations that tax practitioners experience with SARS. These frustrations with SARS arise from poor communication, lack of expertise, problems with tax registration, issues with VAT review criteria, and many more.

### 6.2.8 SARS's marketing to taxpayers

This affinity is strongly associated with SARS's marketing campaigns, which suggest that aspects such as e-filing or easy-file are simple. This creates a perception among taxpayers that belies the realities that tax practitioners experience in practice when they are actually using these systems.

#### 6.2.9 Taxpayers' resistance to paying tax

This affinity relates to taxpayers who resist paying tax. This is a consequence of a "why should I pay more tax" culture that makes taxpayers resent paying tax because they believe that government funds are mismanaged. This resistance may take the form of a "no tax payable" attitude or a "pay the minimum or least tax possible" attitude.

This affinity is also influenced by taxpayers' cash flow situation, which is weakened when they have to pay tax, as well as when SARS refunds still need to be paid. Where taxpayers adopt a "no tax payable" attitude, they may be willing to take a chance with tax schemes that lead to tax evasion, even when tax practitioners do not endorse such schemes. With regard to these schemes, taxpayers expect tax practitioners to have plans in place to limit the possible liabilities and risks associated with such schemes.

#### 6.2.10 Taxpayers' lack of understanding of timeframes in the tax environment

This affinity is concerned with the fact that many taxpayers do not understand either the time frames that apply in the tax environment or the amount of time spent on their tax affairs. They are ignorant of the time constraints and complexities involved in the tax practitioner's turnaround time, SARS's turnaround time and a tax practitioner's response time.

#### 6.2.11 Taxpayers' expectations of fees charged by tax practitioners

This affinity describes taxpayers' expectation of paying the lowest fee possible, but they are oblivious to the principle of cost versus benefit or fees versus value. Conversely, tax practitioners want to charge a reasonable rate that reflects the value of the service to the taxpayer.

Taxpayers' fears of high fees result in their performing some tax work themselves, since they are of the opinion that this will lower their tax service costs. Unfortunately, when taxpayers lack the necessary tax skills, this is not always the case. Often it takes more time to rectify the taxpayers' own work or to sort out problems relating to that work than if tax practitioners had done the work themselves. The need to rectify problems then leads to additional fees. Similarly, this fear may cause taxpayers to ask tax practitioners to limit the scope of their work to material issues in order to save costs. When problems arise with non-material issues, taxpayers may believe that the tax practitioners are responsible for these problems and expect the practitioners to deal with the problems.

#### 6.2.12 Taxpayers' expecting additional free advice from their tax practitioners

This affinity describes taxpayers' assumption that paying for their annual tax returns to be completed entitles them to free tax advice on all other tax-related matters. This expectation of additional free services also relates to instances where errors are made by SARS, and taxpayers expect tax practitioners not to charge a fee for correcting these errors.

#### 6.2.13 Taxpayers' unrealistic expectations regarding tax audits

This affinity describes taxpayers' unrealistic expectations regarding the probability of tax audits. Taxpayers expect that no queries in the form of audits will arise. If such queries/tax audits do occur, they feel that only the tax practitioner is to blame, and that it is the tax practitioner's responsibility to resolve this problem.

#### 6.2.14 Insufficient communication from taxpayers to tax practitioners

This affinity relates to the fact that tax practitioners often need to handle tax problems that are a consequence of a lack of communication. Tax practitioners are expected to provide proper tax advice when only limited facts or inputs are made available by taxpayers, even after a transaction has been completed.

#### 6.2.15 Taxpayers' expectations of a personal relationship with their tax practitioners

This affinity describes taxpayers' expectation of having a personal relationship with their tax practitioner(s) and expecting continuity regarding the person responsible for their tax affairs, something that is not always possible in a bigger tax practice.

#### 6.2.16 Taxpayers shifting their responsibilities

This affinity describes the fact that, although taxpayers are ultimately responsible for the payment of taxes and for the information provided, they often take no responsibility for the process and tend to shift all responsibility to the tax practitioner. Taxpayers perceive it to be the tax practitioners' duty to reduce their tax liability.

## 6.3 REFLECTION ON FOCUS GROUP DYNAMICS – CHARTERED ACCOUNTANTS (FOCUS GROUP 2)

In order to identify any possible shortcomings in the dynamics of this focus group that might have had a negative impact on the trustworthiness of the affinities originated by this group, the researcher reflected on the size of the group, and considered potential influences related to the venue, the participation by the group, possible participant dominance in the group and, finally, the participation by the group in the next phase of the IQA process, the theoretical coding in Phase 3.

Considering the general norms and guidelines (see Section 4.4.2.3) the number of 17 members is more than adequate for conducting a meaningful focus group. The different types of firms represented also ensured that fair representation of views was achieved in the focus group. Once again, no location-related problems were experienced with the boardroom in the Leadership Centre at the University of Pretoria. Thus, there seem to have been no significant identifiable negative influences regarding the trustworthiness emanating from the location.

Although a large number of 17 Chartered Accountants participated in this focus group session, this group's participation in the discussions and debate was of exceptional quality and generated substantial insight. Contrary to the researcher's expectation that this might be a reserved group, this group actively and constructively took part in the discussions from the outset. Once again the IQA protocol used ensured that all personality types participated in the generation of the themes. In the debriefing meeting,[26] it was highlighted that these participants were really actively involved and displayed a thorough understanding of the problem and the research question posed to them.

There was also no domineering participant that overshadowed the direction that the group took. The only negative aspect identified was that, due to the size of the group, the session took longer to complete and a larger number of affinities were generated. However, none of the participants complained about the extended time and it therefore seems as if they were not influenced negatively by this. Positive feedback was also received regarding the professional way in which the focus group was conducted and regarding the potential value of this project for the practice.

Subsequent to the session, 14 of the 17 participants provided feedback by means of the individual ARTs used in Phase 3, the theoretical coding phase of the research. A response rate of 82% was thus reached, which is more than adequate, since every participant's "vote" only counted 7.1% and therefore did not distort the data.[27]

In conclusion, it seems that there were no material negative influences regarding the trustworthiness of the affinities generated by the Chartered Accountants' focus group in respect of the group dynamics or the logistics of the second focus group.

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[26] Comprised of the researcher, two independent observers and the independent facilitator.

[27] According to Northcutt and McCoy (2004:87), smaller groups may not have sufficient group dynamics during the affinity production and this may influence the results during the theoretical coding process. These authors maintain that data can become distorted if, for instance, the influence of one individual out of five in a small focus group weighs 20%.

## 6.4 PHASE 3: THEORETICAL CODING: CHARTERED ACCOUNTANTS (FOCUS GROUP 2)

This section describes the systematic relationships between the affinities generated by the second focus group, which was based on the individual affinity relationship tables (ARTs) prepared by the 14 participating Chartered Accountants. As with the first focus group, the combined ART was used to draw a SID. The steps that were applied for Focus Group 2 are the same as those discussed for Focus Group 1 (see Section 4.5). The explanations of the steps followed are not repeated here, but where the steps differed for Focus Group 2, such deviations are discussed in detail in this section. The previous section's affinity headings in Table 32 (above) are used to describe the affinities for the Chartered Accountant focus group.

### 6.4.1 Affinity Relationship Table (ART): Chartered Accountants (Focus Group 2)

Subsequent to the confirmation by the participants that the affinities compiled by the researcher were a true reflection of the focus group's combined perceptions, an individual ART was sent to each of the participants to indicate the relationships between different affinities. The completed documents were returned to the researcher to complete the SID for this group.

### 6.4.2 Pareto and conflict analysis: Chartered Accountants (Focus Group 2)

Using the individual ARTs generated by the participants, the number of votes for each pair recorded on the summarised ART was documented in a "frequency affinity pair order table". The sum of the total number of votes (frequencies) was recorded at the end of the table, namely 850.

Subsequently, the affinities were sorted in descending order of frequency, using the Pareto protocol and a power analysis table (see Table 57 in Annexure C).

The cumulative percentage (relation) that indicates each affinity relationship as a percentage of the aggregate possible number of affinity pairs for Focus Group 2 was 0.42% (one out of a total of 240). For Focus Group 2, the total cumulative percentage frequency (where the corresponding value of the cumulative frequency column is conveyed for each affinity pair as a percentage of the total number of frequencies) of 850 was used. Finally, in the power column, an index of the degree of optimisation of the system was calculated by subtracting the cumulative percentage (relation) column's results from the cumulative percentage (frequency) column's results.

The cumulative percentage (relation) and cumulative percentage (frequency) columns assisted the researcher in determining which affinity pairs should be taken into account when compiling the IRD for Focus Group 2. It provides a cut-off for the inclusion or exclusion of the affinity pairs taken into account for compiling the IRD. For Focus Group 2, the power reaches the crossover point with Affinity Pair 98 (indicated in blue in Table 57 in Annexure C). It implies that these 98 affinity relationships account for 75.06% of the variation in this system, and therefore the first 98 affinity relationship pairs, as indicated in Table 57 (in Annexure C), were taken into consideration when generating the IRD for Focus Group 2.

However, before creating the IRD for Focus Group 2, any conflicting relationships among these 98 pairs of affinity relationships had to be identified and resolved. The identified conflicting relationships for Focus Group 2 are listed in Table 33.

**Table 33: Conflicting affinity relationships: Chartered Accountants (Focus Group 2)**

| ART number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 21 | 1←3 | **8** |
| 32 | 2→4 | **7** |
| 34 | 2←14 | **7** |
| 59 | 2←11 | **5** |
| 60 | 2→14 | **5** |
| 61 | 2←16 | **5** |
| 64 | 3←14 | **5** |
| 65 | 3→14 | **5** |
| 69 | 4←12 | **5** |

| ART number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 70 | 4→12 | **5** |
| 76 | 1→3 | **4** |
| 79 | 2←4 | **4** |
| 81 | 2→11 | **4** |
| 82 | 2→16 | **4** |
| 93 | 10←14 | **4** |
| 94 | 10→14 | **4** |

In the conflicting relationships shown in Table 33 (above), the affinity pair with the highest frequency was included in the next step to compile the IRD. The affinity pairs indicated in Table 34 (below) had a higher frequency affinity pair, which is highlighted and was included in the compilation of the IRD.

**Table 34: Conflicting affinity relationships with a higher frequency: Chartered Accountants (Focus Group 2)**

| ART number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 21 | 1←3 | **8** |
| 32 | 2→4 | **7** |
| 34 | 2←14 | **7** |
| 59 | 2←11 | **5** |
| 60 | 2→14 | **5** |
| 61 | 2←16 | **5** |
| 76 | 1→3 | **4** |
| 79 | 2←4 | **4** |
| 81 | 2→11 | **4** |
| 82 | 2→16 | **4** |

For the conflicting affinity pairs listed in Table 35 (below) there were no higher frequency affinity pairs, which resulted in these conflicting affinity pairs being returned to the participants in order for them to re-assess the perceived interactive relationships between these affinity pairs. The affinity pairs that the participants indicated to have the highest frequency after this re-assessment are highlighted in blue in Table 35, and were taken into consideration in creating the IRD.

**Table 35: Conflicting affinity relationships without a higher frequency: Chartered Accountants (Focus Group 2)**

| ART number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 64 | 3←14 | **5** |
| 65 | 3→14 | **5** |
| 69 | 4←12 | **5** |
| 70 | 4→12 | **5** |

| ART number | Affinity pair relationship | Frequency sorted (descending) |
|---|---|---|
| 93 | 10←14 | **4** |
| 94 | 10→14 | **4** |

Therefore, in the above cases of conflicting affinity relationships, the affinity pairs highlighted in blue were used in the creation of the IRD for Focus Group 2 in the next step. The remainder had to be discarded.

### 6.4.3 Interrelationship Diagram (IRD): Chartered Accountants (Focus Group 2)

Taking into account the affinity pairs identified by means of the Pareto protocol in the previous section, the IRD for Focus Group 2 was created (see Table 61 in Annexure D).

After the completion of the Tabular IRD, which was sorted in descending order of the ∆ values (see Table 36, overleaf) all the affinities generated by the second focus group could be classified into drivers or outcomes in order to create the SID for the Chartered Accountants. For this group, Affinity 8 was classified as a primary driver (a significant cause) and Affinities 5, 9, 15, 10, 6 and 16 were classified as secondary drivers (relative causes). For this focus group, there were no pivots or circulars.

Based on their negative ∆ values, Affinities 14, 7, 1, 3, 4, 11, 12 and 2 were classified as secondary outcomes (relative effects) and Affinity 13 was classified as a primary outcome (a significant effect).

**Table 36: Tabular IRD: Sorted in descending order of Δ - Chartered Accountants (Focus Group 2)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8 | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | | 12 | 0 | 12 |
| 5 | ↑ | ↑ | ↑ | ↑ | | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 13 | 1 | 12 |
| 9 | ↑ | ↑ | ↑ | | ← | ↑ | | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 10 | 2 | 8 |
| 15 | ↑ | ← | ↑ | ↑ | | ← | | | | | ↑ | ↑ | ↑ | | | ↑ | 7 | 2 | 5 |
| 10 | | ↑ | ↑ | | ← | ↑ | ↑ | ← | ← | | ↑ | ↑ | ↑ | ← | | ↑ | 8 | 4 | 4 |
| 6 | ↑ | ↑ | ↑ | | ← | | | ← | ← | ← | | | | ↑ | ↑ | ↑ | 6 | 4 | 2 |
| 16 | ↑ | ↑ | ↑ | ↑ | ← | ← | ↑ | | ← | ← | ← | ↑ | ↑ | ↑ | ← | | 8 | 6 | 2 |
| 14 | ← | ↑ | ↑ | | ← | ← | | ← | ← | ↑ | ↑ | | ↑ | | | ← | 5 | 6 | -1 |
| 7 | | ↑ | | | ← | | | ← | | ← | ↑ | | | | | ← | 2 | 4 | -2 |
| 1 | | ↑ | ← | | ← | ← | | ← | ← | | | | ↑ | ↑ | ← | ← | 3 | 7 | -4 |
| 3 | ↑ | ↑ | | ↑ | ← | ← | | ← | ← | ← | ↑ | ← | ↑ | ← | ← | ← | 5 | 9 | -4 |
| 4 | | ← | ← | | ← | | | | | | ↑ | ← | | | ← | ← | 1 | 6 | -5 |
| 11 | | ↑ | ← | ← | ← | | ← | ← | ← | ← | | ↑ | ↑ | ← | ← | ↑ | 4 | 9 | -5 |
| 12 | | ← | ↑ | ↑ | ← | | | ← | ← | ← | ← | | | | ← | ← | 2 | 8 | -6 |
| 2 | ← | | ← | ↑ | ← | ← | ← | ← | ← | ← | ← | ↑ | ↑ | ← | ↑ | ← | 4 | 11 | -7 |
| 13 | ← | ← | ← | | ← | | | ← | ← | ← | ← | | | ← | ← | ← | 0 | 11 | -11 |

The tentative SID assignments derived from the IRD for Focus Group 2 are presented in Table 37 (below).

**Table 37: Tentative SID assignments: Chartered Accountants (Focus Group 2)**

| Affinity number | Affinity description | Affinity classification |
|---|---|---|
| 8 | SARS's marketing to taxpayers | Primary Driver |
| 5 | Taxpayers' knowledge gap on tax-related issues | Secondary driver |
| 9 | Taxpayers' resistance to paying tax | Secondary driver |
| 15 | Taxpayers' expectations of a personal relationship with their tax practitioners | Secondary driver |
| 10 | Taxpayers' lack of understanding of timeframes in the tax environment | Secondary driver |
| 6 | Taxpayers' fear of SARS | Secondary driver |
| 16 | Taxpayers shifting their responsibilities | Secondary driver |
| 14 | Insufficient communication from taxpayers to tax practitioners | Secondary outcome |
| 7 | Frustrations tax practitioners experience with SARS | Secondary outcome |
| 1 | Contradictory expectations of taxpayers on ethical practice | Secondary outcome |
| 3 | Different interpretations of the definition of tax planning | Secondary outcome |
| 4 | Taxpayers' expectations on general non-tax advice | Secondary outcome |
| 11 | Taxpayers' expectations of fees charged by tax practitioners | Secondary outcome |
| 12 | Taxpayers' expecting additional free advice from their tax practitioners | Secondary outcome |
| 2 | Taxpayers' expectations of receiving a professional service | Secondary outcome |
| 13 | Taxpayers' unrealistic expectations regarding tax audits | Primary outcome |

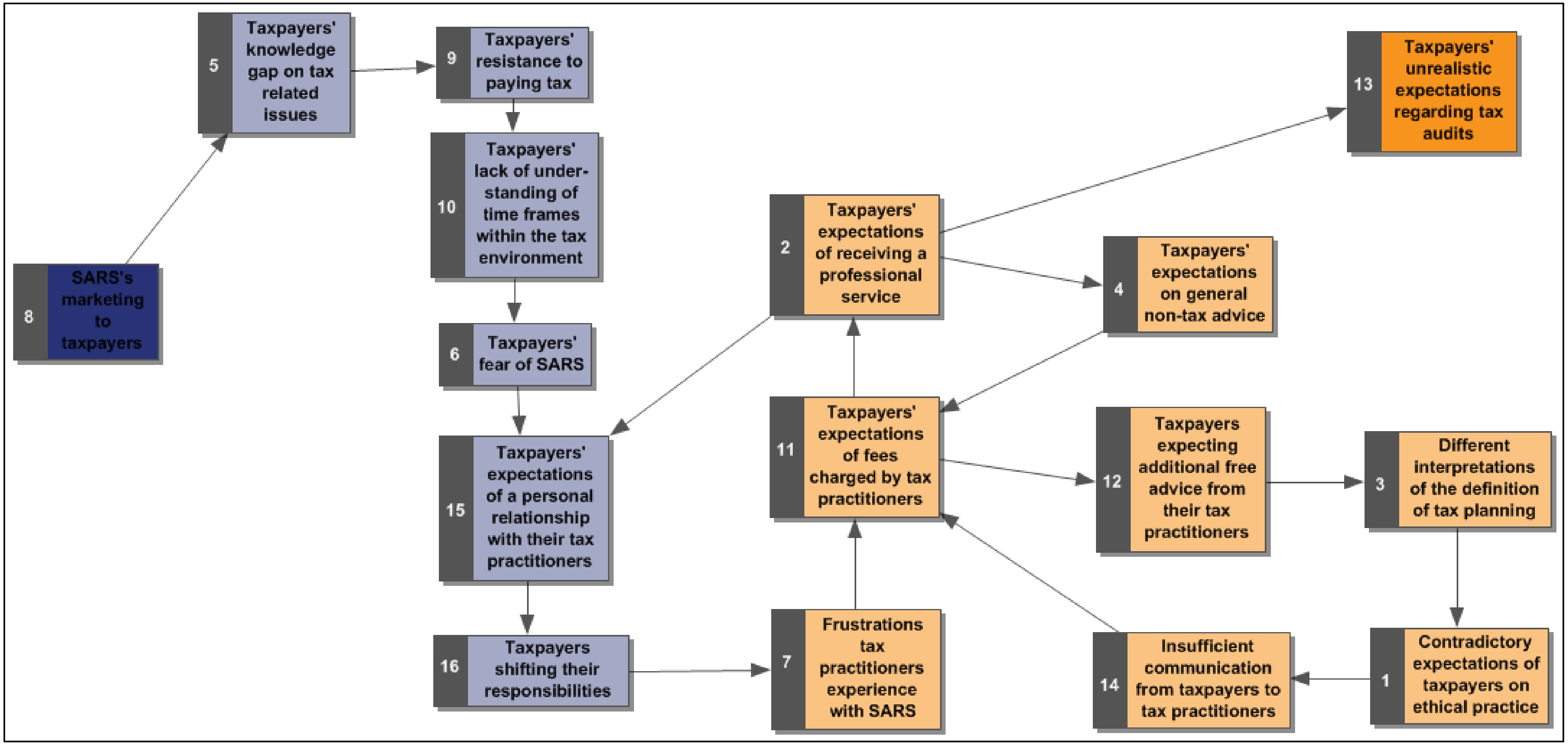
With the finalisation of the Tentative SID assignments, the data could be used in the next step, namely the generation of the final SID.

### 6.4.4 System Influence Diagram (SID): Chartered Accountants (Focus Group 2)

Applying the Tentative SID assignments derived in the previous section, the creation of a cluttered SID could commence. This cluttered SID is provided in Figure 66 in Annexure E.

Subsequent to the creation of the cluttered SID, through the process of removing redundant links, the final uncluttered SID for Focus Group 2 (the Chartered Accountants) was completed, as presented in Figure 38 (overleaf).

**Figure 38: Final uncluttered SID: Chartered Accountants (Focus Group 2)**



## 6.5 DISCUSSION OF SID: CHARTERED ACCOUNTANTS (FOCUS GROUP 2)

The final uncluttered SID for the Chartered Accountants (Focus Group 2) reveals the systematic interactions between the 16 affinities generated by the group of Chartered Accountants. In this system, three feedback loops were present, and these are discussed in more detail below.

### 6.5.1 Primary driver

In this system, the participants identified the affinity **SARS's marketing to taxpayers** as a primary driver, which indicates that the participants perceived it to be a fundamental cause or source of influence on the affinities in the rest of the system.

### 6.5.2 Secondary drivers

**SARS's marketing to taxpayers** was a primary driver which has a direct impact on the **taxpayer knowledge gap on tax related issues**, the secondary driver with the highest positive $\Delta$ value. The focus group argued that SARS's marketing campaigns create a perception among taxpayers who lack basic tax knowledge that all tax matters can be dealt with quickly and effectively (FG2-10:57). The participants believed that because of taxpayers' limited tax knowledge, taxpayers are often unaware of the frustrations tax practitioners experience with SARS (FG2-13:57).

The **taxpayer knowledge gap on tax-related issues** has a direct influence on **taxpayers' resistance to paying tax,** which is the secondary driver with the next highest positive $\Delta$ value for this focus group. The group felt that, in general, taxpayers resist paying tax and that their limited tax knowledge exacerbates this attitude (FG2-2:58; FG2-2:58; FG2-7:58; FG2-16:58).

**Taxpayers' resistance to paying tax** is linked to **taxpayers' lack of understanding of timeframes in the tax environment**. A combination of taxpayers' limited tax knowledge and their perceived resistance to paying tax leads to taxpayers' failing to understand or wanting to understand the timeframes in the tax environment (FG2-2:59; FG2-2:59; FG2-3:59; FG2-5:93; FG2-6:59; FG2-7:59; FG2-9:59,93; FG2-11:59,93; FG2-13:59; FG2-15:93; FG2-17:93). The fact that taxpayers do not necessarily understand tax issues makes them impatient with tax practitioners when a time-consuming issue arises with SARS (FG2-4:59). Furthermore, taxpayers are not all aware of the different tax types and when they should be submitted, which imposes a burden on the tax practitioners continuously to follow up and often do the work in very limited timeframes (FG2-10:59).

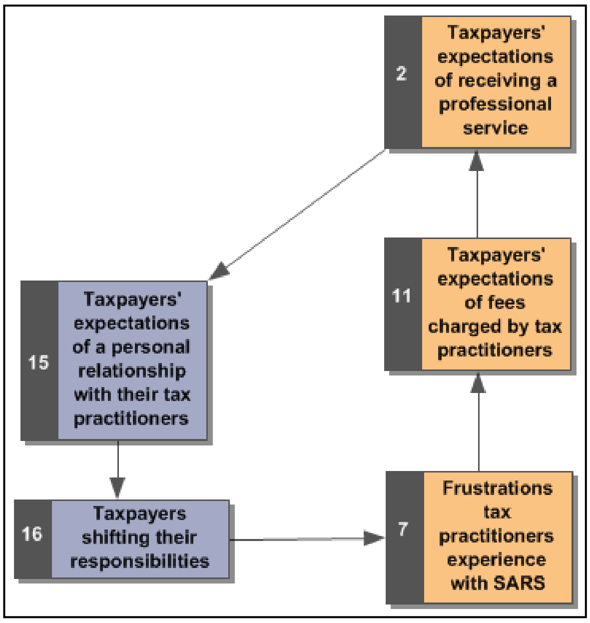
**Taxpayers' lack of understanding of timeframes in the tax environment** is perceived to contribute to **taxpayers' fear of SARS**. The fact that taxpayers do not have an adequate tax knowledge and understanding of the tax timeframes results in fear of SARS amongst taxpayers (FG2-4:55; FG2-9:55; FG2-3:69; FG2-5:69; FG2-15:69). It can therefore be said that fear of SARS is, in most cases, driven by taxpayers' lack of knowledge of tax-related matters and timeframes (FG2-17:55). In some instances, it was argued that **taxpayers' resistance to paying tax** may be greater than their fear of SARS (FG2-13:68; FG2-16:68). The contrary was also mentioned, namely that if taxpayers are less ignorant about tax issues, it might reduce their fear of SARS. Their lack of knowledge results in their being uninformed about what is allowed (FG2-16:55).

**Taxpayers' fear of SARS** results in **taxpayers' expectations of a personal relationship with their tax practitioners**. Due to their fear of SARS, taxpayers seem to require a personal and continuous relationship with their tax practitioners in order to enable taxpayers to contact their practitioners in any matter relating to SARS (FG2-5:74; FG2-2:9,74; FG2-2:10,74; FG2-2:11,74; FG2-2:17,74).

### 6.5.3 Feedback Loop 1: taxpayers' expectations regarding the relationship with their tax practitioners

**Taxpayers' expectations of a personal relationship with their tax practitioners**, as the stronger secondary driver in the loop, acts as the initial affinity of the first feedback loop in this system. The researcher decided to call this loop **<u>taxpayers' expectations regarding the relationship with their tax practitioners</u>**. The loop is presented in Figure 39 (below).

**Figure 39: Chartered Accountants (Focus Group 2) – Feedback Loop 1: taxpayers' expectations regarding the relationship with their tax practitioners**




**Taxpayers' expectations of a personal relationship with their tax practitioners** are perceived to result in **taxpayers' shifting their responsibilities**, in the sense that the closer the relationship gets, the higher the chances of the taxpayers' shifting more of their responsibilities onto the tax practitioner (FG2-13:120). This close relationship might lead taxpayers to expect tax practitioners to take responsibility for all the taxpayer's affairs (FG2-16:120; FG2-17:120).

**Taxpayers' shifting their responsibilities** adds to the **frustrations that tax practitioners experience with SARS**. Taxpayers are usually unaware of the frustrations that tax practitioners experience with SARS. As the taxpayers do not want to take responsibility for their tax matters, they shift more responsibility to the tax practitioner, which leads to increased frustration (FG2-15:84; FG2-17:84).

**The frustrations that tax practitioners experience with SARS** lead them to spend more time on services and to charge higher fees for tax services rendered, and as a result **the taxpayers' expectation of fees charged by tax practitioners** is affected (FG2-3:79; FG2-6:79; FG2-9:79; FG2-17:79). Although taxpayers may not always be aware of these frustrations (FG2-16:79), these frustrations may lead to higher fees, which is not in line with the taxpayers' expectation of reasonable fees (FG2-13:79).

**Taxpayers' expectations of fees charged by tax practitioners** have an influence on **taxpayers' expectations of receiving a professional service**. Some taxpayers might be willing to pay high fees as long as they receive a professional service and know that their tax affairs are in order. Other taxpayers might feel that they do not receive a professional service and are then not willing to pay the fees charged, because they are not satisfied with the professional service delivered.

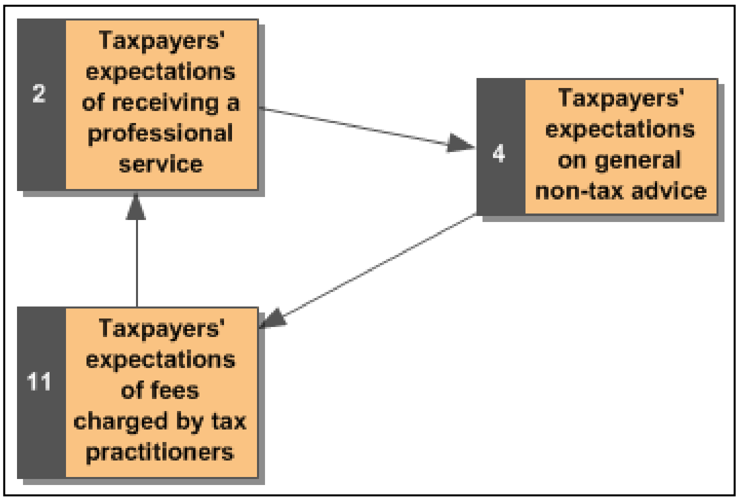
The **taxpayers' expectation of receiving a professional service** results in their having **expectations of a personal relationship with their tax practitioner**. Taxpayers expect, as part of the tax service they pay for, to have continuity when it comes to a personal relationship with the tax practitioners (FG2-10:28) and in certain instances expect a friendship to be created (FG2-2:28). A lack of continuity and personal interaction may be perceived by a taxpayer as an unprofessional service (FG2-13:28).

### 6.5.4 Feedback Loop 2: taxpayers' expectations of fees charged and receipt of professional advice

Reverting back to Affinity 11, **taxpayers' expectations of fees charged by tax practitioners** was selected as the starting point of the following two feedback loops, since this affinity formed part of both of them. The first feedback loop, presented in Figure 39 (above), was labelled <u>**taxpayers' expectations of fees charged and receipt of professional advice**</u>. The second, presented in Figure

40 (below), was named **taxpayers' expectations of fees charged against service provided**.

**Figure 40: Chartered Accountants (Focus Group 2) – Feedback Loop 2: taxpayers' expectations of fees charged and receipt of professional advice**




Commencing with **taxpayers' expectations of fees charged by tax practitioners**, it is evident that, as a result of fees charged, **taxpayers expect to receive a professional service** from tax practitioners. It was argued that when taxpayers pay a certain fee, they expect a certain level of service, for example, a higher fee would imply a better or improved service (FG2-1:24; FG2-6:24; FG2-7:24; FG2-15:24). It was, however, also argued that in many instances taxpayers require a professional service, but still want to pay the minimum fee (FG2-2:24). Participants also indicated that no matter how high or low the fee charged is, taxpayers always require a professional service (FG2-15:24). In conclusion, it can therefore be argued that if taxpayers do not understand the cost versus benefit principle, they expect a professional service but are not always willing to pay reasonable fees for that service (FG2-17:24).

Originating from **taxpayers' expectations of receiving a professional service** is an **expectation that taxpayers have** of receiving **general non-tax advice**. Focus group members claimed that when many taxpayers request a tax practitioner's professional service, they also expect free general non-tax advice (FG2-2:17; FG2-3:17; FG2-9:17; FG2-11:17; FG2-17:17). Since taxpayers pay for the tax service, they expect tax practitioners to provide them with non-tax advice for free and the tax practitioner should know the answer to all questions;

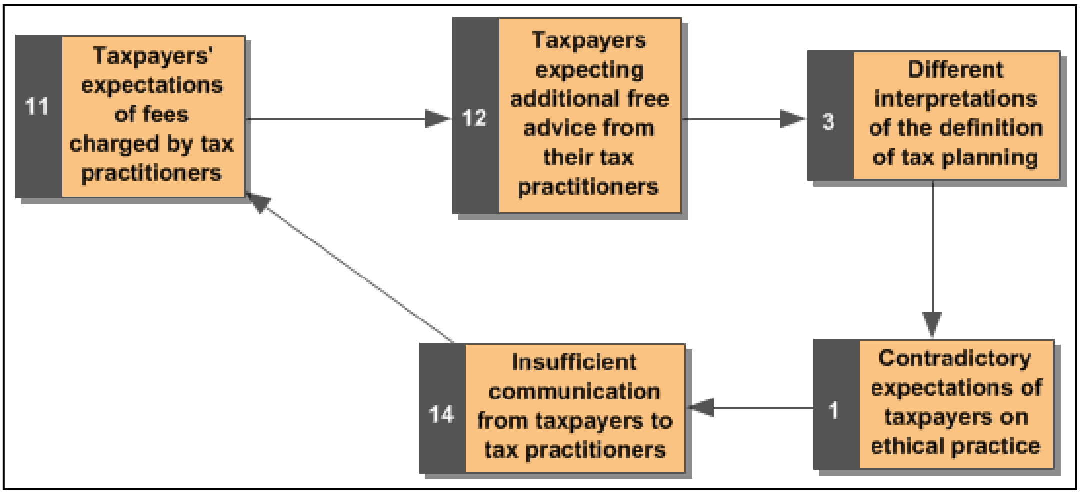
for example, taxpayers might ask where they should open a bank account (FG2-4:17). In a nutshell, it can therefore be said that due to the expectation of receiving a professional service, taxpayers assume that the service provided must extend beyond tax services (FG2-13:17).

Finally, the **taxpayers' expectations on general non-tax advice** guide their perceptions on their **expectations of fees charged by tax practitioners**. The respondents' perception was that when taxpayers expect non-tax advice, they want this advice for free (FG2-2:49). They feel that they should not be charged for answers to general questions, even if the tax practitioner has to spend time on getting an answer (FG2-4:49). Taxpayers argue that the fees are already high and they expect this additional advice for free (FG2-16:49). Their perceptions are that the fees charged by tax practitioners are an "all-inclusive" fee which gives them the right to ask the tax practitioners' advice on general matters as well (FG2-17:49).

### 6.5.5 Feedback Loop 3: taxpayers' expectations of fees charged against service provided

Having discussed the **<u>taxpayers' expectations of fees charged and receipt of professional advice</u>**, consideration will now be given to the **<u>taxpayers' expectations of fees charged against service provided</u>**. Starting again with the **<u>taxpayers' expectations of fees charged by tax practitioners</u>**, the discussion progresses to the third feedback loop, which was called **<u>taxpayers' expectations of fees charged against service provided</u>**, as set out in Figure 41 (overleaf).

**Figure 41: Chartered Accountants (Focus Group 2) – Feedback Loop 3: taxpayers' expectations of fees charged against service provided**




The **expectations of taxpayers regarding the fees charged by tax practitioners** result in **taxpayers' expecting additional free advice from their tax practitioners**. It was argued that when taxpayers appoint tax practitioners, they expect other free advice from the tax practitioners (FG2-2:106; FG2-9:106). Taxpayers feel that they pay an "all-inclusive" high fee and expect tax practitioners to resolve all problems without clients paying any additional fees (FG2-13:107; FG2-16:106). Once again, if taxpayers do not understand the cost versus benefit principle, they may expect free advice, as they fail to understand how long it takes practitioners to solve certain tax problems (FG2-17:106). One aspect where **taxpayers expect additional free advice from their tax practitioners,** for example, is where **tax planning** is required as an additional and separate tax service to the normal compliance services provided to them (FG2-2:38; FG2-9:38).

**Different interpretations of the definition of tax planning** are in many instances to be blamed for the **contradictory expectations of taxpayers on ethical practice**. The focus group raised the point that some taxpayers are of the opinion that tax planning means telling them how to hide money from SARS or how to make their tax liability less by not disclosing the correct income (FG2-4:2).

These taxpayers are of the opinion that a good tax planner will, if necessary, only provide SARS with selective information in order to limit the tax liability of the taxpayer (FG2-10:2). It was argued that if taxpayers expect tax practitioners to be ethical, taxpayers are likely to have a positive interpretation of tax planning, in other words, such taxpayers understand the risks involved and therefore expect legal tax planning opportunities (FG2-7:2; FG2-16:2). By contrast, if taxpayers expect tax practitioners to be unethical, they may expect practitioners to help them to plan for tax evasion and avoidance (FG2-9:2). To summarise, it can be said that if taxpayers have an improper definition of tax planning, they may expect tax practitioners to act unethically on their behalf (FG2-17:2).

**Contradictory expectations of taxpayers on ethical practice** result in **insufficient communication from taxpayer to tax practitioner**. Respondents suggested that when taxpayers are prone to being unethical, they provide the tax practitioner with as little information as possible (FG2-9:13), so that the tax practitioner cannot disclose the information that the taxpayer has withheld (FG2-16:13). It was also pointed out that in instances where taxpayers do not trust their tax practitioners, they will not provide all the necessary information for the tax practitioners to be able to fulfil their duties in providing the service (FG2-7:13).

The final influence that concludes this feedback loop is the effect that **insufficient communication from taxpayer to tax practitioner** has on **taxpayers' expectations of fees charged by tax practitioners**. When taxpayers do not communicate properly with the tax practitioners, it results in time wasted and increased fees, which in turn disappoints taxpayers and affects their expectations regarding fees (FG2-17:108).

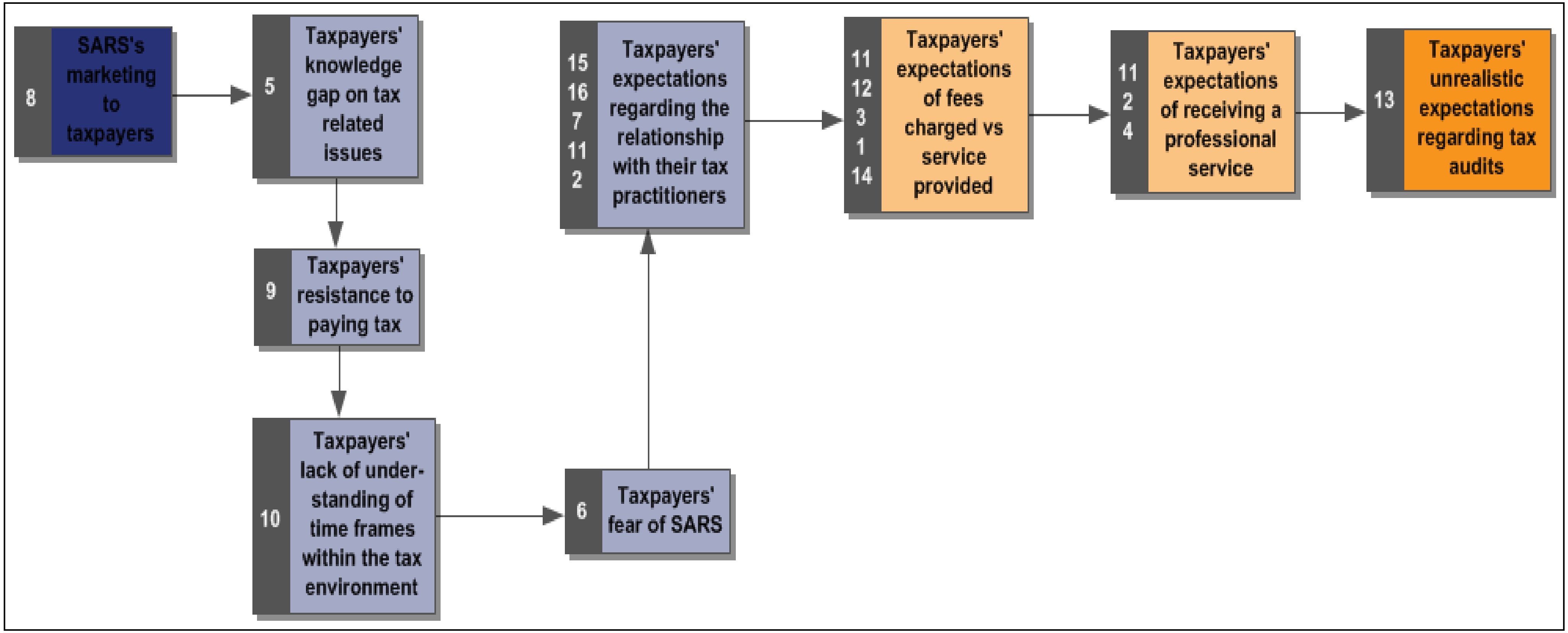
### 6.5.6 Primary outcome

Finally, in this system, **taxpayers' unrealistic expectations regarding tax audits** were identified as a primary outcome (which means it is deemed to be an effect that is caused by numerous other affinities in this system, but has no effect on any other affinity). Although it is influenced by numerous affinities, **taxpayers' expectations of receiving a professional service** have a direct impact on **taxpayers' unrealistic expectations regarding tax audits.** Taxpayers believe that if a professional service is rendered to them, there is not supposed to be any audit on their submitted return (FG2-9:26; FG2-17:26).

## 6.6 REFLECTION AND CONCLUSION ON CHARTERED ACCOUNTANTS (FOCUS GROUP 2)

The objective of this final section of Chapter 6 is to reflect on and reach a conclusion on the SID that was generated from the IQA process involving the Chartered Accountants. Through the process of "zooming out", an uncomplicated (uncluttered) view of this system could be created, as presented in Figure 42 (overleaf).

Figure 42: Final system perspective on SID: Chartered Accountants (Focus Group 2)



From the simplified diagram in Figure 42, it is evident that the Chartered Accountants considered that **SARS's marketing to taxpayers**, as a primary driver, effectively has an important influence, be it direct or indirect, on almost every affinity generated by the group.

They believed that in many instances the ignorance of taxpayers regarding tax legislation results in their resistance to paying tax and in their **not understanding the relevant timeframes in the tax environment**. Together with **SARS's marketing to taxpayers**, this **lack of knowledge** is also responsible for the **fear taxpayers have of SARS**.

The group indicated that, ultimately, these fears have an impact on **taxpayers' expectations regarding their relationship with their tax practitioners**, since the group believed that the relationship provides taxpayers with a (false) sense of security and of protection from SARS. This fear results in their **shifting their responsibilities** to their tax practitioners so that the taxpayers need not face SARS directly. In this process, they want tax practitioners to **provide a professional tax service**, because taxpayers pay the practitioners a fee, but taxpayers show little or no understanding of the **frustrations that tax practitioners experience with SARS** regarding their tax matters.

**Taxpayers' expectations of a personal relationship with their tax practitioners** also affect their **expectations regarding the fees that tax practitioners charge** for the delivery of tax services. A poor relationship between tax practitioners and taxpayers with **insufficient communication between these parties** results in **different interpretations of tax planning and ethical practice**. The result is that the taxpayers are dissatisfied with the tax service they receive, including the fees charged by tax practitioners. This personal relationship requirement of taxpayers is also responsible for creating the **expectation amongst taxpayers that they can approach tax practitioners for additional tax advice without having to pay for it.**

Based on the fact that taxpayers pay fees for the tax services rendered to them, they expect this service to be **of a professional standard** and, in addition, they expect to receive **general non-tax-related** advice as well.

Finally, from the perspective of Chartered Accountants, the primary outcome of this system is an **unrealistic expectation held by taxpayers regarding tax audits**.

Chapter 6 presented the perceptions of Chartered Accountants in the South African context on the factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners, addressing Research Objective 2 of this study. A total of 16 affinities were generated by the Chartered Accountants, and systematic relationships were generated between the affinities that they identified. The systematic view created by means of the IQA process is conceptually insightful, and presents a useful framework for interventions and mechanisms that can be introduced by different groups of stakeholders to reduce the expectation gap and contribute to a clearer understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of Chartered Accountants in South Africa.

The next chapter deals with Research Objective 3, which was to gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of Professional Accountants who are registered with SAIPA.

# CHAPTER 7:
# DATA ANALYSIS AND RESEARCH FINDINGS – FOCUS GROUP 3: PROFESSIONAL ACCOUNTANTS

## 7.1 INTRODUCTION

This chapter presents the IQA results from the perspective of Professional Accountants, thereby addressing Secondary Objective 3.

| | |
|---|---|
| Secondary Objective 3: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of Professional Accountants. |

This chapter contains the description of the 13 affinities identified by the Professional Accountants in the third focus group, followed by a discussion of the relationships identified amongst these affinities.

## 7.2 PHASE 2: AFFINITY GENERATION – PROFESSIONAL ACCOUNTANTS (FOCUS GROUP 3)

The contact session for Focus Group 3 was conducted on 19 April 2012. The group consisted of ten Professional Accountants, and with ages varying between 25 and 50 years, and with years of experience ranging from little experience to more than 15 years' experience in practice. The number of partners in the company or organisation where they practised included a variety of firms ranging from only one partner to 20 partners in their firms. The services that they rendered included tax compliance, tax advice and tax risk advice services.

The 13 affinities that originated from this focus group are listed in Table 38, and the explanations that the group provided for each of these affinities are set out in the subsections that follow the table.

**Table 38: Affinities created by the Professional Accountants**

| Affinity number | Affinity description | Section number |
|---|---|---|
| 1 | Taxpayers' expectations of tax compliance | 7.2.1 |
| 2 | Taxpayers' expectations of tax advice | 7.2.2 |
| 3 | Need for taxpayer education | 7.2.3 |
| 4 | SARS's application of tax legislation | 7.2.4 |
| 5 | Taxpayers' fear of SARS | 7.2.5 |
| 6 | Practitioners' lack of confidence in services of SARS | 7.2.6 |
| 7 | Taxpayers act on hearsay | 7.2.7 |
| 8 | Taxpayers' expectations of optimisation of tax | 7.2.8 |
| 9 | Taxpayers' not understanding timeframes | 7.2.9 |
| 10 | Taxpayers' expectations of fees | 7.2.10 |
| 11 | Unreasonable taxpayer expectations | 7.2.11 |
| 12 | Communication with taxpayers | 7.2.12 |
| 13 | Taxpayers' lack of ownership | 7.2.13 |

### 7.2.1 Taxpayers' expectations of tax compliance

This affinity suggests that taxpayers expect good service from their tax practitioners in terms of ensuring tax compliance, which implies that tax practitioners must adhere to all SARS's requirements and keep taxpayers out of trouble with SARS. This affinity is also related to constant changes in statutory requirements, which increases the amount of time spent by tax practitioners on providing tax services and also leads to increased fees. These changes also lead to an increased risk of non-compliance.

### 7.2.2 Taxpayers' expectations of tax advice

This affinity emphasises that taxpayers expect their tax practitioners to provide tax advice on how to be better prepared by planning for tax in the future.

### 7.2.3 Need for taxpayer education

This affinity can be described as relating to the education of taxpayers on a number of tax issues about which taxpayers are uninformed. These issues include educating taxpayers on the amount of time it takes to perform tax work, as well as on the fees charged for these tax services. The education of taxpayers also pertains to what tax information taxpayers need to supply to tax practitioners and by when.

### 7.2.4 SARS's application of tax legislation

This affinity is described as the difference between the interpretation and application of tax legislation by tax practitioners on the one hand and by SARS on the other.

### 7.2.5 Taxpayers' fear of SARS

This affinity relates to and suggests that taxpayers fear SARS and perceive SARS as unfair. As a result of such fears and perceptions, taxpayers do not want to deal with SARS themselves.

### 7.2.6 Practitioners' lack of confidence in services of SARS

This affinity describes the fact that tax practitioners do not have confidence in the services that SARS provides. The focus group also emphasised that clients' expectations differ from the practitioners' views regarding what SARS expects from a tax practitioner.

### 7.2.7 Taxpayers act on hearsay

This affinity suggests that taxpayers act on hearsay or on what "they say" and approach tax practitioners with these rumours, and then question tax practitioners on the tax advice they provide. This concept was also highlighted as a tax practitioner's worst enemy in practice.

### 7.2.8 Taxpayers' expectations of optimisation of tax

This affinity indicates that taxpayers believe that a high quality tax service is more about paying less tax than it is about dealing with their tax affairs promptly and professionally. The taxpayers see tax services as an unwanted and negative cost, especially when they have to pay tax as well. Taxpayers thus have an attitude of not wanting to pay tax or of paying the smallest amount of tax possible.

#### 7.2.9 Taxpayers' not understanding timeframes

This affinity describes that taxpayers do not understand the timeframes applicable to tax processes, including the overall time it takes to provide a tax service and especially the time it takes to interact with SARS and get SARS to resolve tax issues or pay out tax credits.

#### 7.2.10 Taxpayers' expectations of fees

This affinity describes the taxpayers' expectations about how much specific tax services are going to cost. Taxpayers want to pay the minimum fee for the maximum service. It is also argued that taxpayers tend to determine the value of the fee charged for a tax service by comparing it to the amount of tax they have to pay SARS.

#### 7.2.11 Unreasonable taxpayer expectations

This affinity relates to taxpayers' expecting the impossible from their tax practitioners – they want an intermediary to keep SARS away from them and someone who will negotiate a favourable outcome on all their tax issues. Taxpayers see any negative outcome as evidence that the tax practitioner is acting as an agent of SARS and not acting in the taxpayers' best interests. These unreasonable expectations also refer to expectations that taxpayers have of SARS. Taxpayers do not appreciate the problems that tax practitioners have in dealing with SARS, nor the fact that practitioners have no control over the amount of time SARS might spend on their submissions.

#### 7.2.12 Communication with taxpayers

This affinity is associated with continuous communication between the tax practitioners and the taxpayers, as well as with communication from SARS to the taxpayers.

#### 7.2.13 Taxpayers' lack of ownership

This affinity suggests that taxpayers do not take ownership of their tax affairs and tend to shift the blame to the tax practitioners in instances when tax issues arise. Taxpayers believe that after appointing a tax practitioner, SARS is only the tax practitioners' problem and that they as taxpayers have no responsibility towards SARS. Taxpayers also do not understand tax risks and the consequences of non-compliance. Taxpayers also assume that the timely submission of tax returns is solely the tax practitioners' responsibility, irrespective of whether or not the taxpayers provide the relevant tax information needed for completing the return on time.

## 7.3 REFLECTION ON THE FOCUS GROUP DYNAMICS – PROFESSIONAL ACCOUNTANTS (FOCUS GROUP 3)

Before commencing with Phase 3 for the Professional Accountants, it is appropriate to reflect on the group dynamics in this focus group in order to establish any potential negative influences on the trustworthiness of the affinities produced by this focus group. Once again the reflection focused on the size of the group, venue-specific influences, participation in the group, possible dominance by any participants in the group and, finally, the group's involvement in the theoretical coding phase.

Ten Professional Accountants participated in Focus Group 3 and represented a wide spectrum. In terms of the norms and requirements for focus groups, this number of participants in a focus group is deemed to be sufficient to allow for fair representation in the focus group (see Section 4.4.2.3).

In respect of this focus group session, no location-related factors[28] (see Section 4.4.2.4) appear to have had a negative influence on the trustworthiness of the data.

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[28] The dynamics of focus groups may be influenced by numerous location-related factors, such as accessibility (easy access is required), travelling time (should be kept to a minimum) and

In reflecting on the participation of individuals in this group, it should be noted that this group had a very positive attitude towards the research and was probably the most cooperative of the four groups. The group members' enthusiastic participation resulted in very constructive debate and arguments. This group consistently, without being prompted, referred back to the research question to ensure that they were still on the right track and that each affinity identified was actually a factor or issue that creates or contributes to the relevant expectation gap. None of the participants were shy about presenting their opinions. The IQA protocol applied in conducting the focus group session allowed for a different angle of participation that enriched the affinity generation process.

This group consisted of individuals with strong personalities who held strong opinions, but none of the participants in the group tried to impose their views on the other participants. This was also noted in the debriefing session held between the researcher, two independent observers and the independent facilitator subsequent to the focus group session. The participants were appreciative of the professional manner in which the independent facilitator facilitated the process.

With regard to participation in the next phase, nine of the ten participants took part in the theoretical coding phase. This 90% response rate is sufficient (see Section 4.4.2.3[29]) because the "vote" of each participant taking part in Phase 3 counted 11.1% and therefore did not distort the data.

It therefore appears that there are no negative influences on the trustworthiness of the affinities generated by the focus group attributable to the group dynamics of the professional accountant's focus group.

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being free from outside distractions. The venue should also match the needs of the participants, and the method (Schurink *et al*., 2011:75).

[29] According to Northcutt and McCoy (2004:87), smaller groups may not have sufficient group dynamics during the affinity production and this may influence the results during the theoretical coding process. These authors maintain that data can become distorted if, for instance, the influence of one individual out of five in a small focus group weighs 20%.

## 7.4 PHASE 3: THEORETICAL CODING: PROFESSIONAL ACCOUNTANTS (FOCUS GROUP 3)

This section provides a description of the relationships between the 13 affinities identified by the participants representing the Professional Accountants. The process of drawing the SID, together with all its protocols (as explained in Section 4.5), was applied. The steps were similar to those used for the previous two groups. These steps are not repeated here, but where there were differences in the process followed for Focus Group 3, the deviations are explained in more detail below.

### 7.4.1 Affinity Relationship Table (ART): Professional Accountants (Focus Group 3)

Subsequent to the confirmation by the participants that the affinities compiled by the researcher were a true reflection of Focus Group 3's perceptions, an individual ART was sent to each of the participants in the focus group in order for the participant to indicate the perceived relationships between different affinities. The completed documents were returned to the researcher so that he could analyse them in order to generate the SID for this group by identifying the systematic relationships that the participants collectively indicated. The affinity headings are used as descriptors of the affinity concerned according to the perspective of Professional Accountants (see Table 38).

Using the individual ARTs received from the participants, the number of votes for each pair recorded on the summarised ART was documented in a "frequency affinity pair order table" and the sum of the total number of votes (frequencies) was recorded at the end of the table.

### 7.4.2 Pareto and conflict analysis: Professional Accountants (Focus Group 3)

Subsequently, the affinities were sorted in descending order of frequency using the Pareto protocol and a power analysis table (see Table 58 in Annexure C).

The cumulative percentage (relation) that indicates each affinity relationship as a percentage of the aggregate possible number of affinities pairs for Focus Group 3 was 0.64% (one out of a total of 156). For Focus Group 3, the cumulative percentage frequency for each affinity pair is the corresponding value of the cumulative frequency column, which is conveyed as a percentage of the total number of frequencies. A total frequency of 414 was used.

The cumulative percentage (relation) and cumulative percentage (frequency) columns assisted the researcher in determining which affinity pairs should be taken into account in compiling the IRD for Focus Group 3. It provided a cut-off for the inclusion or exclusion of the affinity pairs taken into account for compiling the IRD. For Focus Group 3, the power reaches its maximum point with Affinity Pair 71 (as indicated in blue in Table 58 in Annexure C). This implies that these 71 affinity relationships account for 76.81% of the variation in this system, and therefore the first 71 affinity relationship pairs (as indicated in Table 58 in Annexure C) were taken into consideration when generating the IRD.

However, before creating the IRD for Focus Group 3, any conflicting relationships among these 71 pairs of affinity relationships had to be identified and resolved. The five conflicting relationships identified for Focus Group 3 are listed in Table 39 below.

**Table 39: Conflicting affinity relationships: Professional Accountants (Focus Group 3)**

| ART number | Affinity pair relationship | Frequency |
|---|---|---|
| 11 | 2←3 | 6 |
| 14 | 3→7 | 6 |
| 35 | 2→8 | 4 |
| 46 | 1←10 | 3 |
| 47 | 1→10 | 3 |
| 49 | 2→3 | 3 |
| 51 | 2←8 | 3 |
| 55 | 3←7 | 3 |
| 60 | 4←12 | 3 |
| 61 | 4→12 | 3 |

In the conflicting relationships in Table 39, the affinity pairs with the highest frequency were included in the next step to compile the IRD. The affinity pairs indicated in Table 40 had a higher frequency affinity pair, as highlighted in blue, and was included in the compilation of the IRD.

**Table 40: Conflicting affinity relationships with a higher frequency: Professional Accountants (Focus Group 3)**

| ART No | Affinity pair relationship | Frequency |
|---|---|---|
| 11 | 2←3 | **6** |
| 14 | 3→7 | **6** |
| 35 | 2→8 | **4** |
| 49 | 2→3 | **3** |
| 51 | 2←8 | **3** |
| 55 | 3←7 | **3** |

For the conflicting affinity pairs listed in Table 41, a higher frequency affinity pair did not exist. Hence, these conflicting affinity pairs had to be returned to the participants in Focus Group 3 in order for them to re-assess the perceived interaction between these affinity pairs. The affinity pairs that the participants indicated to have the highest frequency after this re-assessment are highlighted in blue (in Table 41) and were taken into consideration in creating the IRD.

**Table 41: Conflicting affinity relationships without a higher frequency: Professional Accountants (Focus Group 3)**

| ART No | Affinity pair relationship | Frequency |
|---|---|---|
| 46 | 1←10 | **3** |
| 47 | 1→10 | **3** |
| 60 | 4→12 | **3** |
| 61 | 4→12 | **3** |

The affinity pairs highlighted in blue were used in the creation of the IRD for Focus Group 3 in the next step.

### 7.4.3 Interrelationship Diagram (IRD): Professional Accountants (Focus Group 3)

Taking into account the affinity pairs identified by means of the Pareto protocol in the previous section, the tabular IRD for Focus Group 3 could be generated (see Table 62 in Annexure D). Next, the tabular IRD was sorted in descending order of the Δ values generated (see Table 42, overleaf).

**Table 42: Tabular IRD sorted in descending order of Δ: Professional Accountants (Focus Group 3)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **12** | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 11 | 0 | 11 |
| **4** | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ← | ← | 10 | 2 | 8 |
| **3** | ↑ | ↑ | | ← | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | ↑ | 9 | 2 | 7 |
| **13** | ↑ | ↑ | ← | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | 9 | 2 | 7 |
| **6** | ↑ | ↑ | | ← | ↑ | | | | ↑ | ↑ | ↑ | | | 6 | 1 | 5 |
| **7** | | ↑ | ← | ← | ↑ | | | ↑ | | ↑ | ↑ | ← | ← | 5 | 4 | 1 |
| **9** | ↑ | | ← | ← | | ← | | | | ↑ | ↑ | ← | ← | 3 | 5 | -2 |
| **5** | ↑ | ↑ | ← | ← | | ← | ← | | | | ↑ | ← | ← | 3 | 6 | -3 |
| **2** | ← | | ← | ← | ← | ← | ← | ↑ | | ↑ | ↑ | ← | ← | 3 | 8 | -5 |
| **8** | ↑ | ← | ← | ← | | | ← | | | ↑ | ← | ← | ← | 2 | 7 | -5 |
| **10** | ↑ | ← | ← | ← | | ← | ← | ← | ← | | ↑ | ← | ← | 2 | 9 | -7 |
| **11** | ↑ | ← | ← | ← | ← | ← | ← | ↑ | ← | ← | | ← | ← | 2 | 10 | -8 |
| **1** | | ↑ | ← | ← | ← | ← | | ← | ← | ← | ← | ← | ← | 1 | 10 | -9 |

At this stage, the affinities generated by the participants in Focus Group 3 were ready for classification into drivers or outcomes. This was done to assist with the creation of the SID for Focus Group 3. In the case of Focus Group 3, due to their positive Δ values, Affinity 12 was classified as a primary driver (a significant cause) and Affinities 4, 3, 13, 6 and 7 were classified as secondary drivers (relative causes). Focus Group 3 did not identify any pivots or circulars.

The negative Δ values of Affinities 9, 5, 2, 8, 10, 11 and 1 led to their being classified as secondary outcomes (relative effects). The Tentative SID assignments derived from the IRD of Focus Group 3 are presented in Table 43 (overleaf).

**Table 43: Tentative SID assignments: Professional Accountants (Focus Group 3)**

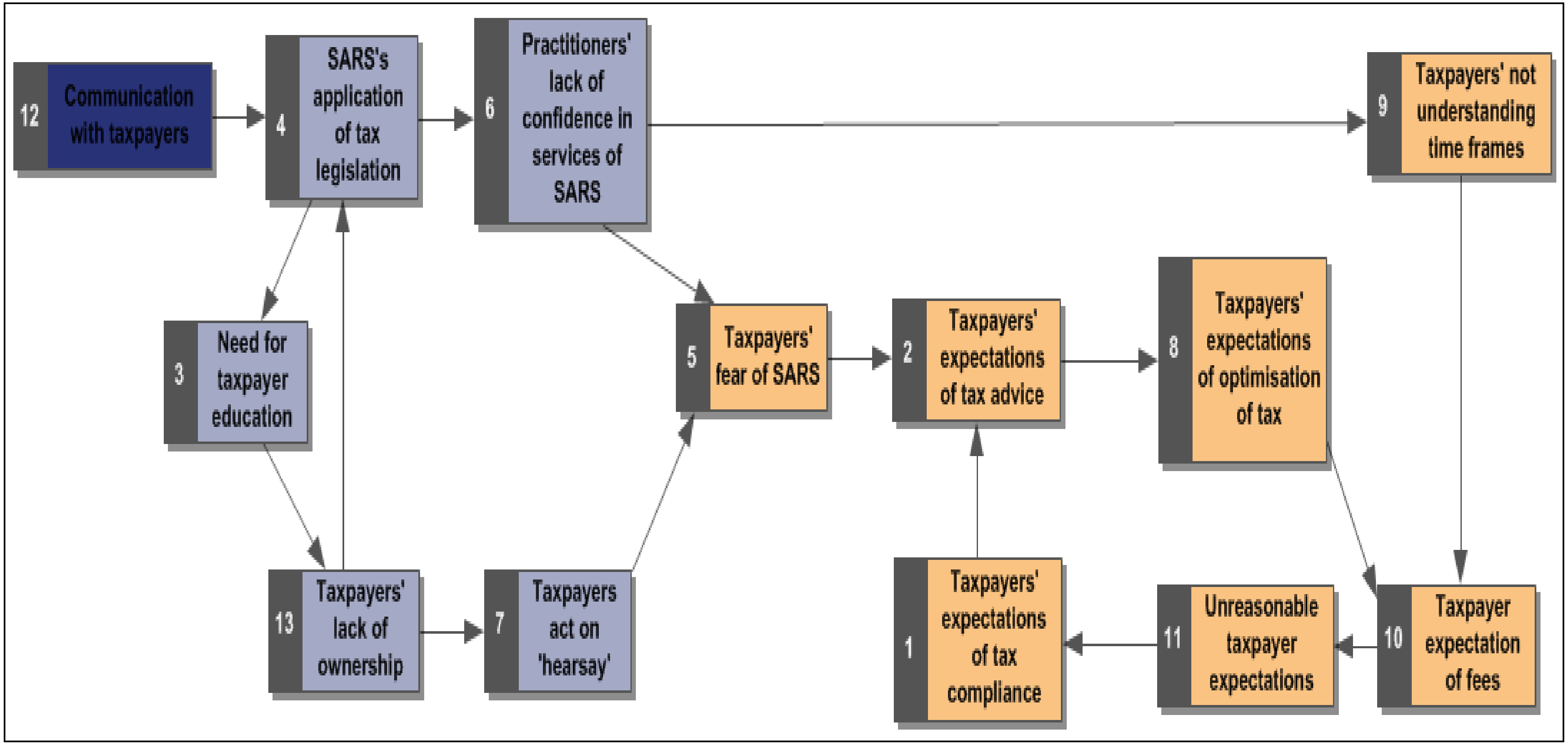
| Affinity number | Affinity description | Affinity classification |
|---|---|---|
| 12 | Communication with taxpayers | Primary driver |
| 4 | SARS's application of tax legislation | Secondary driver |
| 3 | Need for taxpayer education | Secondary driver |
| 13 | Taxpayers' lack of ownership | Secondary driver |
| 6 | Practitioners' lack of confidence in services of SARS | Secondary driver |
| 7 | Taxpayers act on hearsay | Secondary driver |
| 9 | Taxpayers' not understanding timeframes | Secondary outcome |
| 5 | Taxpayers' fear of SARS | Secondary outcome |
| 2 | Taxpayers' expectations of tax advice | Secondary outcome |
| 8 | Taxpayers' expectations of optimisation of tax | Secondary outcome |
| 10 | Taxpayers' expectations of fees | Secondary outcome |
| 11 | Unreasonable taxpayer expectations | Secondary outcome |
| 1 | Taxpayers' expectations of tax compliance | Secondary outcome |

Once the Tentative SID assignments had been created, the data were ready to be used to compile the SID for Focus Group 3.

### 7.4.4 System Influence Diagram (SID): Professional Accountants (Focus Group 3)

Using the Tentative SID assignments created in the previous section as a basis, the cluttered SID for Focus Group 3 was compiled (see Figure 67 in Annexure E). Subsequent to the creation of the cluttered SID, redundant links were removed, resulting in the uncluttered SID (see Figure 43, overleaf).

**Figure 43: Final uncluttered SID: Professional Accountants (Focus Group 3)**



## 7.5 DISCUSSION OF SID: PROFESSIONAL ACCOUNTANTS (FOCUS GROUP 3)

The uncluttered SID for the Professional Accountants in Figure 43 illustrates the perceived interactive systematic relationships between the affinities generated by the focus group containing the Professional Accountants.

### 7.5.1 Primary driver

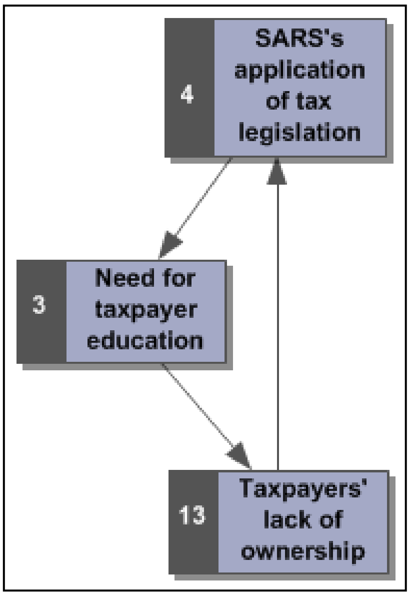
In this SID, the participants of the focus group identified **communication with taxpayers** as the only primary driver, and suggested five secondary drivers. These secondary drivers, in descending order of their ∆ value are **SARS's application of tax legislation**, **the need for taxpayer education**, **taxpayers' lack of ownership**, **practitioners' lack of confidence in services of SARS** and **taxpayers acting on "hearsay"**. In this SID, no primary outcome was identified; however, seven affinities were classified as secondary outcomes. These included **taxpayers' fear of SARS**, **taxpayers' expectations of tax advice**, **taxpayers' expectations of optimisation of tax**, **taxpayers' expectations of fees**, **unreasonable taxpayer expectations**, **taxpayers' expectations of tax compliance** and **taxpayers' not understanding timeframes**. Two feedback loops were noted in this system, and there are two instances where different relationship loops influence the same affinity (this pattern is called a Dual Systematic Direction).

**Communication with taxpayers** acts as the primary driver in this SID, and the SID suggests that it has a direct effect on the affinity with the highest positive ∆, namely **SARS's application of tax legislation**. The explanation for this influence is that communication with the taxpayer assists the client with understanding SARS's application of tax legislation (FG3-1:41). The group felt that proper, good and frequent communication between SARS, taxpayers and tax practitioners will reduce the expectation gap between these parties regarding the interpretation and application of tax legislation (FG3-4:41). It was felt that if tax practitioners and SARS communicate better, taxpayers might be educated better by tax practitioners on certain issues (FG3-5:41; FG3-1:41), such as SARS's application of legislation (FG3-10:41).

### 7.5.2 Feedback Loop 1: education of taxpayers

**SARS's application of tax legislation** acts as the point of origin for the first feedback loop in this system, which was labelled **education of taxpayers** (see Figure 44).

**Figure 44: Professional Accountants (Focus Group 3) – Feedback Loop 1: education of taxpayers**




As was already indicated, **SARS's application of tax legislation** gives rise to the **need for taxpayer education**, and this can be addressed with proper communication. With regard to this point, the group of Professional Accountants contended that improved enforcement of tax legislation by SARS increases the **need for taxpayer education** (FG3-1:24). Furthermore, they stressed the importance of continuous improvement of taxpayers' understanding of tax legislation and how it is applied, resulting in tax practitioners' simultaneously educating taxpayers (FG3-3:24). It was also mentioned that an educated taxpayer will be able to understand if there is a different interpretation and application of tax legislation by SARS on the one hand and the tax practitioner on the other (FG3-4:24; FG3-5:24; FG10-3:24).

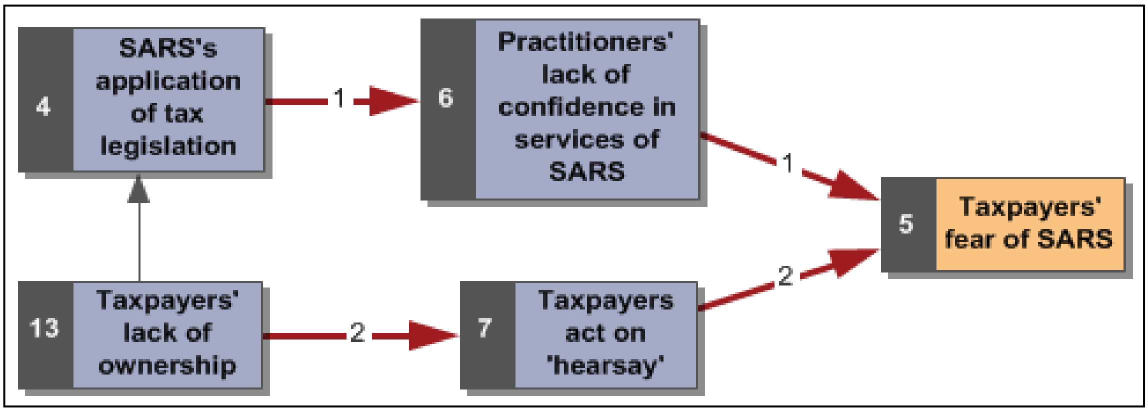
According to the Professional Accountants, in this **education of taxpayers** feedback loop, the **need for taxpayer education** has a direct impact on **taxpayers' lack of ownership**, in the sense that taxpayers' lack of tax knowledge results in them not wanting to take any responsibility regarding their tax matters (FG3-1:33). If taxpayers are tax educated, they will be willing to take ownership of their own tax affairs, since they have a better understanding of tax matters (FG3-3:33; FG3-10:33). An improved understanding of taxation matters will result in taxpayers realising the risks involved, and that in turn will lead them to take ownership of their tax affairs (FG3-4:33; FG3-5:33).

The final link in this feedback loop is the direct influence that **taxpayers' lack of ownership** has on **SARS's application of tax legislation**. The group reasoned that taxpayers do not want to take ownership of their tax affairs because they are not sure about how SARS applies and enforces tax legislation (FG3-1:42). It was also suggested that taxpayers' lack of ownership in some instances influences the way SARS interprets and applies tax legislation (FG3-4:42). Finally, it was argued that the presence of a lack of ownership by taxpayers may be indicative of taxpayers being uninformed about how SARS should apply legislation (FG3-10:42).

### 7.5.3 Dual Systematic Direction 1-1: influence on taxpayers' fear of SARS

Although **taxpayers' lack of ownership** directly influences **SARS's application of tax legislation**, both affinities serve as a point of departure for different systematic directions that ultimately have an impact on **taxpayers' fear of SARS**. These dual systematic directions are illustrated with red arrows in Figure 45 (overleaf).

**Figure 45: Professional Accountants (Focus Group 3) – Dual Systematic Direction 1-1: influence on taxpayers' fear of SARS**




The first systematic direction discussed here starts with **SARS's application of tax legislation**, which affects **tax practitioners' lack of confidence in the services of SARS**. The reason for this linkage, according to the focus group's reasoning, is that SARS's application or interpretation of tax legislation influences the confidence that tax practitioners have in the service offerings of SARS (FG3-1:35; FG3-4:35; FG3-5:35; FG3-8:35). The group pointed out that SARS constantly changes its interpretation of tax legislation to its own benefit (FG3-8:35). The group argued that if these applications were more consistent, tax practitioners would have more confidence in SARS's services (FG3-9:35; FG3-10:35).

**Practitioners' lack of confidence in the services of SARS** generates **taxpayers' fear of SARS**. Members of the focus group claimed that when tax practitioners are not confident about the services of SARS, this lack of confidence is transmitted to taxpayers, which results in increased fear of SARS among taxpayers (FG3-1:43; FG3-4:43; FG3-5:43; FG3-10:43). Moreover, the group reported that most taxpayers do not want to deal with SARS themselves, "*full stop*" (FG3-5:43).

### 7.5.4 Dual Systematic Direction 1-2: influence on taxpayers' fear of SARS

If one looks at the second systematic direction indicated in Figure 45 (above), it is clear that **taxpayers' lack of ownership** implies that **taxpayers act on**

**"hearsay"** when it comes to their tax affairs. Since taxpayers do not want to take responsibility for the correctness of tax information, they may act on "hearsay" (FG3-1:63). If the lack of ownership problem is overcome, taxpayers will be more responsible and will not act on "hearsay" so often (FG3-10:63). The group argued that the opposite might also be true, since "hearsay" can sometimes result in taxpayers' not wanting to take responsibility, based on the "hearsay" information they have obtained.

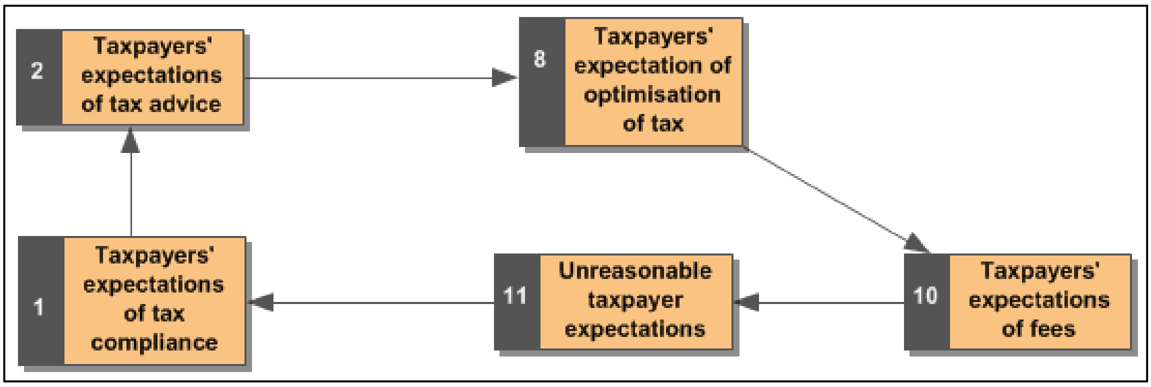
In turn, the affinity **taxpayers act on hearsay** is related to **taxpayers' fear of SARS**. It was claimed that an increase in instances of unfounded hearsay generates more fear of SARS amongst those taxpayers who take cognisance of rumours and act on them (FG3-1:44; FG3-4:44; FG3-5:44; FG3-10:44).

### 7.5.5 Feedback Loop 2: taxpayers' expectations

**Taxpayers' fear of SARS** directly influences the **taxpayers' expectations of tax advice**, in the sense that the greater the taxpayers' fear of SARS, the higher their expectation regarding the tax advice to be delivered by tax practitioners (FG3-1:15). Fear of SARS results in taxpayers not wanting to deal with SARS, and they then turn to tax practitioners for good (and sometimes even unreasonable) tax advice (FG3-4:15). It also clouds taxpayers' judgement when it comes to their expectations of what should happen, as opposed to what is actually happening (FG3-5:15).

The next feedback loop identified in this system is initiated by the **taxpayers' expectations of tax advice**. It was labelled **taxpayers' expectations**. This feedback loop is presented in Figure 46 (overleaf).

**Figure 46: Professional Accountants (Focus Group 3) – Feedback Loop 2: taxpayers' expectations**




**Taxpayers' expectations of tax advice** as a starting point have a direct impact on **taxpayers' expectations of the optimisation of tax**. The group argued that if taxpayers are satisfied with the tax advice they receive, their expectation of tax optimisation is also fulfilled (FG3-3:18). The group felt that, in essence, taxpayers expect the optimisation of tax (FG3-5:18).

In this feedback loop, a direct outflow of **taxpayers' expectations of optimisation of tax** is the **taxpayers' expectations of fees**. If taxpayers' expectations regarding the optimisation of tax are not unrealistic, they will realise that the fees charged are not unreasonable (FG3-3:65). It was argued that taxpayers who expect tax optimisation also tend to expect to pay the minimum for their tax services, but in most instances these taxpayers would rather pay tax practitioners for their services than pay SARS (FG3-4:65; FG3-5:65; FG3-8:65). It can therefore be concluded that if taxpayers expect a professional service regarding the optimisation of their taxes, they must be willing to pay a reasonable professional fee for tax practitioners' services (FG3-10:65).

Subsequently, **taxpayers' expectations of fees** give rise to **unreasonable taxpayer expectations**. It was pointed out that taxpayers are unwilling to pay for the actual time spent on their tax affairs (FG3-1:73). Taxpayers want to pay the minimum fee for the maximum service, and they also have unreasonable expectations, because they want the maximum benefits for the least amount of money (FG3-4:73). It was suggested that most taxpayers' expectations regarding the fees to be charged are that the fees should be in line with the amount of tax they have to pay to SARS (FG3-5:73). It was also pointed out that taxpayers, in many instances, have the unreasonable expectation of receiving free advice from tax practitioners (FG3-8:73). Finally, the group indicated that if taxpayers think the fee is too high and the taxpayers' expectations have not been met, tax practitioners are perceived to be acting as agents for SARS (FG3-10:73).

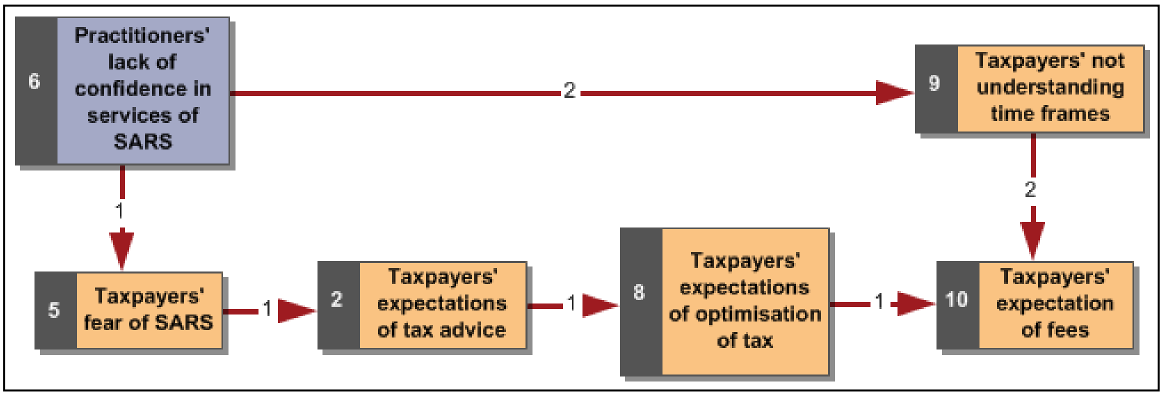
In the next direct link, **unreasonable taxpayer expectations** influence **taxpayers' expectations of tax compliance**. In short, taxpayers expect miracles regarding tax compliance from tax practitioners (FG3-1:10). The group indicated that if taxpayers have unreasonable expectations, these can and do have an effect on their tax compliance, and taxpayers' expectations of compliance (FG3-4:10). In other words, unreasonable taxpayer expectations have a direct impact on their willingness to comply with tax legislation (FG3-5:10).

The affinity that concludes this feedback loop is the direct impact that **taxpayers' expectations of tax compliance** have on **taxpayers' expectations of tax advice**. Taxpayers' main objective regarding tax services should be tax compliance, and therefore taxpayers' expectation of tax advice should be driven by their expectation of being tax compliant (FG3-2:1; FG3-3:1; FG3-10:1). If taxpayers have an attitude of tax compliance, they tend to be open to and adhere to the tax advice provided by the tax practitioners (FG3-4:1) and are not influenced by hearsay (FG3-5:1).

### 7.5.6 Dual Systematic Direction 2-1: influence on taxpayers' expectations of fees

Finally, the results suggest a situation where two different systematic directions ultimately have an influence on the same affinity – in this instance, **taxpayers' expectations of fees**. These two different systematic directions are graphically presented with red arrows in Figure 47 (overleaf).

**Figure 47: Professional Accountants (Focus Group 3) – Dual Systematic Directions 2: influence on taxpayers' expectations of fees**




Both of the systematic directions' point of departure is **practitioners' lack of confidence in services of SARS**. The direct influence of Systematic Direction 1 has already been discussed earlier in this section, showing that **practitioners' lack of confidence in services of SARS**, **taxpayers' fear of SARS**, **taxpayers' expectations of tax advice** and **taxpayers' expectations of optimisation of tax** all ultimately influence the **taxpayers' expectation of fees**.

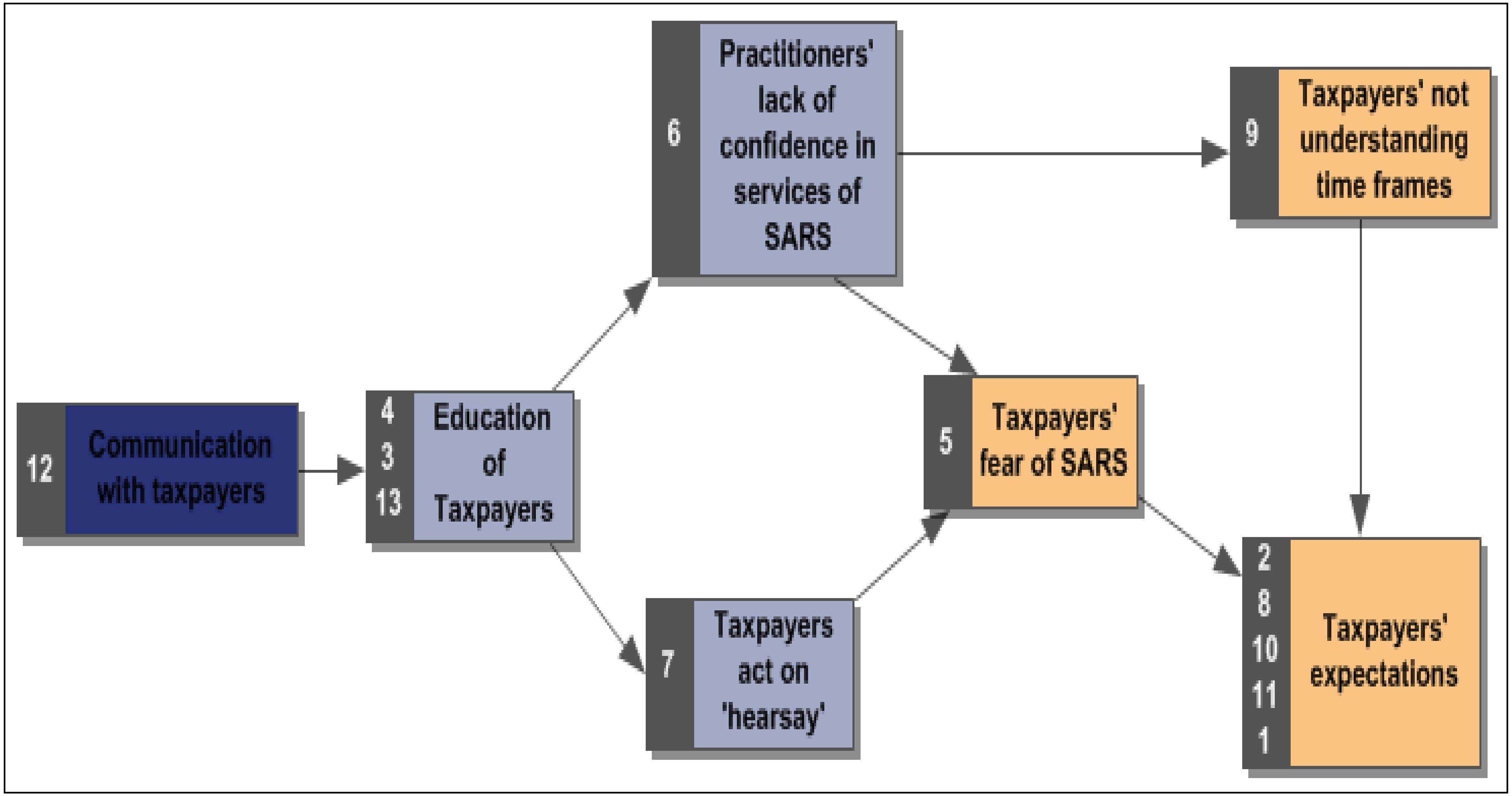
In Systematic Direction 2, **practitioners' lack of confidence in services of SARS** has an impact on **taxpayers' not understanding timeframes** in the tax environment. In respect of the affinity **practitioners' lack of confidence in services of SARS**, the group was of the opinion that taxpayers do not want to understand the difficulties practitioners experience with SARS and therefore do not understand what timeframes might be applicable, and thus taxpayers demand immediate responses (FG3-1:53; FG3-10:53). This lack of confidence also makes it difficult for tax practitioners to advise taxpayers on the timeframes applicable to providing tax services (FG5-5:53).

The fact that **taxpayers do not understand the timeframes** applicable to the tax process, as is the case in Path 1, has an impact on **taxpayers' expectations of fees**. Since taxpayers do not grasp the amount of time involved, the timeframes applicable and the time it takes to interact with SARS, taxpayers are unwilling to pay for the actual time spent on their tax affairs (FG3-1:69; FG3-8:69). A better understanding of the various timeframes and the point that fees are linked to the time spent will result in a better understanding of the fees charged and in the taxpayers having more realistic expectations regarding fees (FG3-3:69; FG3-4:69; FG3-9:69; FG3-10:69). The group explained that if taxpayers were to become more involved with their own tax affairs, they might have an improved understanding of the time spent on interacting with SARS (FG3-5:69). Tax practitioners should also be more transparent regarding the limitations they experience in the services they receive from SARS (FG3-5:69).

## 7.6 REFLECTION AND CONCLUSION ON PROFESSIONAL ACCOUNTANTS (FOCUS GROUP 3)

This section of Chapter 7 reflects on and reaches a conclusion on the discussion of the SID as perceived by the group of Professional Accountants (Focus Group 3). This reflection involves the process of zooming out, allowing a simplified view of how a group representing Professional Accountants (Focus Group 3) views the systematic influences of the factors contributing to the expectation gap between taxpayers and their tax practitioners (see Figure 48, overleaf).

**Figure 48: Final system perspective on SID: Professional Accountants (Focus Group 3)**



Scrutiny of the final system perspective on the SID, based on the perspective of the Professional Accountants (Focus Group 3), suggests that **communication with taxpayers** is the primary driver in this system. The group argued that communication has a fundamental impact on the rest of the affinities. This implies that adequate and appropriate communication between tax practitioners and their taxpayer clients is vital in addressing the affinities generated by this group.

Improved communication between tax practitioners and taxpayers is perceived to assist with **taxpayer education** and will assist in educating taxpayers and in explaining reasons for possible differences between tax practitioners' and **SARS's application of tax legislation**. In addition, by means of efficient communication, the responsibilities of taxpayers can be clearly outlined, resulting in taxpayers not **shifting these responsibilities** to tax practitioners due to ignorance.

Improved **taxpayer education** can, firstly, result in taxpayers' understanding tax **practitioners' lack of confidence in the services provided by SARS** and the effect thereof on service delivery and may, secondly, prevent **taxpayers from acting on unfounded hearsay** obtained from questionable sources. Educated taxpayers will also not necessarily **fear SARS**, since they will be better informed regarding tax matters.

**Tax practitioners' lack of confidence in the services of SARS** was also provided as a reason for taxpayers' struggling to understand the **timeframes in the tax environment**. For example, taxpayers do not understand why their returns are not always assessed immediately and why they may have to wait.

Finally, both **taxpayers' fear of SARS** and their **failure to understand timeframes** may affect **taxpayers' expectations regarding tax services**, such as **fees charged for services, tax compliance expectations** and **expectations regarding tax optimisation**.

Chapter 7 discussed Professional Accountants' perceptions on the factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context. It addressed Secondary Objective 3 of this study and described the 13 affinities originating from the Professional Accountants and examined the systematic relationships between the affinities leading to a more informed awareness of the expectation gap between taxpayers and their tax practitioners. The resulting systematic view is conceptually parsimonious, and could provide a useful framework for interventions and mechanisms that can be introduced by different groups of stakeholders to reduce the expectation gap.

In the next chapter, Secondary Objective 4 is addressed in order to gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of tax practitioners that are registered with SARS, but are neither Chartered Accountants nor registered as Professional Accountants with SAIPA.

# CHAPTER 8:
# DATA ANALYSIS AND RESEARCH FINDINGS
# FOCUS GROUP 4: OTHER TAX PRACTITIONERS

## 8.1 INTRODUCTION

Chapter 8 presents the data analysis for the data generated by other tax practitioners, and reports on the results and findings of the research process discussed in Chapter 4 for Focus Group 4: other tax practitioners, addressing Secondary Objective 4 of this study.

| | |
|---|---|
| Secondary Objective 4: | To gain an understanding of the expectation gap between taxpayers and their tax practitioners from the perspective of other tax practitioners. |

First, Chapter 8 presents the 13 affinities that were created by the focus group consisting of tax practitioners other than Chartered Accountants and Professional Accountants. Then, by means of theoretical coding, the perceived relationships among the affinities are examined in Section 8.5.

## 8.2 PHASE 2: AFFINITY GENERATION – OTHER TAX PRACTITIONERS (FOCUS GROUP 4)

The focus group session for Focus Group 4 took place on 19 April 2012. A total of 11 tax practitioners other than Chartered Accountants and Professional Accountants attended. The sampling methods explained in Section 4.4.2.2 were applied to select these participants, who varied in terms of their professional background. The participants included tax practitioners who were not registered at any other institution apart from SARS and included tax practitioners registered with the SAIT, and tax practitioners from a legal background working in the tax environment. It should also be mentioned that some participants in the Chartered Accountants' group (Focus Group 2) and the Professional Accountants' group (Focus Group 3) are also registered members of the SAIT.

In this "other tax practitioners" focus group there seems to have been a balanced representation of different practitioners. The ages of the participants ranged from 25 to 60 years, and their years of experience in tax work ranged from one to more than 20 years. The services they provided to clients included tax compliance, tax advice and tax risk advice services.

The 13 affinities generated by this group are listed in Table 44 (below), followed by an explanation of what the group believed the respective affinities entail.

**Table 44: Affinities generated by the other tax practitioners**

| Affinity number | Affinity description | Section number |
|---|---|---|
| 1 | Tax practitioners' experience | 8.2.1 |
| 2 | Tax practitioners' knowledge | 8.2.2 |
| 3 | Lack of taxpayer knowledge | 8.2.3 |
| 4 | Service scope definition | 8.2.4 |
| 5 | Nature of the service | 8.2.5 |
| 6 | Completeness of supporting information | 8.2.6 |
| 7 | External influences on taxpayers | 8.2.7 |
| 8 | Taxpayers' expectations of tax savings | 8.2.8 |
| 9 | Taxpayers' demand for immediate response | 8.2.9 |
| 10 | Fees charged by tax practitioners | 8.2.10 |
| 11 | Differences in definition of value of tax service | 8.2.11 |
| 12 | Taxpayers' expectations of a client relationship | 8.2.12 |
| 13 | Taxpayers transferring their responsibilities | 8.2.13 |

### 8.2.1 Tax practitioners' experience

This affinity is associated with the taxpayers' opinion that experienced tax practitioners are better equipped to manage the expectation gap between tax practitioners and taxpayers than inexperienced tax practitioners.

### 8.2.2 Tax practitioners' knowledge

This affinity describes taxpayers' opinion that all tax practitioners are experts and specialists in all areas of tax and are up-to-date with all new tax legislation. They therefore assume that tax practitioners will always provide them with the correct tax advice. Tax practitioners' knowledge also influences tax practitioners' ability to determine taxpayers' expectations regarding a particular instruction.

### 8.2.3 Lack of taxpayer knowledge

This affinity is associated with taxpayers' tax knowledge and particularly with their lack of a basic knowledge of tax matters. This lack of a basic knowledge of tax matters results in taxpayers' not understanding that tax practitioners and SARS may interpret tax legislation differently. This lack of knowledge is also responsible for taxpayers' becoming confused between the different types of taxes, such as income tax, PAYE and VAT, and their failure to understand the concept of provisional tax.

### 8.2.4 Service scope definition

This affinity is associated with the scope of the tax services to be rendered by tax practitioners. A different understanding of the scope of the service provided might influence the gap between taxpayers' and tax practitioners' expectations. For example, if taxpayers wrongly assume that they will receive tax planning advice in addition to tax calculations, they may perceive tax practitioners as promising more than they deliver.

### 8.2.5 Nature of the service

This affinity relates to the nature of the tax service provided, as well as the importance of that service to the taxpayer, which may influence taxpayers' expectations. For example, the materiality amount used in the audit process is not an exact amount. However, exact amounts are used when the tax payable is calculated.

### 8.2.6 Completeness of supporting information

This affinity is related to the information provided by taxpayers, which is not always complete or accurate. This might compel tax practitioners to make assumptions based on the facts available to them, instead of using accurate information. Also, taxpayers sometimes only disclose further information after a tax service has been completed.

### 8.2.7 External influences on taxpayers

This affinity describes possible external influences that may have an impact on taxpayers' expectations. Taxpayers are exposed to external influences such as hearsay, conflicting views of previous or other tax practitioners, SARS publications and marketing campaigns, constant changes in legislation and the implementation of new legislation, and inconsistent SARS practices.

### 8.2.8 Taxpayers' expectations of tax savings

This affinity relates to taxpayers' expecting tax practitioners to save them money in the form of taxes to be paid. Taxpayers want to pay as little tax as possible. If tax is payable, taxpayers always question why they have to pay "so much" tax. They want tax practitioners to be miracle workers to whom a fee is paid, guaranteeing their not having to pay tax.

### 8.2.9 Taxpayers' demand for immediate response

This affinity relates to taxpayers' tendency to demand immediate responses to any tax queries they might have. Taxpayers do not understand that tax practitioners cannot always resolve all tax problems immediately, because tax practitioners have to depend on SARS to resolve some of these tax problems, and that the particular taxpayer is not the practitioner's only client.

### 8.2.10 Fees charged by tax practitioners

This affinity relates to the fees charged by tax practitioners as compensation for the time spent on rendering tax services. Taxpayers often differ from tax practitioners regarding their ideas of exactly what the scope of the services is that the fees the taxpayers pay entitle them to.

### 8.2.11 Differences in definition of value of tax service

This affinity describes the difference between taxpayers' and tax practitioners' understanding of what value entails or what constitutes a value-added tax service. This represents the difference in actual value that is added by a tax practitioner versus the value experienced by taxpayers. Some taxpayers only see tax saving services as value-adding tax services and do not regard the fact that all their tax affairs are in order as a value-adding service.

### 8.2.12 Taxpayers' expectations of a client relationship

This affinity describes the relationship between taxpayers and tax practitioners. This relationship is influenced by how honest taxpayers are, how much communication takes place between taxpayers and their tax practitioners and whether different partners in a tax practitioner's firm deal with the taxpayer's affairs or provide him or her with different opinions on his or her tax matters.

### 8.2.13 Taxpayers transferring their responsibilities

This affinity describes taxpayers' perceptions that when tax practitioners are paid for a tax service, they are supposed to solve all tax problems and not only the ones they have actually been paid to deal with. Taxpayers believe that once they have paid a tax practitioner to deal with their tax problems, the taxpayers have no further responsibility towards SARS and that they face no risk of falling foul of SARS.

## 8.3 REFLECTION ON THE FOCUS GROUP DYNAMICS – OTHER TAX PRACTITIONERS (FOCUS GROUP 4)

The focus group dynamics were reflected on with the aim of identifying any probable inadequacies regarding the group dynamics of this focus group that may have had a negative effect on the trustworthiness of the affinities originated by this group. This reflection was undertaken in the same manner as with the other focus groups – it involved reflecting on the focus group's size, influences linked to the venue, group participation, participant dominance and, finally, the participation of the group in the third phase, the theoretical coding.

Section 8.2 indicates the attendance of 11 “other” tax practitioners for Focus Group 4, but one participant left the focus group early to attend to urgent matters that cropped up unexpectedly and could not participate any further. Therefore, only ten participants took part in the full focus group process, but this is still a satisfactory number (see Section 4.4.2.3). The varied professional backgrounds of the group also ensured that fair representation of views was achieved in the focus group.

No location-related problems (see Section 4.4.2.4) were experienced with the boardroom of the Leadership Centre at the University of Pretoria when this group session was conducted. No negative influence on the trustworthiness of the group was therefore identified.

Since this group consisted of participants with a variety of professional backgrounds, it was the most difficult of the four focus groups to facilitate, especially given the presence of legal professionals, who have a different background and perspective from professionals with an accounting background. The independent facilitator did an excellent job of facilitating the discussion between the group members from these different backgrounds and channelling their perceptions into focused and constructive dialogue. Initially, although some of the participants were participating, their body language indicated that they were sceptical about the process. This changed as the process progressed and they saw the value of the IQA focus group protocol that was followed. This group participated in the discussion, but in some instances, the debate was much more heated than in the other groups, because participants felt strongly about the points they made. However, this resulted in well thought-through affinities being generated. In this group, the value of the IQA protocol used for performing the focus was particularly evident, since it allowed for all participants to be involved in the generation of the affinities. In the debriefing meeting,[30] the independent facilitator mentioned that this group was challenging to facilitate

[30] Consisting of the researcher, two independent observers and the independent facilitator.

and that the participants felt very strongly about the opinions they held. It was also clear that these participants had something to say regarding the issue, and displayed a thorough understanding of the problem and research question posed to them.

In this group, there were a few individuals with very strong personalities that at times attempted to control the direction of the group. This was, however, prevented by the outstanding diplomatic abilities of the independent facilitator and the IQA protocol, which was strictly followed in conducting the focus group sessions. The IQA protocol allows the entire group an opportunity to participate and to agree on each affinity as a group. In order to achieve unanimity, more lengthy discussion was required, but the protocol prevented anyone from being bullied into an opinion. Thus, although there were some potential for certain participants to dominate the focus group session, the problem was successfully forestalled. Positive feedback was also received from this group regarding the IQA method used to conduct the focus group session.

Finally, seven of the ten participants completing the focus group session provided feedback for Phase 3. Although this response rate is not exceptional, a 70% response rate is satisfactory, since each participant's "vote" accounts for 14.2% and should not distort the data, as explained in Section 4.4.2.3.

In conclusion, the negative influences were negligible, and none should have an effect on the trustworthiness of the affinities that originated from Focus Group 4: other tax practitioners.

## 8.4 PHASE 3: THEORETICAL CODING: OTHER TAX PRACTITIONERS (FOCUS GROUP 4)

The development of the systematic relationships between the 13 affinities that were identified by the participants in Focus Group 4 (other tax practitioners) is detailed in this section. This was done through the application of the process of drawing the SID, together with all its protocols, as explained in Section 4.5. The steps applied for Focus Group 4 are the same as those discussed for Focus

Group 1 in Section 5.5. These steps are not repeated, but the details of any differences in the process for Focus Group 4 are discussed below.

### 8.4.1 Affinity Relationship Table (ART): other tax practitioners (Focus Group 4)

After the participants in Focus Group 4 had confirmed that the affinities compiled by the researcher were a true reflection of the combined perceptions of Focus Group 4, an individual ART was sent to each of the participants in Focus Group 4, to allow participants an opportunity to provide an indication of the perceived relationships among the different affinities identified by the group. Upon receipt of the completed individual ARTs, the researcher used the participants' indicated perceived relationships to produce the SID for Focus Group 4. The affinity headings set out in Table 44 were used as descriptors of the affinities for this tax practitioner focus group.

The number of votes indicated on the individual ARTs received from the participants were tallied and documented in the summarised ART in the form of a "frequency affinity pair order table", and the cumulative total number of votes (frequencies) was documented at the end of the table (see Table 59 in Annexure C).

### 8.4.2 Pareto and conflict analysis: other tax practitioners (Focus Group 4)

Next, these affinities were ranked in descending order of frequency using the Pareto protocol and a power analysis table (see Table 59 in Annexure C).

Since Focus Group 4 (like Focus Group 3) also generated 13 affinities, the cumulative percentage (relation) which indicates each affinity relationship as a percentage of the aggregate possible number of affinities pairs for Focus Group 4 was also 0.64% (one out of a total of 156). The cumulative percentage frequency, where for each affinity pair the corresponding value of the cumulative frequency column is conveyed as a percentage of the total number of frequencies, was 261 for Focus Group 4.

For Focus Group 4, the power column reached its peak with Affinity Pair 68 (as indicated in blue in Table 59 in Annexure C), which it implies that these first 68 affinity relationships related to 81.61% of the variation in this system. As a result, the first 68 affinity relationship pairs, as indicated in Table 59 (in Annexure C), were taken into account when the IRD was compiled.

Prior to creating the IRD for Focus Group 4, any conflicting relationships among these 68 pairs of affinity relationships had to be recognised and addressed. Among the 68 pairs of affinities, five conflicting relationships were identified for Focus Group 4, as indicated in Table 45 (below).

**Table 45: Conflicting affinity relationships: other tax practitioners (Focus Group 4)**

| ART Number | Affinity pair relationship | Frequency |
|---|---|---|
| 11 | 1→8 | **4** |
| 21 | 4→13 | **4** |
| 39 | 1←8 | **2** |
| 47 | 4←5 | **2** |
| 48 | 4→5 | **2** |
| 51 | 4←9 | **2** |
| 52 | 4→9 | **2** |
| 53 | 4←13 | **2** |
| 63 | 8←11 | **2** |
| 64 | 8→11 | **2** |

In the process of resolving the above conflicting relationships, the affinity pair with the highest frequency (if one exists) is used when compiling the IRD in the next step. For the affinity pairs indicated in Table 46, higher frequency affinity pairs did exist and are highlighted in blue, and these affinity pairs were included for the generation of the IRD of Focus Group 4.

**Table 46: Conflicting affinity relationships with a higher frequency: other tax practitioners (Focus Group 4)**

| ART Number | Affinity pair relationship | Frequency |
|---|---|---|
| 11 | 1→8 | **4** |
| 21 | 4→13 | **4** |
| 39 | 1←8 | **2** |
| 53 | 4←13 | **2** |

For the conflicting affinity pairs listed below (see Table 47), a higher frequency affinity pair was absent, and therefore these conflicting affinity pairs had to be returned to the participants in Focus Group 4 for them to re-assess the perceived interaction between these affinity pairs. The affinity pairs that these participants then decided to be most important (indicated by the highest frequency) after the re-assessment are highlighted in blue in Table 47 and were taken into account in compiling the IRD for Focus Group 4.

**Table 47: Conflicting affinity relationships without a higher frequency: other tax practitioners (Focus Group 4)**

| ART Number | Affinity pair relationship | Frequency |
|---|---|---|
| 47 | 4←5 | **2** |
| 48 | 4→5 | **2** |
| 51 | 4←9 | **2** |
| 52 | 4→9 | **2** |
| 63 | 8←11 | **2** |
| 64 | 8→11 | **2** |

At this stage, the data were ready for use in the next step, namely the generation of the IRD for Focus Group 4.

### 8.4.3 Interrelationship Diagram (IRD): other tax practitioners (Focus Group 4)

Based on the affinity pairs identified by means of the Pareto protocol in the previous step, the IRD for Focus Group 4 was generated (see Table 63 in Annexure D).

Subsequent to the creation of the tabular IRD, the data were arranged in descending order in terms of their Δ values (see Table 48, overleaf).

**Table 48: Tabular IRD sorted in descending order of Δ: other tax practitioners (Focus Group 4)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 11 | 0 | 11 |
| **3** | | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 9 | 1 | 8 |
| **2** | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | ↑ | | | ↑ | 7 | 2 | 5 |
| **7** | ← | ← | ← | ↑ | | | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 7 | 3 | 4 |
| **4** | ← | ← | ← | | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 8 | 4 | 4 |
| **12** | ← | | | ← | ↑ | ↑ | ← | ↑ | ↑ | ↑ | | | ↑ | 6 | 3 | 3 |
| **5** | ← | ← | ← | ← | | ↑ | | | ↑ | ↑ | ↑ | ← | ↑ | 5 | 5 | 0 |
| **11** | ← | | ← | ← | ← | | ← | ↑ | | ↑ | | | | 2 | 5 | -3 |
| **8** | ← | ↑ | ← | ← | | ↑ | ← | | | ← | ← | ← | | 2 | 7 | -5 |
| **9** | ← | | ← | ← | ← | ↑ | ← | | | ← | | ← | | 1 | 7 | -6 |
| **10** | ← | ← | ← | ← | ← | ← | ← | ↑ | ↑ | | ← | ← | ↑ | 3 | 9 | -6 |
| **13** | ← | ← | ← | ← | ← | ↑ | ← | | | ← | | ← | | 1 | 8 | -7 |
| **6** | ← | ← | ← | ← | ← | | | ← | ← | ↑ | | ← | ← | 1 | 9 | -8 |

For the fourth focus group, the positive Δ values of Affinity 1 resulted in it being categorised as a primary driver (a significant cause) and Affinities[31] 3, 2, 7, 4 and 12 were classified as secondary drivers (relative causes). For Focus Group 4, Affinity 5 was classified as a pivot or circular.

The negative Δ values of Affinities[32] 11, 8, 9, 10, 13 and 6 resulted in their being labelled as secondary outcomes (relative effects). In this focus group, no primary outcome was identified. The Tentative SID assignments as determined in the IRD of Focus Group 4 are presented in Table 49 (overleaf).

[31] Listed in descending order of Δ values.
[32] Listed in descending order of Δ values.

**Table 49: Tentative SID assignments: other tax practitioners (Focus Group 4)**

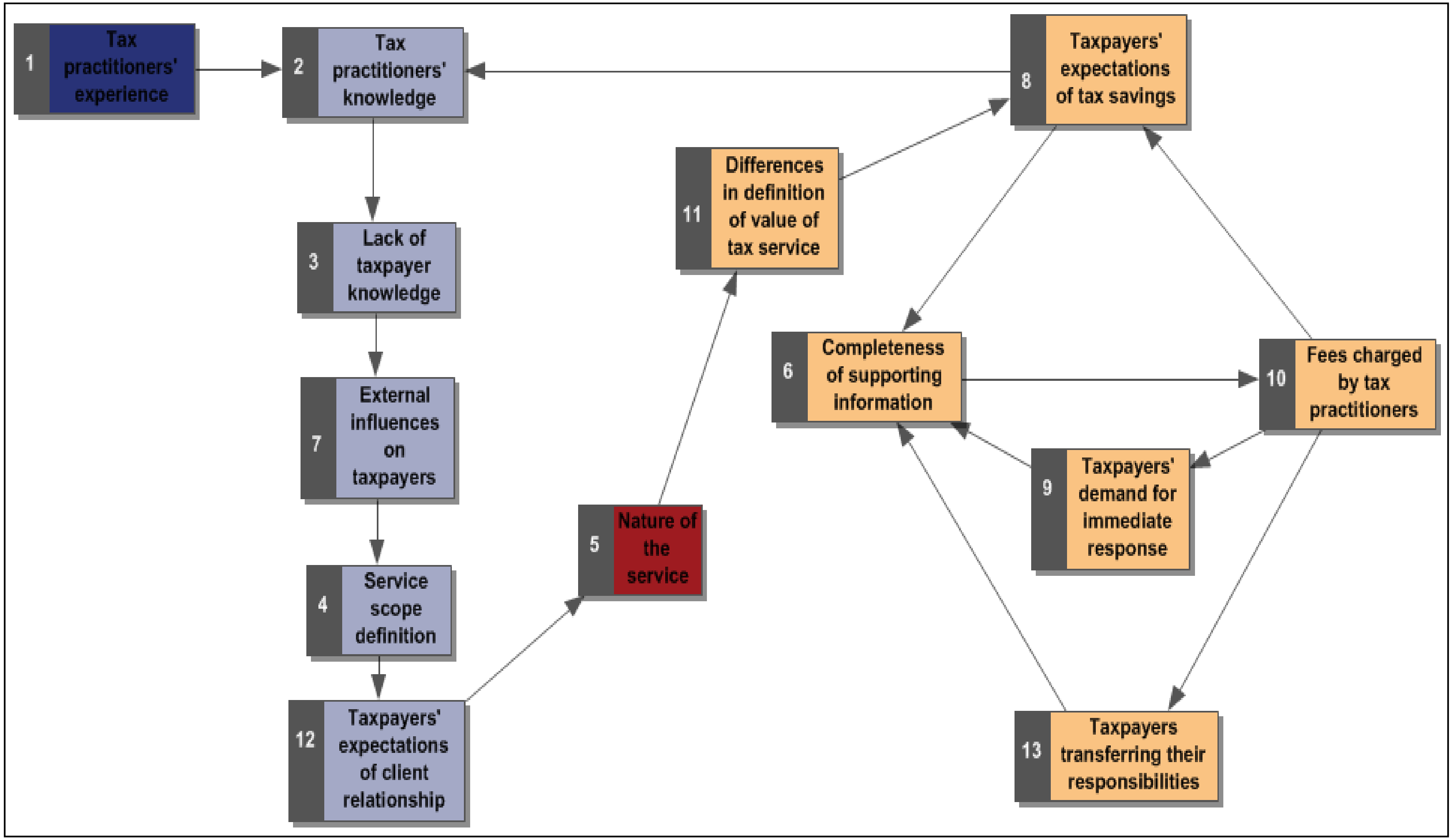
| Affinity number | Affinity description | Affinity classification |
|---|---|---|
| 1 | Tax practitioners' experience | Primary driver |
| 3 | Lack of taxpayer knowledge | Secondary driver |
| 2 | Tax practitioners' knowledge | Secondary driver |
| 7 | External influences on taxpayers | Secondary driver |
| 4 | Service scope definition | Secondary driver |
| 12 | Taxpayers' expectations of a client relationship | Secondary driver |
| 5 | Nature of the service | Circular/Pivot |
| 11 | Differences in definition of value of tax service | Secondary outcome |
| 8 | Taxpayers' expectations of tax savings | Secondary outcome |
| 9 | Taxpayers' demand for immediate response | Secondary outcome |
| 10 | Fees charged by tax practitioners | Secondary outcome |
| 13 | Taxpayers transferring their responsibilities | Secondary outcome |
| 6 | Completeness of supporting information | Secondary outcome |

### 8.4.4 System Influence Diagram (SID): other tax practitioners (Focus Group 4)

After applying the Tentative SID assignments it was possible to create a cluttered SID for Focus Group 4 (see Figure 68 of Annexure E).

Subsequent to the creation of the cluttered SID for Focus Group 4, through the process of removing redundant links, the final uncluttered SID for Focus Group 4 (other tax practitioners) was generated, as presented in Figure 49 (overleaf).

**Figure 49: Final uncluttered SID: other tax practitioners (Focus Group 4)**



## 8.5 DISCUSSION OF SID: OTHER TAX PRACTITIONERS (FOCUS GROUP 4)

Scrutiny of Figure 49, which contains the final uncluttered SID for other tax professionals (Focus Group 4) reveals that amongst the 13 affinities constructed by this group, **tax practitioners' experience** was identified as the only primary driver in this system. Five affinities were classified as secondary drivers, namely **tax practitioners' knowledge**, **lack of taxpayer knowledge**, **external influences on taxpayers**, **service scope definition** and **taxpayers' expectations of a client relationship**. The only pivot identified in this system was **nature of the service**.

When one considers the affinities with a negative Δ, no primary outcomes were identified, but six affinities were classified as secondary outcomes, namely **difference in definition of value of tax service**, **taxpayers' expectations of tax savings**, **completeness of supporting information**, **fees charged by tax practitioners**, **taxpayers' demand for immediate response** and **taxpayers transferring their responsibility**.

In this particular system, four different feedback loops exist and these are discussed below.

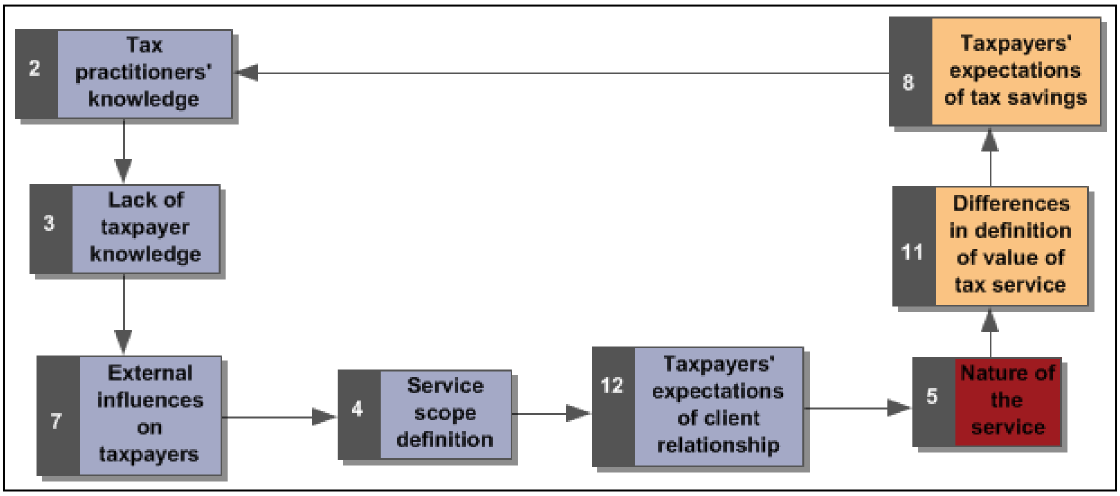
### 8.5.1 Primary driver

The discussion of the final uncluttered SID for the other tax practitioners (Focus Group 4) commences with the primary driver (**tax practitioners' experience**). The **tax practitioners' experience** affinity influences the system through **tax practitioners' knowledge**. The group argued that if tax practitioners encounter a variety of situations and gain more experience from them, they will have more knowledge to handle the same situation in future (FG4-3:1). Experienced tax practitioners generally have superior knowledge of tax and knowledge of dealing with taxpayers (FG4-5:1). It was also suggested that taxpayers hold the perception that if tax practitioners are experienced, knowledge of the specific tax field is automatically present (FG4-9:1). In conclusion, it was felt that tax practitioners with the necessary experience would be able to "manage" taxpayers' expectations regarding tax practitioners' knowledge (FG4-11:1).

### 8.5.2 Feedback Loop 1: influences on taxpayers' expectations of tax services

**Tax practitioners' knowledge** indicates the beginning of the first feedback loop, called **<u>influences on taxpayers' expectations of tax services</u>**, which is schematically depicted in the diagram in Figure 50 (below).

**Figure 50: Other tax practitioners (Focus Group 4) – Feedback Loop 1: influences on taxpayers' expectations of tax services**




The **<u>influences on taxpayers' expectations of tax services</u>** feedback loop indicates that **tax practitioners' knowledge** has a bearing on the **lack of taxpayer knowledge**. It is argued that it is the responsibility of tax practitioners as professionals to coach taxpayers on tax matters, since taxpayers cannot be expected to be completely tax literate (FG4-2:13; FG4-5:13).

A **lack of taxpayer knowledge** was claimed to be one of the main explanations for taxpayers' taking note of and acting on **external influences on taxpayers**. It was contended that due to taxpayers' lack of knowledge, they tend to believe anything they hear regarding tax and are more likely to be influenced by these external influences (FG4-3:27; FG4-9:27; FG4-11:27). More knowledgeable taxpayers would be able to distinguish valid external information from incorrect information (FG4-5:27; FG4-4:27).

**External influences on taxpayers** are deemed to be a source of problems that have a direct impact on the **service scope definition**. It was mentioned in the focus group session that these external influences on taxpayers can influence the service scope definition – which defines what taxpayers expect from tax practitioners (FG4-3:36). It was argued that in instances where taxpayers are prone to listen to more external influences, their understanding of the service scope definition would change (FG4-5:36) and the risk of misunderstanding the scope of the tax services is likely to increase (FG4-11:36).

The **service scope definition** can influence **taxpayers' expectations of a client relationship**. The expectation of a taxpayer's client relationship with the tax practitioner and the service scope definition may differ, and this results in a gap between what is expected and what is defined by the scope (FG4-3:41). If the tax services are correctly scoped, the client should know what to expect from the relationship (and what not to expect) (FG4-8:41) and will clarify any expectations regarding the client/tax practitioner relationship (FG4-9:41).

In turn, the affinity named **taxpayers' expectations of a client relationship** affects the **nature of the service**. It was argued that the level of communication in the relationship plays an important role in managing taxpayers' expectations regarding the nature of the service provided (FG4-11:49).

In this system, it was believed that the **nature of the service** plays a vital role in the **difference in definition of value of tax service** applied by taxpayers and tax practitioners. It was argued that the taxpayers' perception of the nature of the service affects the value they place on the service (FG4-11:48).

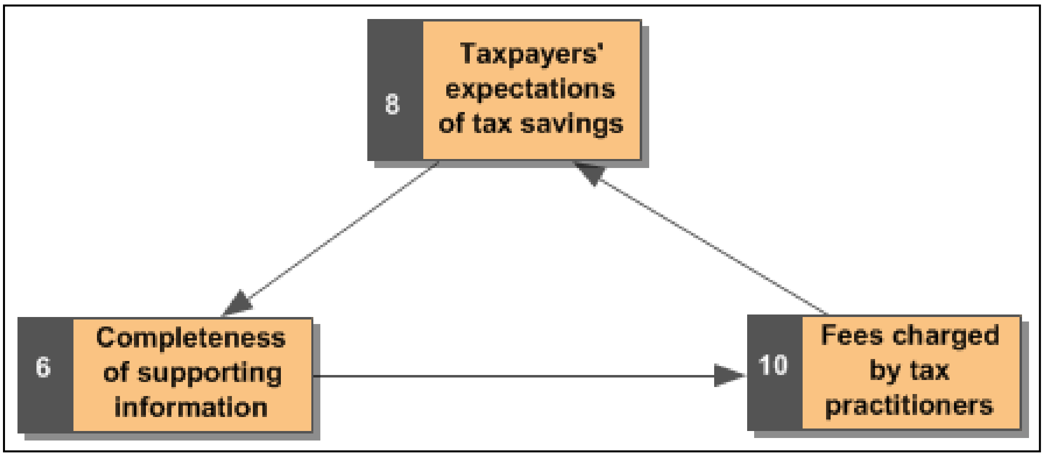
**Differences in the definition of value of tax service** used by different taxpayers determine the **taxpayers' expectations of tax savings**. It was argued that taxpayers usually perceive value in the form of a tax saving (FG4-9:66; FG4-11:66). If a taxpayer evaluates the value of a tax service in terms of how much tax is saved, the expectations regarding tax savings might be (unrealistically) high (FG4-5:66).

The final link that completes the **<u>influences on taxpayers' expectations of tax services</u>** feedback loop is the perceived influence that **taxpayers' expectations of tax services** have on **tax practitioners' knowledge**. It was indicated that taxpayers will expect more tax savings from a tax practitioner whom they consider to be knowledgeable (FG4-3:18; FG4-11:18).

### 8.5.3 Feedback Loop 2: taxpayers' expectations of tax savings and fees charged

The second feedback loop, called **<u>taxpayers' expectations of tax savings and fees charged</u>**, is set out in the diagram in Figure 51 (below).

**Figure 51: Other tax practitioners (Focus Group 4) – Feedback Loop 2: taxpayers' expectations of tax savings and fees charged**



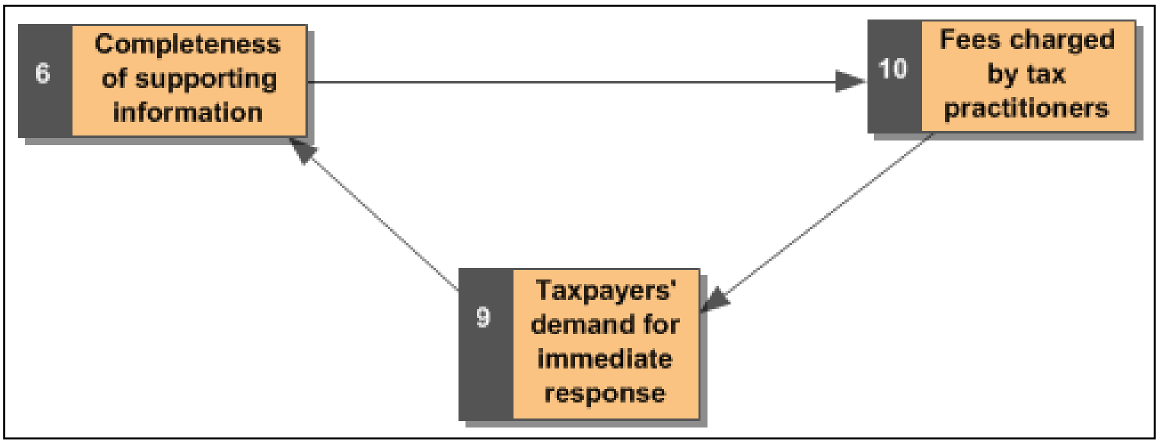

The diagram shows that the affinity **taxpayers' expectations of tax savings** serves as a point of entry for this feedback loop. It affects the dimension named **completeness of supporting information**. Because some taxpayers assume that they are entitled to tax savings, the supporting information and documents they provide are, in many instances, incomplete or incorrect (FG4-5:52).

The **completeness of supporting information** determines the **fees charged by tax practitioners**. Since fees are charged according to time spent on the affairs of a client, the more complete the supporting information and documentation provided by the taxpayers are to begin with, the less time the tax practitioners need to spend on their handling of the specific client's affairs, and the lower the fees charged (FG4-9:54). Incomplete information affects the fees charged, since it is more time-consuming for a tax practitioner to pursue missing information, and this might lead to an increase in the expectation gap regarding fees (FG4-11:54).

### 8.5.4 Feedback Loop 3: taxpayers' demand for immediate response

The effect of **completeness of supporting information** on **fees charged by tax practitioners** is also critical for the next two feedback loops, identified as **taxpayers' demand for immediate response** (see Figure 52) and **taxpayers transferring their responsibility** (see Figure 53, overleaf).

**Figure 52: Other tax practitioners (Focus Group 4) – Feedback Loop 3: taxpayers' demand for immediate response**



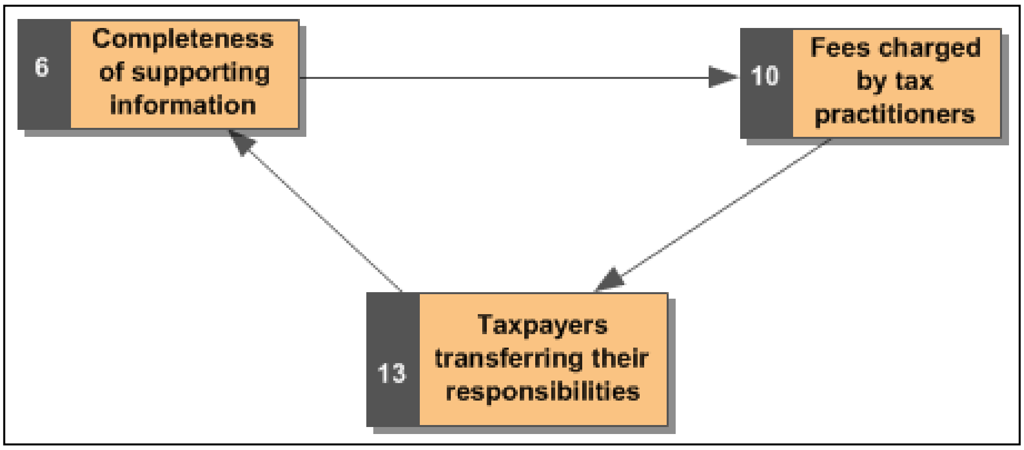

After considering the effect that **completeness of supporting information** has on the **fees charged by tax practitioners**, it is clear that the **fees charged by tax practitioners** affinity results in **taxpayers' demand for immediate response** from their tax practitioners. Taxpayers appear to believe that because a fee is charged for tax services, they can demand an immediate response from the tax practitioner, who is being paid (in other words, there is a perception that if a fee is high, it justifies any demand for an immediate response) (FG4-11:69).

**Taxpayers' demand for immediate response** affects the **completeness of supporting information** affinity. In many instances, taxpayers expect rapid feedback regarding a tax issue, and due to the urgency, they may deliberately or accidently omit information that might influence the answer (FG4-1:53; FG4-3:53).

### 8.5.5 Feedback Loop 4: taxpayers transferring their responsibilities

The influence that **completeness of supporting information** has on **fees charged by tax practitioners** also represents the first relationship of the fourth feedback loop, **taxpayers transferring their responsibility**, as set out in the diagram in Figure 53 (below).

**Figure 53: Other tax practitioners (Focus Group 4) – Feedback Loop 4: taxpayers transferring their responsibilities**



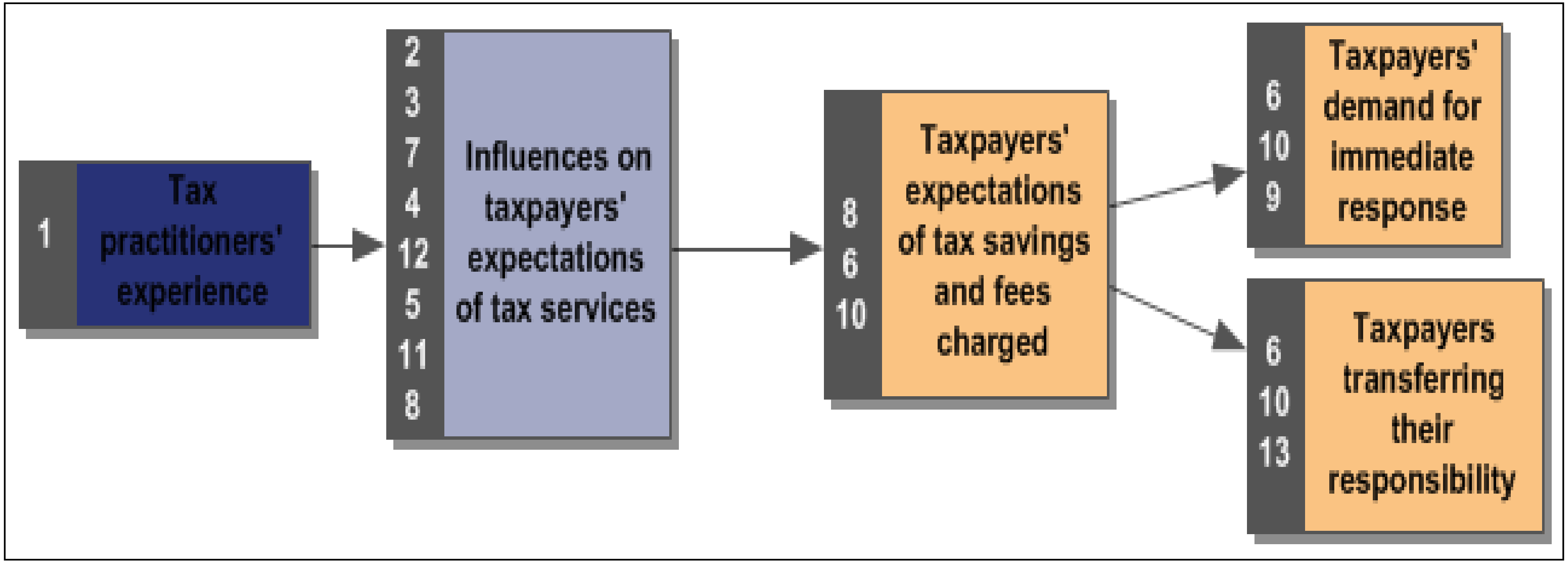

After considering the direct influence that **completeness of supporting information** has on **fees charged by tax practitioners**, Figure 53 indicates that **fees charged by tax practitioners** also result in **taxpayers transferring their responsibilities** regarding their tax affairs to tax practitioners. The higher the fees charged by tax practitioners, the more responsibility regarding their tax affairs the taxpayers want to shift to the tax practitioners (FG4-9:75). Therefore, taxpayers' perceptions of the fees charged have an impact on their perceptions of tax practitioners' responsibility for the taxpayers' tax matters (FG4-11:75).

Finally, the final link of this feedback loop represents the effect that **taxpayers transferring their responsibilities** has on the **completeness of supporting information** provided by taxpayers. If taxpayers transfer their record-keeping and information-providing responsibilities to their tax practitioners, their tax information might become incorrect and documents may be incomplete, which means that the information they disclose is not accurate (FG4-5:57). When taxpayers assume that tax practitioners have taken full responsibility for their tax matters, they may disregard the importance of providing all necessary information or documents (FG11-5:57).

## 8.6 REFLECTION AND CONCLUSION ON OTHER TAX PRACTITIONERS (FOCUS GROUP 4)

In order to reflect on and reach a conclusion on the discussion of the SID for other tax practitioners (Focus Group 4), the process of zooming out was applied. This technique provides a simple view of this system, as presented in Figure 54 (overleaf).

**Figure 54: Final system perspective on SID: other tax practitioners (Focus Group 4)**



A closer look at the final system perspective on the SID of the other tax practitioners (Focus Group 4) suggests that **tax practitioners' experience**, as the primary driver, has an impact on almost every affinity in this system.

An **experienced tax practitioner** is perceived to have **technical tax knowledge** superior to the knowledge of an inexperienced practitioner. **Experienced tax practitioners** are also perceived to communicate more effectively with taxpayers who **lack tax knowledge** to ensure that they do not **react unnecessarily to external influences** and to help them to understand the **service scope definitions** and the **nature and scope of tax services**. Experience also assists tax practitioners to address **taxpayers' need for a personal client/practitioner relationship** by explaining the **value of a tax service** to a taxpayer, which in turn helps to prevent **taxpayers from holding unrealistic expectations about tax savings**.

Influences on **taxpayers' expectations of tax services** give rise to **taxpayers' expectation of tax savings** when it comes to **determining the value of tax services**. In many instances, taxpayers' stance towards the payment of taxes is established by **external influences**. When taxpayers are resistant to paying tax, they may often not provide **complete supporting information**, and they may not disclose all the relevant information. These taxpayers are also of the opinion that since a **fee is paid to the tax practitioner**, there must be some form of tax saving.

The **paying of fees to the tax practitioner** results in **taxpayers demanding prompt feedback** from their tax practitioners, and in their arguing that the **completeness of supporting documentation** is the **responsibility of the tax practitioner**. Therefore, it ultimately has the outcome of **taxpayers transferring their responsibilities** to their tax practitioners.

Chapter 8 reported on the perceptions of tax professionals other than Chartered Accountants and Professional Accountants on factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context. These results address Secondary Objective 4 of this study by explaining the 13 affinities identified by this group and by indicating how these factors are perceived to interact with one another. Thus a greater understanding has been achieved of the expectation gap between taxpayers and their tax practitioners in South Africa from the perspective of other tax practitioners.

Taking into account the results of the different focus groups presented in Chapters 5 to 8, Chapter 9 addresses the findings relating to the overall purpose of this research, namely to gain a detailed understanding of the factors that contribute to the expectation gap between taxpayers and their tax practitioners in South Africa and the interrelationships between these factors.

# CHAPTER 9:
# THEMATIC ANALYSIS, INTERPRETATION AND PROPOSITIONS

## 9.1 INTRODUCTION

This study consisted of four phases with the purpose of gaining an understanding of the expectation gap between taxpayers and their tax practitioners in the South African context. Below is a summary of the purpose of each of the four phases:

- Phase 1 involved a review of the prior literature to provide a theoretical understanding of the expectation gap between taxpayers and their tax practitioners.
- In Phase 2, four focus group sessions were conducted. The focus groups generated affinities to describe factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners, as perceived by a group of taxpayers and three different groups of various kinds of tax practitioners.
- In Phase 3, the perceived systematic influences among the affinities that each group generated were determined.
- This chapter presents Phase 4, as the final stage of the study, namely the interpretation stage, which involves a thematic analysis that takes into account the outputs of Chapters 5 to 8, and combines the results in order to meet the primary objective of this study.

This chapter therefore serves to provide an understanding of the expectation gap between taxpayers and their tax practitioners. The “themes” generated through thematic analysis were used in the phase reported in this chapter to analyse the outcomes in the form of affinities in Chapters 5 to 8 to enable a holistic view of the expectation gap. Two cycles of thematic analysis were used. The first was a thematic analysis based on the affinities generated in Chapters 5 to 8, which resulted in 18 common themes across the four constituent groups. The second cycle of coding involved a second thematic analysis of the

18 themes in order to develop a more coherent corpus of factors. In addition, the findings from this particular study were compared to those of other studies, looking back at the literature reviewed in Chapters 2 and 3. Based on these analyses, a conceptual interrelational framework was proposed to conclude this chapter.

The thematic analysis commences with the identification of themes that emerged from the affinities generated by the individual focus groups. In this chapter, the researcher uses the term “themes” rather than “affinities” to be more consistent with the terminology in qualitative thematic analysis.

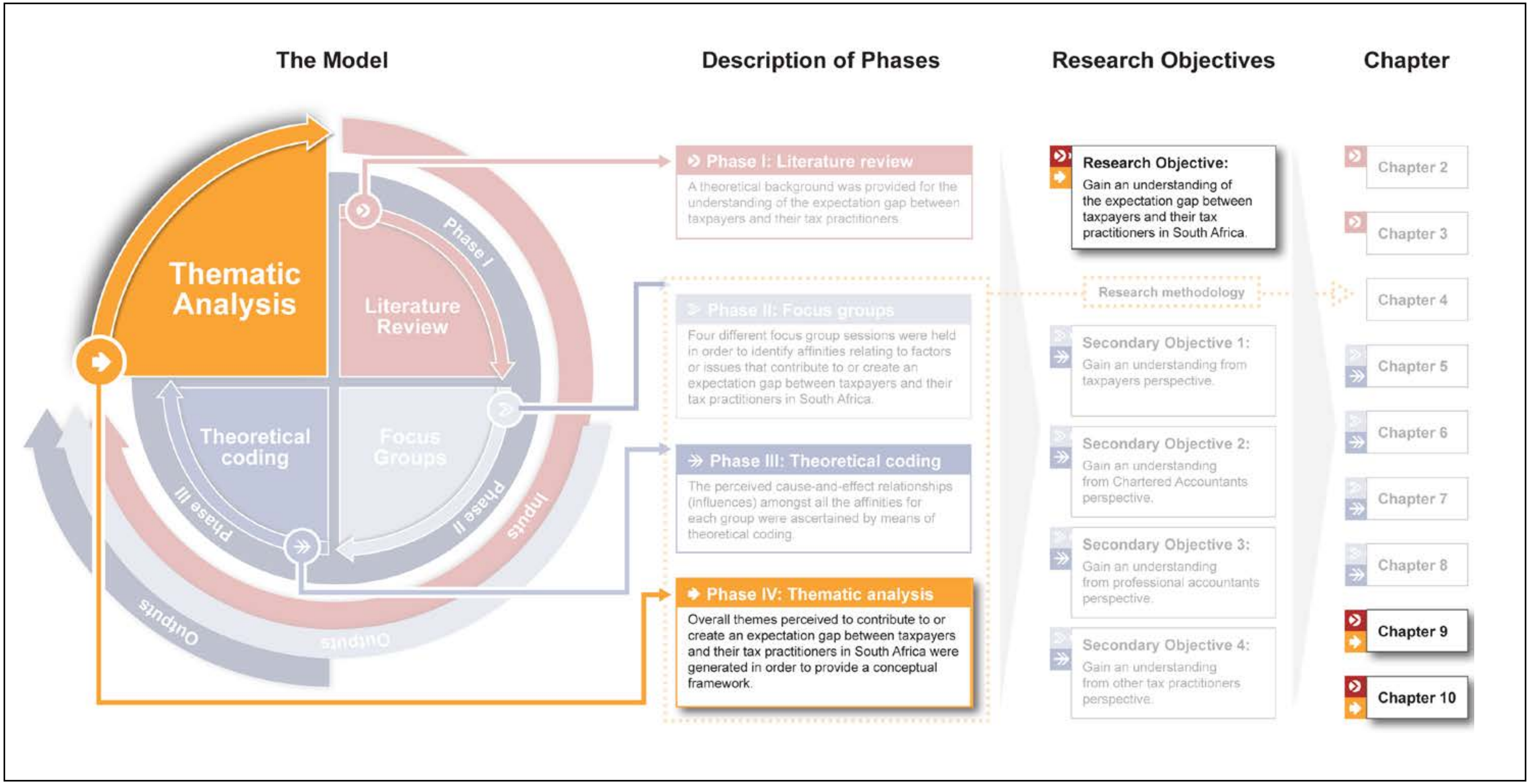
Themes were identified by means of three steps:

- a comparison of the affinities generated by the different constituencies, based on the data obtained during the focus group sessions;
- the identification of inferences based on theoretical perspectives and the existing literature; and
- a comparison of the composite systems or SIDs of each constituency in respect of their systematic properties to design a conceptual framework for this study.

The thematic analysis identified a number of common views from the four perspectives covered in the focus group interviews. In order to reorganise the themes identified into a set of more coherent factors that contribute to the expectation gap between taxpayers and their tax practitioners, Second Cycle coding was applied to categorise the themes further into meta-themes that could be used to create a more concise conceptual framework, as recommended by Jabareen (2009:51), Saldaña (2009:149) and Smyth (2004:2).

Phase 4 in relation to Phases 2 and 3 is displayed in Figure 55. This figure is presented here again to indicate the particular area this chapter addresses.

**Figure 55: The relationship between the phases model and the research objectives**



## 9.2 THEMES GENERATED

A total of 18 themes were identified by means of the thematic analysis process discussed above. These are listed in Table 50 (below).

**Table 50: Themes generated**

| Theme number | Theme | Section | Table number in Annexure F |
|---|---|---|---|
| Theme 1 | Expectations of taxpayers regarding ethical practices | 9.2.1 | Table 64 |
| Theme 2 | Different definitions of the value of a tax service | 9.2.2 | Table 65 |
| Theme 3 | Different definitions of tax planning | 9.2.3 | Table 66 |
| Theme 4 | External influences on taxpayers | 9.2.4 | Table 67 |
| Theme 5 | Frustrations tax practitioners experience with SARS | 9.2.5 | Table 68 |
| Theme 6 | Insufficient communication between taxpayers and tax practitioners | 9.2.6 | Table 69 |
| Theme 7 | Interpretation of tax legislation | 9.2.7 | Table 70 |
| Theme 8 | Professional competency of tax practitioners | 9.2.8 | Table 71 |
| Theme 9 | Service scope definition and nature of service | 9.2.9 | Table 72 |
| Theme 10 | Taxpayers' expectations of receiving a professional service | 9.2.10 | Table 73 |
| Theme 11 | Taxpayers' expectations on general non-tax advice | 9.2.11 | Table 74 |
| Theme 12 | Taxpayer knowledge gap on tax-related issues | 9.2.12 | Table 75 |
| Theme 13 | Taxpayers' lack of understanding of timeframes in the tax environment | 9.2.13 | Table 76 |
| Theme 14 | Taxpayers transferring their responsibility | 9.2.14 | Table 77 |
| Theme 15 | Taxpayers' expectations of a personal relationship with their tax practitioner | 9.2.15 | Table 78 |
| Theme 16 | Taxpayers' expectations of fees charged by tax practitioners | 9.2.16 | Table 79 |
| Theme 17 | Taxpayers' fear of SARS | 9.2.17 | Table 80 |
| Theme 18 | Taxpayers' resistance to paying tax | 9.2.18 | Table 81 |

The details of these themes are described in tabular form in Annexure F (see Tables 64 to 81). Each table in the annexure

- lists a theme;
- describes the theme;
- identifies and lists the comments of the four constituencies in relation to each theme;

- summarises and interprets the emerging perceptions of the expectation gap between taxpayers and their tax practitioners;
- generates conclusions based on the emerging perceptions; and
- identifies inferences based on theoretical perspectives and the existing literature to enable conclusions to be reached.

After completing the thematic analysis process, the essence of the emerging perceptions on the expectation gap between taxpayers and their tax practitioners regarding the above 18 themes is presented.

### 9.2.1 Theme 1: Expectations of taxpayers regarding ethical practice

This theme refers to taxpayers' contradictory ideas in their expectations around the ethical practice of tax practitioners, with regard to trust and confidentiality.

According to taxpayers, ethical behaviour from tax practitioners includes

- precision (correct tax calculations, correct taxpayers' information and correct advice);
- maintaining a good relationship with SARS to ensure effective resolutions of tax issues; and
- confidentiality regarding taxpayers' financial information.

According to tax practitioners,

- taxpayers have contradictory expectations regarding tax practitioners with regard to trust and confidentiality;
- taxpayers expect tax practitioners to demonstrate ethical behaviour (trustworthiness, integrity, honesty), but expect tax practitioners to act in taxpayers' interests, even if doing so is not ethical;
- taxpayers expect practitioners not to disclose certain confidential information to SARS that taxpayers provide to their practitioners; and
- taxpayers accuse tax practitioners of acting as SARS's agents when taxpayers have to pay tax.

The above perceptions that emerged from the IQA process demonstrate that taxpayer's expectations regarding what constitutes ethical practice differ from the tax practitioners' perceptions. The different expectations between the role players can be a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.2 Theme 2: Different definitions of the value of a tax service

This theme describes the difference between taxpayers' and tax practitioners' understanding of what value entails or what constitutes a value-added tax service.

According to taxpayers, they

- expect value for money;
- would like to be able to assess or evaluate the value of the tax service received; and
- see the value of a tax practitioner's service as the quantifiable amount to which the cost of the service can be compared.

According to tax practitioners,

- taxpayers want to pay as little as possible for tax services, due to a poor understanding of the principle of cost versus benefit;
- taxpayers see a quality tax service as paying little or no tax instead of prompt and professional management of tax affairs;
- taxpayers perceive tax services as a negative cost; and
- there is a difference between taxpayers' experience of value and actual value.

The abovementioned emerging perceptions demonstrate that taxpayers' expectations or definitions on the value of a tax service may differ from those of tax practitioners. This implies that the difference between the role players' definitions of the value of a tax service is a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.3 Theme 3: Different definitions of tax planning

This theme is associated with the different opinions that taxpayers and tax practitioners hold concerning what tax planning denotes.

According to taxpayers, they

- expect tax planning for the future;
- require a detailed time plan to ensure compliance with the deadlines for different tax types;
- need calculations regarding actual income and expenditure in order to complete VAT or provisional tax returns accurately; and
- believe that tax planning should be directed at ensuring that the taxpayer receives the maximum tax benefit and pays the least amount of tax possible.

According to tax practitioners,

- taxpayers and tax practitioners may have a different understanding of what tax planning denotes;
- taxpayers are reluctant to pay tax or want to pay the least possible tax;
- some taxpayers are willing to take a chance with tax schemes that lead to tax evasion, even when tax practitioners do not endorse such schemes;
- in instances where taxpayers want to adopt tax evasion schemes, taxpayers expect tax practitioners to have a rescue plan in place in case the scheme fails;
- when taxpayers think tax planning includes tax avoidance, they expect tax practitioners to use the best legal options available to save tax; and
- taxpayers may expect tax practitioners to perform miracles.

Expectations regarding tax planning on the part of taxpayers versus the perceptions of what taxpayers expect on the part of tax practitioners in this regard may vary due to different interpretations of the definition of tax planning. The different interpretations of the definition of tax planning can therefore be seen as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.4 Theme 4: External influences on taxpayers

This theme describes possible external influences that may have an impact on taxpayers' expectations regarding tax services; for example, it was suggested that taxpayers act on hearsay or on what "they say" and approach tax practitioners with these "rumours", questioning tax practitioners on the tax advice they provide.

Taxpayers reported no particular perceptions regarding this theme.

According to tax practitioners,

- SARS's marketing, especially of e-filing and easy-file, gives taxpayers the false impression that these systems are much easier to use than tax practitioners find them to be in practice;
- taxpayers react to rumours they have gleaned from hearsay and then question the sound advice their tax practitioner provides;
- advice from other tax practitioners a taxpayer has consulted may conflict with a currently employed tax practitioner's advice;
- frequent changes in tax legislation are an external influence on taxpayers; and
- inconsistent SARS practices in applying tax legislation are a particular problem.

It can therefore be argued that various external influences may have an impact on taxpayers' perceptions of tax services and may create a difference between taxpayers' expectations about a tax service and tax practitioners' perceptions of what the taxpayers' expectations are. External influences on taxpayers can therefore be deemed a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.5 Theme 5: Frustrations tax practitioners experience with SARS

This theme describes the problem that taxpayers are either not aware of, or fail to understand the frustrations that tax practitioners experience with SARS.

According to taxpayers, tax practitioners

- have a professional responsibility towards them, and
- should have a good relationship with SARS (and even have connections in SARS) in order to resolve tax issues effectively.

According to tax practitioners,

- taxpayers wrongly assume that every tax practitioner is personally acquainted with SARS employees who can assist him or her in resolving tax issues;
- taxpayers are not aware of or do not understand the various frustrations that tax practitioners experience with SARS;
- taxpayers do not understand that tax practitioners have no control over SARS's turnaround time and that it may vary between different taxpayers;
- taxpayers expect tax practitioners not to charge an additional fee for correcting mistakes when SARS makes errors;
- tax practitioners lack confidence in the services of SARS; and
- taxpayers have unreasonable expectations regarding tax practitioners' dealings with SARS.

The frustrations tax practitioners experience with SARS are deemed to be responsible for the difference between taxpayers' expectations about a tax service provided to them and the tax practitioners' perceptions of those expectations. Thus these frustrations can be classified as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.6 Theme 6: Insufficient communication between taxpayers and tax practitioners

This theme relates to insufficient communication between taxpayers and tax practitioners, and is associated with the taxpayers' opinion that information and advice provided by tax practitioners is not always user-friendly. It is also related to the fact that tax practitioners often need to handle tax problems that are a consequence of this lack of communication from tax practitioners.

According to taxpayers,

- taxpayers expect improved personal interaction with their tax practitioner and believe that this will prevent misunderstanding, and that this can be obtained through
  - effective use of technology such as e-mail, cell phones or faxes in order to limit delays;
  - frequent and regular personal feedback while the tax practitioner works through their tax matters; and
  - provision for two-way communication between them;
- taxpayers expect tax practitioners to provide tax information that is thorough without being too complicated – it should be easy for someone without a tax background to understand it; and
- they suggest the use of technology such as mobile phones and e-mail to assist practitioners to convey user-friendly tax information to taxpayers more effectively.

According to tax practitioners,

- taxpayers expect frequent communication from their tax practitioners;
- poor communication is the taxpayers' fault – practitioners have to deal with queries from SARS that arise either because a taxpayer withheld information from them to begin with or went ahead with a transaction without getting proper tax advice beforehand; and
- tax practitioners also consider taxpayers to be uninformed about tax matters and believe that good communication between the parties will assist in educating taxpayers on how long it takes to perform tax work, on the fees charged for tax services, on what information they need to provide to tax practitioners and on the deadlines for providing it.

Insufficient communication between taxpayers and tax practitioners and the corresponding provision of adequate information seems to be responsible for a gap between taxpayers' expectations of tax services and the tax practitioners' perceptions of those expectations. Therefore, insufficient communication between taxpayers and tax practitioners is deemed a factor or issue that can create or contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.7 Theme 7: Interpretation of tax legislation

This theme is described as the difference between the interpretation and application of tax legislation by tax practitioners on the one hand and SARS on the other.

According to the taxpayers,

- tax practitioners should be thoroughly conversant with current tax legislation so that they are able to
    - process tax services quickly and accurately;
    - provide technical explanations on complicated tax issues; and
    - solve any tax problems that may arise.

According to tax practitioners,

- taxpayers expect tax practitioners and their personnel to be professionally competent;
- taxpayers have an expectation of accurate work;
- taxpayers require 100% compliance with tax law and also expect tax practitioners to assist them with tax matters they do not understand, such as the interpretation of tax laws;
- taxpayers believe that tax practitioners are experts in all areas of tax and are up to date with all new legislation;
- tax practitioners may differ from SARS in their interpretation and application of tax laws; and
- constant changes and new implementations of legislation together with inconsistent SARS practices contribute to problems.

Possible differences in the interpretation and application of tax legislation between tax practitioners on the one hand, and SARS on the other hand, may result in a difference between taxpayers' expectations of tax services and the tax practitioners' perceptions of those expectations, and may result in an expectation gap. Consequently, interpretation of tax legislation can be classified as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.8 Theme 8: Professional competency of tax practitioner

This theme emphasises the taxpayers' expectation that tax practitioners will be professionally competent.

According to taxpayers,

- tax practitioners should be thoroughly conversant with current tax law so that they are able to
  - process tax services quickly and accurately;
  - provide technical explanations on complicated tax issues; and
  - solve any tax problems that may arise;
- some tax practitioners lack practical experience; and
- some tax practitioners are too inclined to criticise tax plans or schemes.

According to the tax practitioners,

- taxpayers expect tax practitioners and their personnel to be professionally competent;
- taxpayers expect accurate work;
- taxpayers anticipate 100% compliance with tax law and also expect tax practitioners to assist them with tax matters they do not understand, such as the interpretation of tax laws;
- tax practitioners are not and cannot be experts in all tax, business and economic science disciplines;
- experienced tax practitioners are better equipped to manage the expectation gap between tax practitioners and taxpayers; and
- tax practitioners' knowledge influences tax practitioners' ability to determine taxpayers' expectations regarding a particular instruction.

Different opinions on the professional competency of tax practitioners may lead taxpayers' expectations regarding a tax service to be different from tax practitioners' perceptions of these expectations. Professional competency of tax practitioners, which includes tax practitioner experience and knowledge, may therefore be judged a factor or issue that plays a role in the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.9 Theme 9: Service scope definition and nature of the service

This theme is associated with the scope of the tax services to be rendered by tax practitioners, and taxpayers' understanding of this scope.

The taxpayers did not identify any particular perceptions relating to this theme.

According to tax practitioners,

- taxpayers are reluctant to understand that when the scope of the tax practitioner's work is limited (for example, ensuring compliance on material issues or providing only high-level tax comments), the tax practitioner is no longer responsible for errors on non-material issues or those that require detailed tax work;
- taxpayers' expectations differ according to the kind of tax services they require and its importance to them;
- taxpayers may differ from tax practitioners in their idea of exactly what scope of services their fees entitle them to; and
- fear of high fees results in taxpayers' limiting the scope of the tax work.

Not understanding or having a different understanding of the scope of the service provided may lead to taxpayers' expectations regarding a tax service being different to tax practitioners' perceptions of this expectation, and as a result may create an expectation gap between taxpayers and tax practitioners. The service scope definition is therefore indicative of a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.10 Theme 10: Taxpayers' expectations of receiving a professional service

This theme describes the fact that taxpayers expect a professional service from their tax practitioners and that they expect efficiency from tax practitioners in respect of providing timely deadline reminders, timely execution and delivery of tax services, compliance with all submission and payment deadlines, effective use of technology, and being readily available for consultation.

According to taxpayers,

- taxpayers expect efficiency from tax practitioners;
- taxpayers expect tax practitioners to provide timely deadline reminders for them to comply with all submission and payment deadlines;
- taxpayers require tax practitioners to use technology effectively;
- taxpayers expect tax practitioners to be readily available for consultation; and
- tax practitioners should never give the impression of being too busy to meet any of these expectations.

According to tax practitioners, taxpayers

- expect tax practitioners and their personnel to be professionally competent;
- expect accurate work;
- expect good communication on tax matters;
- rely on the tax practitioner to keep taxpayers abreast of the requirements of SARS and to ensure that they are tax compliant; and
- imagine themselves to be the tax practitioner's only client and their first priority.

The expectations of taxpayers in respect of receiving a professional service may differ from what tax practitioners think this expectation is, thereby contributing to the expectation gap between taxpayers and tax practitioners.

### 9.2.11 Theme 11: Taxpayers' expectations on general non-tax advice

This theme relates to taxpayers' opinion that tax practitioners are experts in all business and economics science disciplines and that tax practitioners should know everything and therefore also provide general non-tax advice to clients.

According to taxpayers,

- tax practitioners should provide them with comprehensive financial advice in addition to ordinary tax advice; and
- this advice should include advice on company growth and on the most appropriate legal entity for their business.

According to tax practitioners,

- taxpayers expect general non-tax advice in addition to normal tax advice;
- taxpayers consider tax practitioners to be experts on all economic matters and expect them to serve as their financial and investment advisors as well; and
- tax practitioners are not necessarily experts in all business and economic sciences disciplines and cannot always adequately address this expectation of taxpayers.

It can be inferred from the emerging perceptions above that taxpayers' expectations about receiving general non-tax advice may differ from the tax practitioners' perceptions of this expectation and that this could contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.12 Theme 12: Taxpayer knowledge gap on tax-related issues

This theme describes the knowledge gap in taxpayers' understanding of tax-related issues.

According to taxpayers,

- they lack a basic understanding of tax; and
- there is a knowledge gap between taxpayers and their tax practitioners.

According to tax practitioners,

- taxpayers lack a basic understanding of tax;
- there is a knowledge gap between taxpayers and their tax practitioners;
- taxpayers are confused between different forms of taxation (IT, PAYE and VAT) and do not understand the concept of provisional tax;
- tax practitioners have to deal with queries from taxpayers arising from ignorance of different types of taxation (PAYE and provisional tax);
- taxpayers are uninformed about tax matters and need to be educated on
    - how long it takes to perform tax work,
    - the fees charged for tax services,
    - what information they need to provide tax practitioners, and
    - deadlines for providing it;

- taxpayers with adequate tax knowledge have high expectations of tax practitioners and *vice versa*; and
- taxpayers whose knowledge of tax is inadequate, on the other hand, place more trust in tax practitioners.

Therefore, taxpayer lack of knowledge can be seen as a key issue that influences taxpayers' expectations about a tax service provided to them, resulting in perceptions that differ from tax practitioners' perceptions of those expectations about receiving the service. Therefore the taxpayer knowledge gap on tax-related issues is a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

#### 9.2.13 Theme 13: Taxpayers' lack of understanding of timeframes in the tax environment

This theme is concerned with the fact that taxpayers do not understand the time frames that apply in the tax environment, nor the amount of time spent on their tax affairs.

According to taxpayers, taxpayers

- lack an understanding of timeframes in the tax environment; and
- expect tax practitioners to map out a detailed time plan for them so as to ensure compliance with the deadlines for different tax types such as VAT, UIF and provisional tax.

According to tax practitioners,

- the relevant time frames in the tax environment are not understood by taxpayers and this includes
  - o tax practitioners' turnaround time;
  - o SARS's turnaround time;
  - o tax practitioners' response time;
  - o the overall time it takes to complete a tax service;
  - o the time it takes to interact with SARS and
  - o time it take for SARS to resolve issues;

- taxpayers assume the timely submission of tax returns is solely the tax practitioners' responsibility, irrespective of whether or not the relevant tax information is provided timeously; and
- taxpayers believe they are a tax practitioner's only clients and demand immediate responses.

Taxpayers' lack of understanding of timeframes in the tax environment has an impact on their perceptions of tax services rendered and may create a gap between taxpayers' expectations about a tax service and what tax practitioners' perceptions of the taxpayers' expectations are. It can therefore be deemed a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.14 Theme 14: Taxpayers transferring their responsibility

This theme describes the problem that, although taxpayers are ultimately responsible for the payment of taxes and for the information provided, they take no responsibility for the process and tend to shift all responsibility to their tax practitioners.

According to the taxpayers (who did not state directly that they wanted to transfer their tax responsibilities), tax practitioners have a professional responsibility to

- act with integrity;
- ensure correctness in their tax work; and
- stay up to date with taxpayers' personal finances in order to resolve tax issues effectively.

According to the tax practitioners,

- although taxpayers are by law responsible for keeping proper records, providing accurate information and paying the necessary taxes, they tend to shift all responsibility onto the tax practitioner;
- taxpayers place the onus for reducing the amount of tax payable on tax practitioners;
- some taxpayers even hold it against the tax practitioner when tax issues arise, even if it was the taxpayer's fault because the taxpayer did not make full and honest

disclosure, and they expect the tax practitioner to take responsibility for resolving the issues;

- taxpayers also blame tax practitioners for all SARS's internal shortfalls or problems;
- taxpayers do not take ownership of their tax affairs;
- even when taxpayers do not provide the relevant tax information or are late in doing so, if there are any penalties or problems, they blame the tax practitioner;
- taxpayers do not understand the risks and consequences of non-compliance; and
- taxpayers feel that when they pay the tax practitioner to deal with their tax problems, they have no further responsibility and face no risk of falling foul of SARS.

The fact that taxpayers transfer responsibility to tax practitioners may lead to different expectations and perceived expectations regarding tax services amongst taxpayers and tax practitioners, and it is therefore a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

#### 9.2.15 Theme 15: Taxpayers' expectations of a personal relationship with their tax practitioner

This theme describes taxpayers' expectation of having a personal relationship with their tax practitioner(s).

According to taxpayers,

- there is a lack of interaction between taxpayers and tax practitioners;
- tax practitioners need to be readily available;
- taxpayers expect the continuity of always dealing with the same tax practitioner;
- taxpayers expect practitioners to have an agreeable personality; and
- tax practitioners should hold regular personal conversations with them regarding their tax affairs.

According to tax practitioners,

- taxpayers may expect to have a personal relationship with the tax practitioner;

- taxpayers want to be assured of continuity with the same tax practitioner;
- tax practitioners cannot always ensure continuity;
- the honesty of taxpayers influences the relationship between them and their tax practitioners; and
- taxpayers demand immediate responses on their tax matters.

Taxpayers' expectations of a personal relationship with their tax practitioner may differ from tax practitioners' perceptions about this personal relationship and may lead to the creation of an expectation gap between the two. Thus it can be regarded as a factor that contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.16 Theme 16: Taxpayers' expectations of fees charged by tax practitioners

This theme describes taxpayers' expectation of paying the lowest fee possible, yet not understanding, or not wanting to understand the principles of cost versus benefit, or fees versus value.

According to taxpayers,

- taxpayers should receive the maximum benefit for the fees they pay tax practitioners;
- taxpayers would like to be able to assess the value of the tax services provided; and
- taxpayers wish to estimate costs beforehand and therefore expect tax practitioners to disclose all charges up front, including their fees for services such as e-mail queries and telephone calls.

According to tax practitioners,

- taxpayers expect to pay tax practitioners as low a fee as possible with no regard for the principle of cost versus benefit;
- tax practitioners want to charge fees that are a true reflection of their value to the client;
- taxpayers assume that paying for their annual tax return to be completed entitles them to free tax advice on all other tax-related matters;

- taxpayers who do some tax work on their own expect this to reduce the amount payable to the tax practitioner, however, their lack of tax knowledge may actually increase the amount payable since the tax practitioner has to spend extra time rectifying the taxpayer's faulty work;
- taxpayers may ask tax practitioners to limit the scope of their work to material issues in order to save costs; however, when problems arise with non-material issues, they believe the tax practitioners are responsible for them and expect them to deal with the problem;
- taxpayers weigh the cost of the service against the amount of tax it saves them; and
- taxpayers may differ from tax practitioners in their idea of exactly what scope of services their fees entitle them to.

It appears from the perceptions listed above that there is a difference between taxpayers' expectations regarding fees charged for tax services provided to them and the tax practitioners' perceptions of those fee expectations. Therefore fees can create a possible expectation gap between the two parties and therefore contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.

### 9.2.17 Theme 17: Taxpayers' fear of SARS

This theme is strongly associated with the fact that many taxpayers are scared of SARS.

The taxpayers did not comment on anything related to this theme.

According to tax practitioners,

- taxpayers fear SARS;
- the fear of falling foul of SARS results in some taxpayers' questioning valid tax advice from the tax practitioner and foregoing benefits to which they are entitled;
- taxpayers rely on a tax practitioner because they are afraid of dealing directly with SARS; and

- taxpayers believe SARS to be unfair.

Taxpayers' fear of SARS influences taxpayers' expectations of the tax service that is provided to them, resulting in their perceptions differing from the tax practitioners' perceptions of those expectations. Therefore this is an issue that contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

#### 9.2.18 Theme 18: Taxpayers' resistance to paying tax

This theme relates to taxpayers' resistance to paying tax.

The taxpayers did not comment on anything related to this theme.

According to tax practitioners,

- there is possible resistance to paying tax amongst taxpayers;
- some taxpayers, particularly those who are short of funds, justify their resistance to paying tax on the grounds that taxpayers' money is mismanaged by the government;
- taxpayers view a quality tax service as being more about paying little or no tax than about having their tax affairs handled promptly and professionally; and
- taxpayers see the tax practitioner as able to work miracles in reducing the amount of tax they have to pay.

Taxpayers' resistance to paying tax may lead them to have different expectations regarding a tax service than the tax practitioners' perceptions of those expectations, resulting in a possible expectation gap. Taxpayers' resistance to pay tax can therefore be considered a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

The thematic analysis provided in this section has identified a number of common views from the four perspectives covered in the focus group interviews. In order to construct a coherent synthesis of this individual theme corpus, meta-themes were identified through the process of second cycle coding (Morse, 1994:25; Saldaña, 2009:149). These meta-themes are the elements of the conceptual framework that is an outcome of this study. These meta-themes are discussed in detail in the remainder of this chapter.

## 9.3 PROPOSED CONCEPTUAL FRAMEWORK

### 9.3.1 Introduction

The conceptual interrelational framework proposed in this study represents the understanding gained of the expectation gap between taxpayers and their tax practitioners in South Africa, as distilled from the different research methods employed.

In creating the conceptual framework, the principles of second cycle methods described in Section 4.6.4 were applied to the 18 themes described in the previous sections of this chapter. The purpose of the second cycle coding was to reorganise the 18 themes into a more coherent set of the issues that contribute to the expectation gap between taxpayers and their tax practitioners – meta-themes – so that a reasoned synthesis of the corpus of the 18 themes can be developed in the form of a conceptual framework (Jabareen, 2009:51; Saldaña, 2009:149; Smyth, 2004:2).

Conceptual frameworks may vary in form, and in this study it is provided in both a narrative and a graphic form, as suggested by Miles and Huberman (1994:18). The graphic presentation takes the form of a relational framework that lays out the meta-themes that reflect the main issues or constructs that contribute to the expectation gap between taxpayers and their tax practitioners, along the connections between the variables as proposed by the researcher, following the guidelines suggested by Holweg and Van Donk (2009:2) and based on the SIDs.

### 9.3.2 Narrative conceptual framework

Second cycle coding involves using advanced methods of reorganising and reanalysing data coded by means of first cycle methods, in this case, the 18 themes generated in the previous section. The aim of this second cycle coding was to develop a sense of the categorical, thematic and conceptual organisation of the array of 18 themes generated through first cycle coding, in order to create a narrative conceptual framework (Saldaña, 2009:149). Seven meta-themes were generated through this process. These meta-themes reflect the main issues or constructs that contribute to the expectation gap between taxpayers and their tax practitioners, as discussed below. Table 51 shows which theme(s) each meta-theme was constructed from.

**Table 51: Themes used to construct the meta-themes**

| Theme | Theme description | Meta-theme descriptions |
|---|---|---|
| Theme 6 | Insufficient communication between taxpayers and tax practitioners | 1. Communication between taxpayers and their tax practitioners |
| Theme 4 | External influences on taxpayers | 2. External influences on taxpayers |
| Theme 7<br>Theme 12<br>Theme 13<br>Theme 17 | Interpretation of tax legislation<br>Taxpayer knowledge gap on tax-related issues<br>Taxpayers' lack of understanding of timeframes in the tax environment<br>Taxpayers' fear of SARS | 3. Taxpayer knowledge gap on tax-related issues |
| Theme 1<br>Theme 3<br>Theme 9<br>Theme 10<br>Theme 11<br>Theme 14<br>Theme 15<br>Theme 18 | Expectations of taxpayers regarding ethical practices<br>Different definitions of tax planning<br>Service scope definition and nature of service<br>Taxpayers' expectations of receiving a professional service<br>Taxpayers' expectations on general non-tax advice<br>Taxpayers transferring their responsibility<br>Taxpayers' expectations of a personal relationship with their tax practitioner<br>Taxpayers' resistance to paying tax | 4. Taxpayers' expectations regarding tax services |
| Theme 2<br>Theme 16 | Different definitions of the value of a tax service<br>Taxpayers' expectations of fees charged by tax practitioners | 5. Taxpayers' expectations regarding fees of tax services |
| Theme 8 | Professional competency of tax practitioners | 6. Professional competency of tax practitioners |
| Theme 5 | Frustrations tax practitioners experience with SARS | 7. Frustrations tax practitioners experience with the collecting agent, SARS |

### *9.3.2.1 Meta-theme 1: Communication between taxpayers and their tax practitioners*

This meta-theme relates to the lack of sufficient personal communication between taxpayers and tax practitioners (TH6)[33].

[33] TH refers to the relevant theme in Sections 9.2 and indicated in Table 51.

In the taxpayers' opinion, the tax information and tax advice provided, as well as the disclosure of fees, are not always presented in a user-friendly manner, and in addition, communication technology is often not optimally used in the communication process between taxpayers and tax practitioners.

The tax practitioners feel that they often have to resolve tax problems that arise as a consequence of insufficient communication on the part of the taxpayers, who may be reluctant to provide complete information.

#### *9.3.2.2 Meta-theme 2: External influences on taxpayers*

This meta-theme describes external influences that have an impact on the expectations that taxpayers have regarding tax services. These external influences include SARS publications, marketing campaigns and communication from SARS which create unrealistic expectations on the part of taxpayers, unfounded and inappropriate hearsay or what "they say" (to which taxpayers react and then approach tax practitioners with these "rumours", questioning tax practitioners on the tax advice they provide), conflicting views expressed by other tax practitioners on certain tax issues, and the constant expansion and amendment of tax legislation (TH4).

#### *9.3.2.3 Meta-theme 3: Taxpayer knowledge gap on tax-related issues*

This meta-theme refers to a knowledge gap that exists among many taxpayers, who fail to understand tax-related issues (TH12), such as the possibility of different interpretations and applications of tax legislation by tax practitioners and SARS (TH7). This also results in taxpayers' failing to understand the timeframes applicable to the tax environment and the time it takes to provide a tax service (TH13). Ultimately this lack of knowledge results in taxpayers developing a fear of SARS (TH17).

#### *9.3.2.4 Meta-theme 4: Taxpayers' expectations regarding tax services*

This meta-theme describes the expectations that taxpayers have regarding the nature and scope of tax services provided to them. Taxpayers expect to receive a personal professional service from their tax practitioners (TH15), which in their opinion includes practitioners' being readily available for consultation, being efficient when dealing with taxpayers' tax affairs, providing complete tax compliant advice and effectively using technology (TH10). In addition, there seem to be contradictory expectations regarding ethical practice between taxpayers and tax practitioners (TH1). Some taxpayers' resistance to paying tax (TH18) results in different interpretations by taxpayers and tax practitioners of the meaning of tax planning (TH3). A misinterpretation of the service scope definition (TH9) may lead taxpayers to transfer their tax responsibilities to their tax practitioners and may even result in theim not providing adequate information (TH14). Taxpayers appear to expect general non-tax advice from their tax practitioners as well, because they believe that tax practitioners are financial and business experts in all business and economic science disciplines (TH11).

#### *9.3.2.5 Meta-theme 5: Taxpayers' expectations regarding fees for tax services*

This meta-theme refers to taxpayers' expectations regarding the fees charged for tax services, which may differ from tax practitioners' views of those fees charged (TH16), due to different interpretations of what value entails or what constitutes value when a tax service is provided (TH2).

#### *9.3.2.6 Meta-theme 6: Professional competency of tax practitioners*

This meta-theme describes the taxpayers' expectations of receiving a tax service from a professional and competent tax practitioner. This expectation regarding competency includes a notion that tax practitioners have a comprehensive and sophisticated knowledge of tax legislation, have the ability to complete tax services promptly, can provide answers on complicated tax issues, and have the ability to resolve any kind of tax issue that may arise (TH8).

#### *9.3.2.7 Meta-theme 7: Frustrations tax practitioners experience with the collecting agent, SARS*

This meta-theme relates to tax practitioners' frustrations in their day-to-day dealings with SARS, the collecting agent. Taxpayers are often not aware of or fail to understand these frustrations, which include insufficient or poor communication from SARS, inconsistent SARS practices, the time it takes to resolve tax issues, a lack of expertise, skills and resources in SARS, problems with registration processes, uninformed queries by staff, tax refunds taking long, and finally call centre frustrations and delays that tax practitioners experience on behalf of the taxpayer that they represent (TH5).

### 9.3.3 Comparison to the existing literature

The seven meta-themes discussed above were compared, as outcomes of this study, to the findings of previous research on the relationship between taxpayers and tax practitioners, such as the findings in studies by Choong *et al.* (2008:17), Myers and Morris (1998:40-41), Stephenson (2006) and Tan (2008). A summary of the comparison between these meta-themes and the findings reported in other sources on the relationship between taxpayers and tax practitioners is presented in Table 52 (overleaf).

**Table 52: Comparison of meta-themes to other literature on the relationship between taxpayers and tax practitioners**

| Meta-theme | Reference | From taxpayers' perspective | From tax practitioners' perspective | Relevance to this particular study |
|---|---|---|---|---|
| Communication between taxpayers and their tax practitioners | Tan (2008:16) | Taxpayers express a need for tax legislation and regulations to be explained in a manner that they can understand. | | This is in line with the opinion held by participating taxpayers on this meta-theme, namely that tax information is not always presented in a user-friendly manner, making it difficult for them to understand. |
| | Myers and Morris (1998:40,41) | Taxpayers want an interactive personal relationship with their tax practitioners. | | This agrees with taxpayers' indicated need for sufficient personal communication between taxpayers and tax practitioners, as reflected in this meta-theme. |
| | Myers and Morris (1998:44) | | Taxpayers are not providing tax practitioners with all the relevant information since they do not know what information is required. | Taxpayers' not knowing what information to provide to tax practitioners may be responsible for the issue raised by tax practitioners in this meta-theme, namely that taxpayers communicate insufficiently with the practitioners and provide incomplete information that can extend the practitioner's turnover time. |
| | Myers and Morris (1998:40,43) | | A lack of communication between tax practitioners and taxpayers results in taxpayers' expectations not matching the actual service experienced. | As a result of inadequate communication with taxpayers, the taxpayers' expectations regarding a particular service may differ from their actual experience of that service, as reflected in this meta-theme. |
| External influences on taxpayer | Tan (2008:16) | Taxpayers expect tax practitioners to be up to date with the latest changes in tax legislation. | | The finding regarding this meta-theme serves as a confirmation that the constant expansion of tax legislation, as an external influence, has an influence on taxpayers' expectations regarding a tax service. |
| Taxpayer knowledge gap on tax-related issues | Myers and Morris (1998:40) | Taxpayers with no prior experience with tax practitioners will have different expectations regarding the services rendered from those with previous experience. | | The knowledge gap of taxpayers with no previous dealings with tax practitioners may be greater than that of those who have had previous encounters with tax practitioners. This may cause them not to understand tax-related issues such as the possibility of different interpretations and applications of tax legislation by tax practitioners and the collecting agent, or the timeframes applicable to the tax environment, as mentioned in this meta-theme. |

| Meta-theme | Reference | From taxpayers' perspective | From tax practitioners' perspective | Relevance to this particular study |
|---|---|---|---|---|
| | Tan (2008:16) | Taxpayers expect their tax practitioners to be up to date with the changes in the law and to explain this legislation to the taxpayers in an understandable manner. | | This finding is also indicative of the knowledge gap that exists amongst taxpayers and is in line with what was mentioned in relation to this meta-theme. |
| | Choong *et al*., (2008:17); Stephenson (2006:39); Tan (2008:25) | Taxpayers expect tax practitioners to file accurate returns and be up to date with legislation, since the taxpayers themselves do not have this knowledge. | | Due to inferior tax knowledge, as mentioned in this meta-theme, a need arises among taxpayers to employ tax practitioners with personnel that are up to date with the latest changes in tax legislation in order to adhere to all legislation and file accurate tax returns. |
| | Stephenson (2006:39) | Taxpayers want to avoid interaction with the collecting agent, in Stephenson's (2006) study, the Internal Revenue Service (IRS) in the United States, and want to be protected from the collecting agent. | | This agrees with the finding relating to this meta-theme that inferior tax knowledge among taxpayers is responsible for them being afraid of the collecting agent and wanting to avoid the agent, and therefore expect the tax practitioner to protect them from the collecting agent. |
| Taxpayers' expectations regarding tax services | Myers and Morris (1998:40-41) | Taxpayers want an interactive personal relationship with their tax practitioners and believe that a small firm may give a more personal service than larger firms. Furthermore, taxpayers want to know who is handling their tax matters, since taxes involve sensitive and private information. | | These findings are in agreement with the taxpayers' expectation, relating to this meta-theme, of receiving a personal professional service from their tax practitioners. |
| | Myers and Morris (1998:41) | | Although taxpayers want to know the person handling their tax matters, it is not always possible for the same partner to handle all the tax matters relating to a taxpayer, so the partner may have to delegate some aspects to an accountant or clerk. | This finding confirms tax practitioners' argument, relating to this meta-theme, that it is not always possible to have the same tax practitioner dealing with a taxpayer's tax affairs, especially in a bigger tax practice. |
| | Tan (2008:13) | Taxpayers expect tax practitioners to be readily available even outside normal working hours if advice is needed. | | This finding agrees with taxpayers' expectation regarding a tax service of being readily available for consultation whenever they need tax advice. |

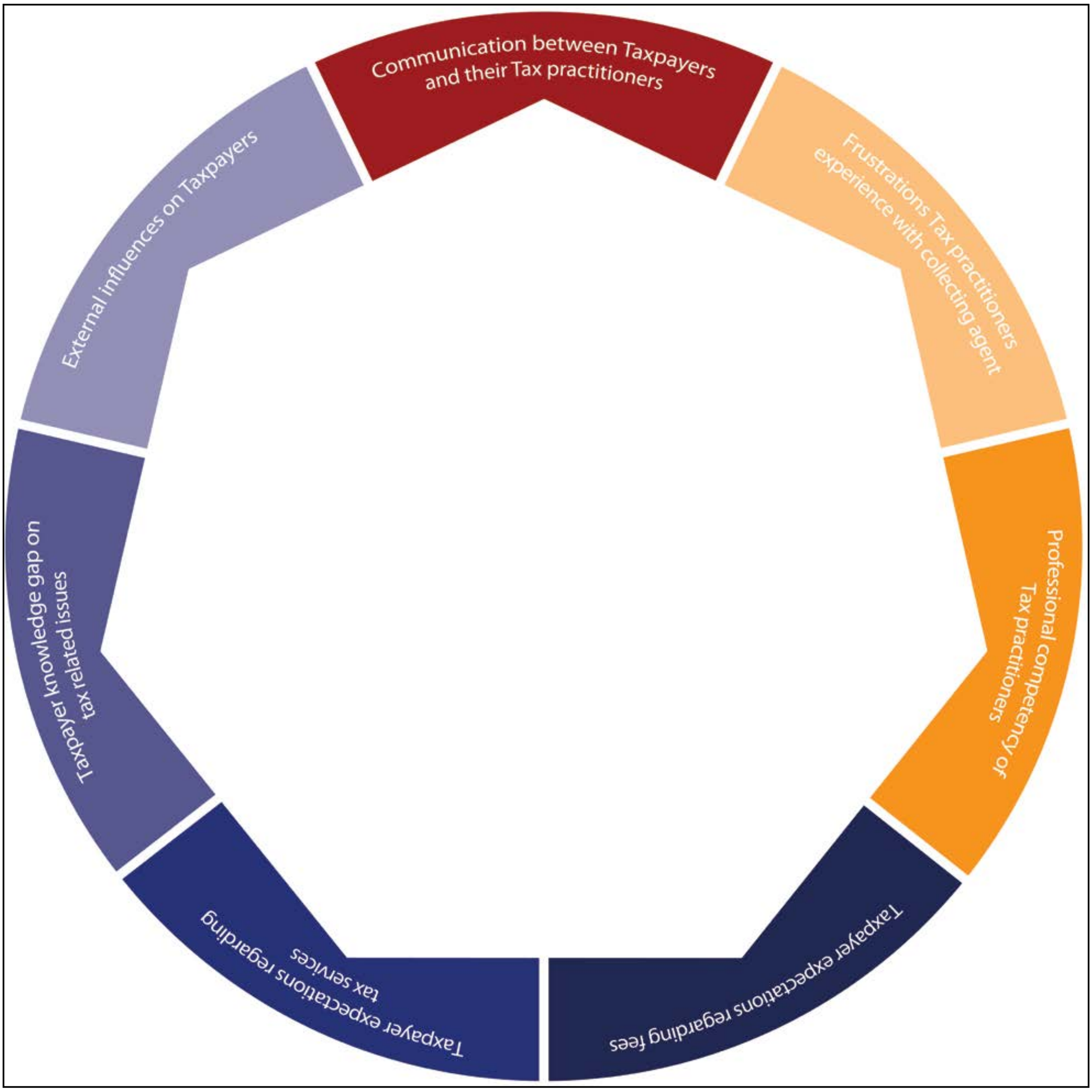
| Meta-theme | Reference | From taxpayers' perspective | From tax practitioners' perspective | Relevance to this particular study |
|---|---|---|---|---|
| | Choong *et al.* (2008:17); Stephenson (2006:39); Tan (2008:12;14) | Taxpayers mentioned that they expect their tax practitioner to be up to date with tax legislation and perform the tax work accurately and completely the first time. | | These findings are in line with the expectations of taxpayers relating to this particular meta-theme that tax practitioners must be efficient when dealing with tax affairs and must provide complete and compliant tax advice. |
| | Choong *et al.* (2008:17); Stephenson (2006:39); Tan (2008:14-16) | Taxpayers expect tax practitioners to assist them in minimising taxes but must still comply with tax legislation and therefore still file an accurate tax return. | | These findings are in line with what taxpayers suggested in relation to this particular meta-theme, in that they want their tax practitioners to file accurate tax returns. |
| | Tan (2008:14-16,25) | | In tax practitioners' opinion taxpayers expect them to assist in minimising taxes, depending on the risks involved, even to the extent of giving aggressive tax advice. | According to tax practitioners, taxpayers want to minimise their taxes even if this sometimes includes taking risks to avoid or evade tax. However (as indicated above), taxpayers want accurate returns and want tax practitioners to minimise their tax liabilities and avoid penalties.<br>Ultimately this confirms that some taxpayers' resistance to pay tax results in different interpretations of the meaning of tax planning between taxpayers and tax practitioners, as reflected in this meta-theme. |
| | Stephenson (2006:39) | | Tax practitioners were more aggressive in taxpayers' tax returns, in order to save them money than the taxpayers expected of them. | |
| | Choong *et al.* (2008:17) | | The authors concluded that taxpayers want to minimise their tax liabilities, making use of creative accounting and tax planning. | |
| | Tan (2008:16) | | The majority (52%) of the taxpayers indicated that their tax practitioners have to deal with and sort out their tax matters and should not bother them too much about them. | This is an indication of taxpayers' not wanting to take responsibility for their tax matters (as reflected in this particular meta-theme), suggesting that a possible misinterpretation of the service scope definition may lead to taxpayers' expecting to transfer all their tax responsibilities to their tax practitioners. |
| Taxpayers' expectations regarding fees for tax services | Myers and Morris (1998:42) | Taxpayers may only receive an estimate on fees to be charged when they take their tax information to the tax practitioner. When there is no breakdown of the final costs it may result in taxpayers' being displeased with the fees charged. | | This agrees with the present finding in this meta-theme that taxpayers' perceived expectations regarding the fees charged for tax services may differ from tax practitioners' perceptions of those fees charged, due to different interpretations of what value entails or what constitutes value when a tax service is provided. |

| Meta-theme | Reference | From taxpayers' perspective | From tax practitioners' perspective | Relevance to this particular study |
|---|---|---|---|---|
| Professional competency of tax practitioners | Choong *et al.* (2008:17); Stephenson (2006:39); Tan (2008:16;25) | Taxpayers expect their tax practitioners to be up to date with the changes in tax legislation and to file an accurate return. They also need to be able to communicate the tax legislation to taxpayers in an understandable manner. | | These findings provide evidence in support of this particular meta-theme of taxpayers' expectations of receiving a tax service from a professional and competent tax practitioner. This competency includes tax practitioners' having a comprehensive and sophisticated knowledge of tax legislation, and the ability to complete tax services promptly, to provide answers to complicated tax issues and to resolve any kind of tax issue that may arise. |
| Frustrations tax practitioners experience with the collecting agent | SARS (2009) | | Practitioners indicated that they have issues with a few "things" as listed in this publication (see Annexure G). A few issues are listed below:<br>• The practitioners have problems regarding the synchronisation between eFiling and EasyFile.<br>• Practitioners feel that SARS's turnaround time on objections/requests for corrections on assessments is too long.<br>• Practitioners have problems with the IT14 forms, as some of the taxpayers who are not registered for eFiling do not receive this form. It does not include farming operations. Corporate taxpayers also do not have the same function as individuals to make corrections.<br>• There is a delay in receiving VAT refunds.<br>• Practitioners find it hard to get through to contact centres. | No real evidence was found in support of this meta-theme in prior studies. This may imply that this is a new aspect discovered in this study that needs to be taken into account for future research. |

### 9.3.4 Graphic representation of the proposed conceptual interrelational framework

The conceptual interrelational framework represented in graphic form includes the seven meta-themes that were developed in Section 9.3.2 and reflect the main issues or constructs that contribute to the expectation gap between taxpayers and their tax practitioners. The framework is presented in Figure 56.

**Figure 56: Graphic representation of the proposed conceptual framework**



### 9.3.5 Proposition generation

According to Auerbach and Silverstein (2003:8),

> Qualitative hypothesis-generating research involves collecting interview data from research participants concerning a phenomenon of interest, and then using what they say in order to develop a hypothesis. It uses the two principles of (1) questioning rather than measuring and (2) generating hypotheses using theoretical coding.

By means of qualitative research, the researcher, who serves as the principal data collection instrument, through induction, discovery, exploration and qualitative analysis generates theories, hypotheses and/or propositions for further exploration (Johnson & Onwuegbuzie, 2004:18). The theoretical propositions based on the interrelationships or associations between the meta-themes resulting from the qualitative process followed in this study are thus derived from the conceptual framework presented in Figure 56.

As an initial step, a set of first draft theoretical propositions were compiled from the conceptual framework by the researcher and one of the independent observers. Subsequently, these draft theoretical propositions were presented to a focus group consisting of experts in the field of taxation, as well as representatives of the participants of the four original focus group sessions. In this focus group, both taxpayers and tax practitioners were represented. The purpose of this focus group was to give participants an opportunity to evaluate critically the draft theoretical propositions developed by the researcher, in order to reduce researcher bias and to enhance the credibility and confirmability of the proposition development process.

Subsequently, the focus groups' inputs were taken into consideration in the preparation of the final theoretical propositions. The final theoretical propositions derived from the conceptual framework are presented below.

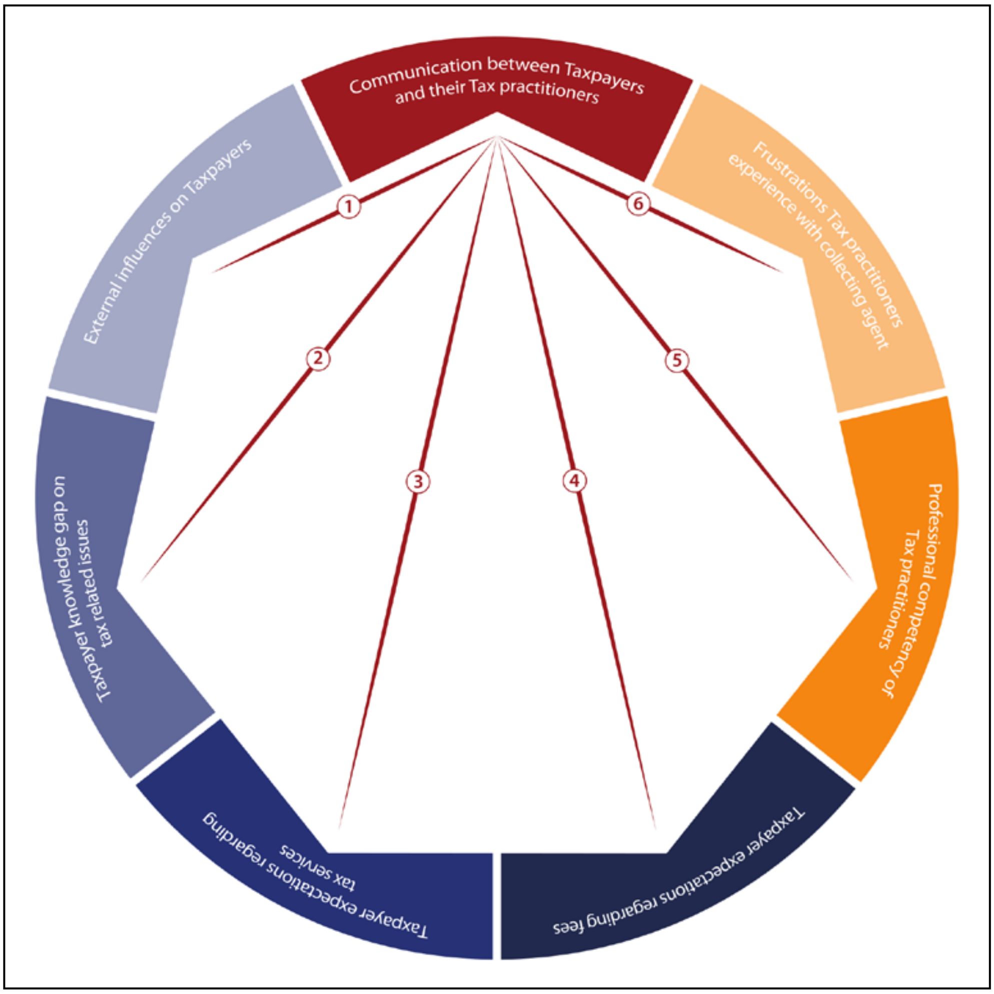
In order for the propositions to be simplified, it was appropriate to rewrite the seven meta-themes into conceptual definitions for this study. These are set out in Table 53 (overleaf).

**Table 53: Conceptual definitions of the seven meta-themes for the purposes of this study**

| o | Meta-theme | Definition |
|---|---|---|
| 1 | Communication between taxpayers and their tax practitioners | Communication between taxpayers and tax practitioners relates to all formal and informal communication, making use of written, electronic or emerging communication channels. |
| 2 | External influences on taxpayers | External influences include, but are not limited to, issues such as<br>• marketing campaigns from SARS;<br>• individual communication between SARS and taxpayers;<br>• unfounded hearsay and rumours;<br>• conflicting views between different tax practitioners;<br>• amendments to existing tax legislation; and<br>• new tax legislation that is intermittently passed. |
| 3 | Taxpayer knowledge gap on tax-related issues | Taxpayer knowledge relates to a thorough understanding of the rights and duties of taxpayers, including, but not limited to, timeframes, the cost, penalties, and risk associated with compliance and non-compliance. |
| 4 | Taxpayers' expectations regarding tax services | Taxpayers' expectations in terms of a tax service refer to<br>• the degree of personalised professional service;<br>• the availability of service;<br>• timeliness and responsiveness;<br>• appropriate technology;<br>• an understanding of the conditions with regard to the risk profile of the client;<br>• the degree to which responsibility can be transferred; and<br>• the scope beyond tax advice. |
| 5 | Taxpayers' expectations regarding fees of tax services | Tax fees refer to the monetary value of the tax service. |
| 6 | Professional competency of tax practitioners | Professional competency includes<br>• knowledge of legislation;<br>• competency to complete service;<br>• express opinions on complicated tax issues; and<br>• the ability to resolve tax issues with collecting agent. |
| 7 | Frustrations tax practitioners experience with the collecting agent, SARS | The collecting agent as service entity has both inefficiencies and strengths in its dealings with taxpayers and tax practitioners. |

The above theoretical propositions were developed in numerical order, as indicated in the final conceptual framework (see Figure 63, page 353). For ease of reference, the final conceptual framework was constructed step by step, by means of individual figures that represent only a part of the full conceptual framework at a time (see Figures 57 to 62 for this process). The associations and propositions relating to each figure are discussed below the respective figure.

Figure 57: Associations 1 to 6




### *9.3.5.1 Association 1: Communication and external influences*

A lack of communication between tax practitioners and their taxpaying clients results in taxpayers' being more susceptible to external influences which affect taxpayers' expectations regarding tax services. This leads to differences between taxpayer clients' expectations regarding a specific tax service and tax professionals' perceptions of those expectations. The external influences are therefore one of the factors that instigate and contribute to the expectation gap between taxpayers and tax practitioners.

External influences lead to an increased need amongst taxpayers for more frequent and more responsive communication from their tax practitioners to clarify information (or indeed misinformation) received from these external sources. Therefore, external influences have an effect on the communication needs of taxpayers relating to their tax practitioners.

| *Theoretical Proposition 1:* |
|---|
| Improved communication between taxpayers and tax practitioners will reduce the effect of external influences on taxpayers, and an increase of external influences will result in an increased need for communication and clarification from taxpayers. |

*9.3.5.2 Association 2: Communication and knowledge gap of taxpayers*

When tax practitioners do not impart tax information to taxpayers in a thorough, straightforward and comprehensible manner, this adds to the knowledge gap of taxpayers regarding tax issues, and it does not assist in the education of taxpayers on these matters. This then results in taxpayers' having different expectations regarding a specific tax service from the tax practitioner's perceptions of those expectations, thereby creating an expectation gap between taxpayers and their tax practitioners.

The knowledge gap on the part of taxpayers results in an increased need from them for more personal, frequent and immediate interaction with their tax practitioners in order to gain clarity on those tax issues that they do not understand. They hope that such interaction will reduce their anxiety. However, tax practitioners may not always be able to fulfil this need, because of their professional responsibilities towards other clients. These issues lead to differences in expectations between taxpayers and tax practitioners regarding the nature of tax services, and therefore contribute to the expectation gap.

| *Theoretical Proposition 2:* |
|---|
| Improved communication between taxpayers and tax practitioners will reduce the knowledge gap of taxpayers. The less educated taxpayers are regarding tax issues, the higher the need for communication to clarify tax issues. |

#### *9.3.5.3 Association 3: Communication and taxpayer expectations of tax service*

A lack of thorough and continuous communication between tax practitioners and their taxpayer clients, prior to, during, and upon completion of the engagement creates confusion on the nature and extent of the tax service, and bring about differences in perceptions regarding tax services between taxpayers and tax practitioners, thereby contributing to the expectation gap.

Taxpayers' expectations regarding tax services also result in an increased need from them for more personal, frequent and immediate interaction with their tax practitioners in order to gain clarity on tax issues. As already indicated in association 2, tax practitioners are not always able to fulfil this need due to their professional responsibilities towards other clients as well. These issues lead to differences in expectations between taxpayers and tax practitioners regarding the nature of tax services and therefore contribute to the expectation gap.

| |
|---|
| *Theoretical Proposition 3:*<br><br>The better the communication between taxpayers and tax practitioners, the more realistic taxpayers will be about the scope of what a tax service entails. |

#### *9.3.5.4 Association 4: Communication and fees*

A lack of communication and transparency about the fee structure applied by tax practitioners when charges are determined for tax services results in taxpayers' not being able to anticipate and budget for the amounts billed for a particular tax service. The inability to anticipate fees results in taxpayers' having unrealistic expectations regarding the costs of tax services compared to the practitioners' view of reasonable fees, further contributing to the expectation gap.

Alternatively, taxpayers suppose that paying a fee for a specific tax service entitles them to immediate and unlimited communication, at any time, with their tax practitioner, relating to the specific tax service, as well as to matters not included in the original fee, or part of the original agreement. This assumption affects and contributes to the expectation gap.

*Theoretical Proposition 4:*

The more transparent (in terms of better communication) the fee structure of tax practitioners, the more realistic taxpayers will be about the value of the tax service.

#### *9.3.5.5 Association 5: Communication and professional competency*

A lack of transparent communication between tax practitioners and taxpayers results in a misplaced perception on the part of taxpayers that their tax practitioners are experts and specialists in all areas of tax. This perception leads to and contributes to the expectation gap. In this regard it can also be argued that in some instances, incompetent or inexperienced tax practitioners who are overconfident but have the ability to communicate well may apply these skills in order to attract taxpayers. However, when difficult tax matters arise or problems occur with the collecting agent, they lack the professional competency to solve the issues at hand. Therefore, this type of communication also creates a false perception amongst taxpayers and also leads to and contributes to the expectation gap.

Incompetent or inexperienced tax practitioners may not have the ability to communicate effectively with taxpayers about tax services. This may result in distorted expectations regarding tax services among taxpayers, contributing to the expectation gap.

*Theoretical Proposition 5:*

Improved communication about the specific competency and professional limitations of tax practitioners will result in more realistic expectations among taxpayers regarding the scope of a tax service.

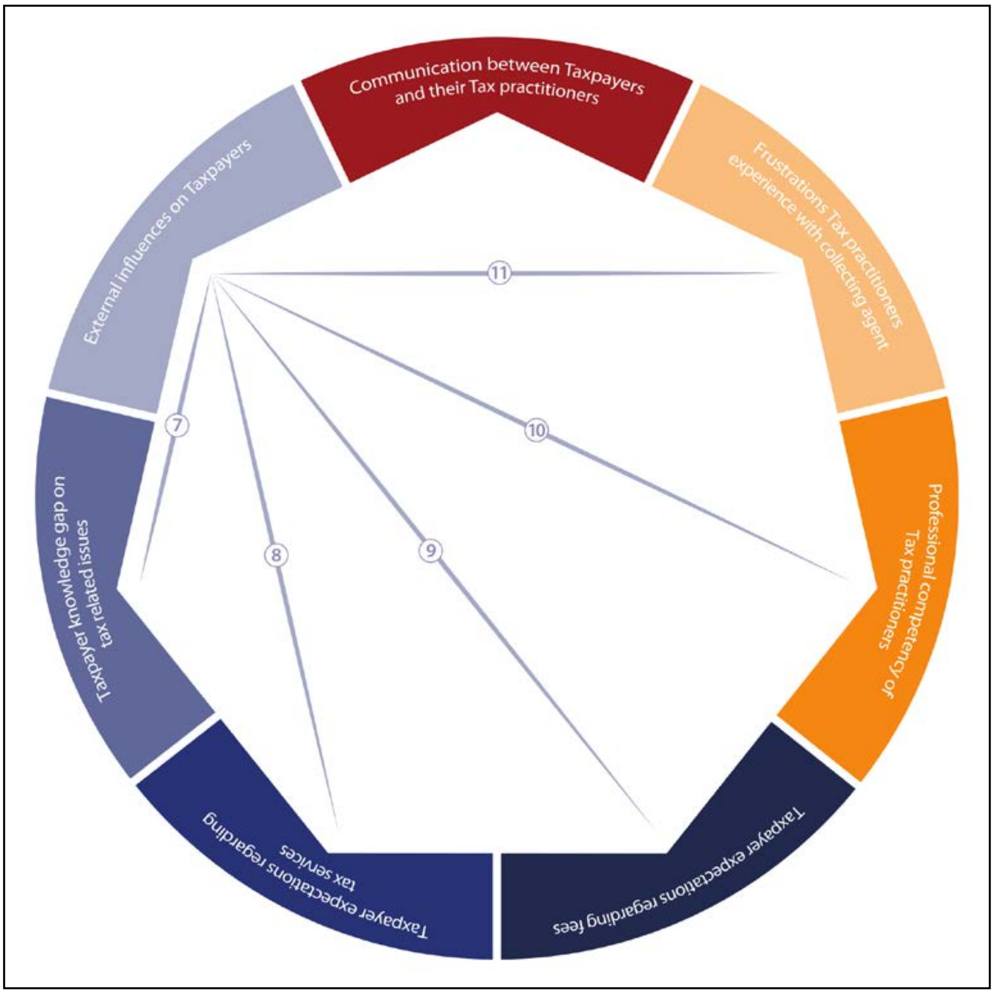
#### *9.3.5.6 Association 6: Communication and the collecting agent*

Inadequate communication to taxpayers from tax practitioners may result in clients' being unaware of, or not understanding, the frustrations that tax practitioners experience with the collecting agent, SARS. This results in taxpayers' expectations regarding tax services not being met or being delayed, thereby contributing to the expectation gap.

The frustrations that tax practitioners experience with the collecting agent, over which they have no control, may result in tax services not being provided within the expected timeframes as perceived by taxpayers. This may result in a need for increased communication between taxpayers and their tax practitioners to allow taxpayers to monitor the progress of the tax service.

| |
|---|
| *Theoretical Proposition 6:*<br><br>Improved communication between taxpayers and tax practitioners will improve the understanding of taxpayers about the realities of the systems and processes of the collecting agent. |

**Figure 58: Associations 7 to 11**



#### *9.3.5.7 Association 7: External influences and the taxpayer knowledge gap*

Taxpayers' lack of knowledge regarding tax issues results in taxpayers' false expectations regarding tax services. Taxpayers are therefore vulnerable to external influences. This increases the risk that taxpayers will incessantly change their perceptions due to the external influences, which further contributes to the expectation gap.

| |
|---|
| *Theoretical Proposition 7:*<br><br>Increased exposure to external influences will lead to an increase in the confusion among taxpayers. The less knowledgeable taxpayers are regarding tax issues, the more negatively they will be affected by external influences. |

#### *9.3.5.8 Association 8: External influences and taxpayers' expectations of tax services*

External influences are considered one of the most important issues affecting taxpayers' expectations regarding tax services. Taxpayers' perceptions regarding tax services are shaped by knowledge obtained from external sources, although the information obtained in this way may not always be accurate. In these instances, the risk increases that taxpayers' expectations will not match the actual service delivery of tax practitioners in the form of a tax service, contributing to the expectation gap.

| |
|---|
| *Theoretical Proposition 8:*<br><br>Increased exposure to external influences will change taxpayers' expectations regarding the scope of tax services. |

#### *9.3.5.9 Association 9: External influences and tax practitioners' fees*

Perceptions of the monetary fairness of fees charged are influenced by external factors, such as hearsay from other taxpayers relating to fees charged by their tax practitioners, as well as conflicting views of other tax practitioners regarding fees, which affect taxpayers' perceptions of the appropriateness of fees. These influences increase the disparity between taxpayers' and their tax practitioners' views regarding the reasonableness and appropriateness of fees payable for a tax service, thereby contributing to the expectation gap.

| |
|---|
| *Theoretical Proposition 9:*<br><br>Increased exposure to external influences will result in a larger disparity between taxpayers and tax practitioners regarding the fair value of a tax service. |

*9.3.5.10 Association 10: External influences and professional competencies of tax practitioners*

External influences increase the risk that taxpayers may question or be sceptical about the professional competency of tax practitioners that they consult. Therefore, these influences may result in taxpayers' expectations about tax services differing from their tax practitioners' perceptions of the service, and consequently contribute to the expectation gap.

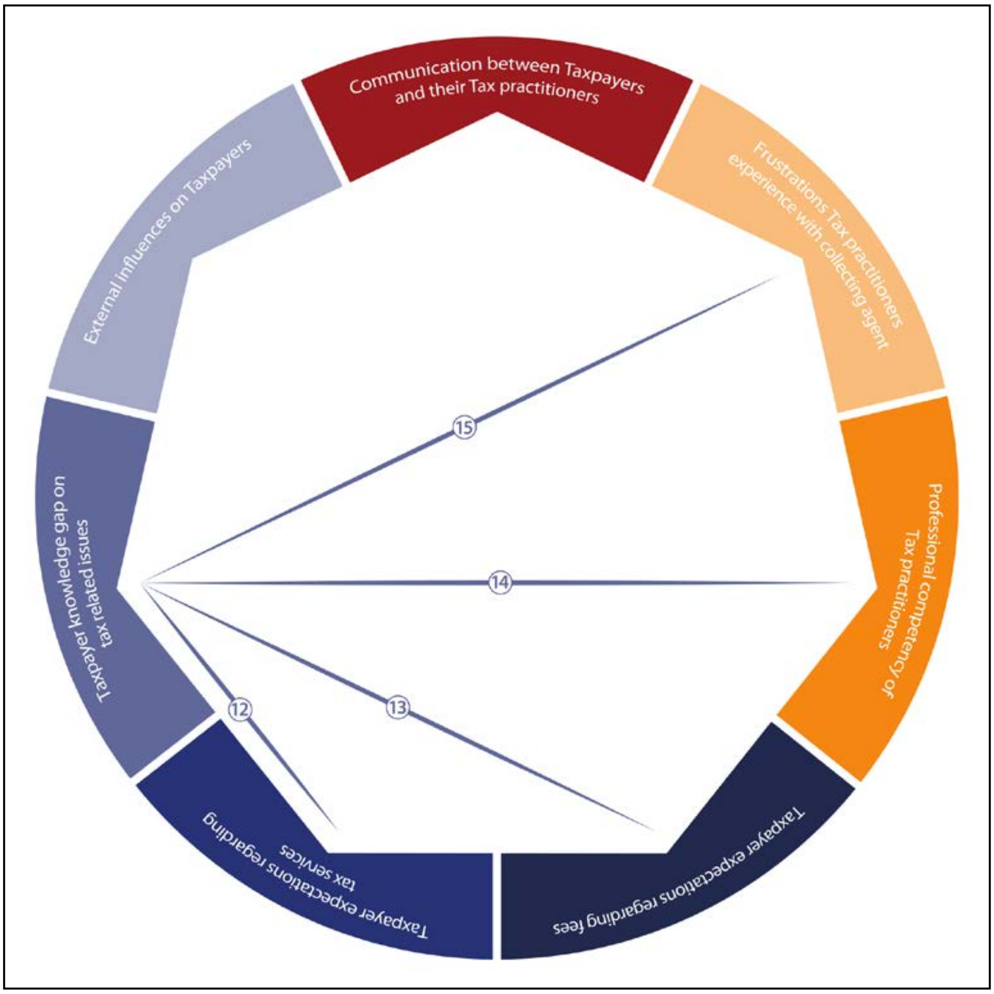
| |
|---|
| *Theoretical Proposition 10:*<br><br>Increased exposure to external influences will increase the scepticism of taxpayers about the professional competency of tax practitioners. |

*9.3.5.11 Association 11: External influences and the collecting agent*

External influences, such as unfounded hearsay and conflicting views held by other tax practitioners lead to a misunderstanding on the part of taxpayers of the frustrations that tax practitioners experience with the collecting agent, SARS. This influences taxpayers' perceptions of the nature of a tax service, which may be different from the perceptions of tax practitioners, thereby contributing to the expectation gap.

| |
|---|
| *Theoretical Proposition 11:*<br><br>Increased confusion among taxpayers due to external influences will increase misconceptions of the realities of systems and processes of the collecting agent. |

**Figure 59: Associations 12 to 15**




*9.3.5.12 Association 12: Taxpayer knowledge and taxpayer expectations of tax service*

A lack of knowledge regarding tax matters amongst taxpayers and the resulting lack of understanding of tax-related issues affect taxpayers' expectations regarding tax services provided to them. Not understanding the tax environment may result in the expectation among taxpayers that tax practitioners are always readily available for consultation. It may also lead to a possible misinterpretation of the service scope definition and a tendency of taxpayers to transfer their tax responsibilities to tax practitioners, thereby further contributing to the expectation gap.

*Theoretical Proposition 12:*

The more knowledgeable taxpayers are about tax matters, the more realistic they will be with regard to the nature and scope of a tax service.

*9.3.5.13 Association 13: Taxpayer knowledge and fees*

The lack of knowledge amongst some taxpayers affects taxpayers' perceptions of the fairness of fees charged for tax services provided to them. The inability of taxpayers to grasp the possibility of different interpretations and applications of tax legislation by tax practitioners and SARS, as well as their misunderstanding of the timeframes pertinent to the tax environment and the time it takes to provide a tax service, affects taxpayers' perceptions regarding fees charged. This has an impact on the expectation gap.

Taxpayers' expectations regarding fees may result in taxpayers' limiting the scope of the tax service to be rendered by the tax practitioner, or in taxpayers' trying to perform some of the tax work themselves. Taxpayers' inexperience with tax issues may lead to their failing to understand that when additional work on the part of tax practitioners is required on the work done by themselves, or on other work not related to the tax service originally agreed upon, this could lead to additional charges. All of these issues may contribute to the expectation gap.

*Theoretical Proposition 13:*

The more knowledgeable taxpayers are about tax matters, the more realistic they will be with regard to the fee structures applied by tax practitioners.

*9.3.5.14 Association 14: Taxpayer knowledge and tax practitioner competencies*

A lack of tax knowledge and experience is probably one of the main reasons for taxpayers to engage with tax practitioners. Taxpayers believe that tax practitioners are professionally competent and that this competency includes at least a thorough knowledge of the latest tax legislation, the ability to process tax services quickly and accurately, to provide technical explanations on all complicated tax issues and to resolve any tax problems that may arise. Different competency expectations may increase the risk that the taxpayers' expectations regarding tax services may differ from their tax practitioners' perceptions of the same matters, resulting in or affecting the expectation gap between taxpayers and tax practitioners.

On a more constructive note, competent tax practitioners may be able to educate taxpayers on tax matters they do not understand and to provide them with the necessary information in such a way that the taxpayers will have a good comprehension of these matters.

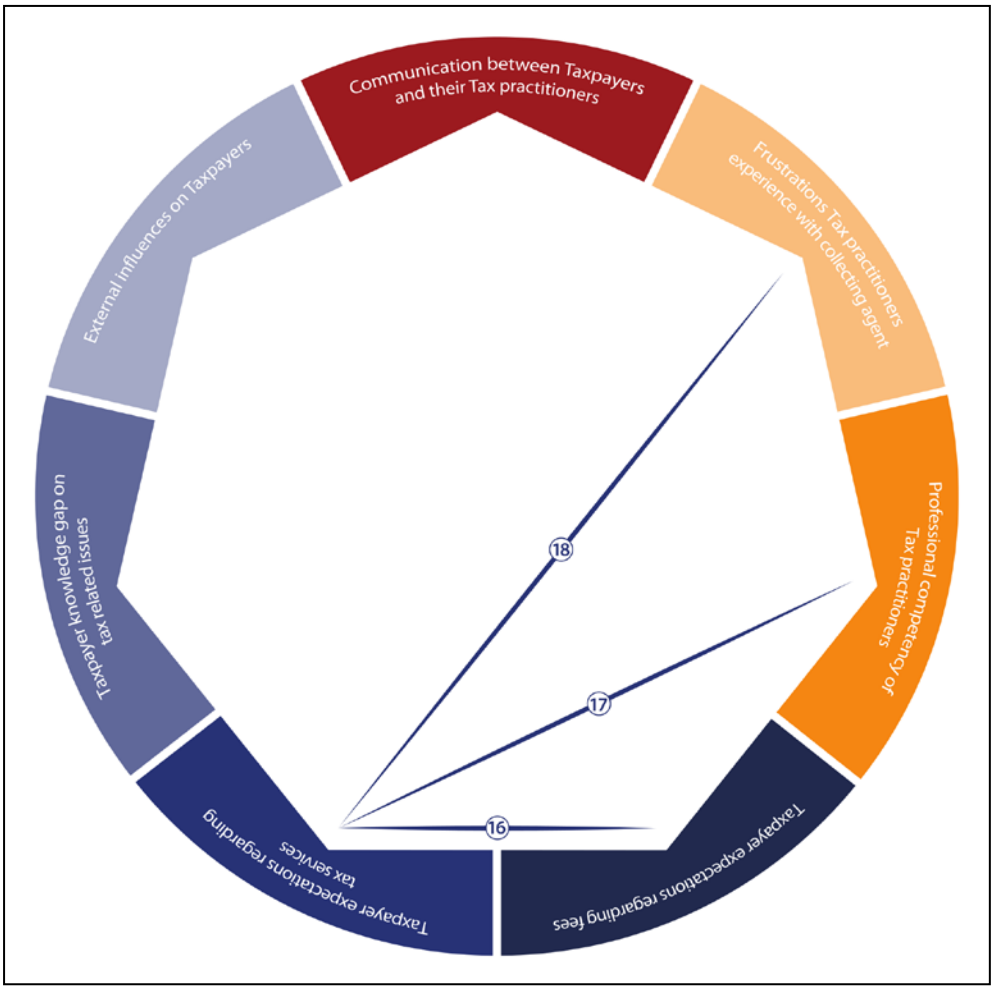
> *Theoretical Proposition 14:*
>
> The more ignorant taxpayers are in respect of tax matters, the higher their expectation of the competency of tax practitioners. More competent tax practitioners will be better equipped to improve the knowledge of taxpayers on taxation matters.

*9.3.5.15 Association 15: Taxpayer knowledge and the collecting agent*

A lack of tax knowledge on the part of taxpayers leads them to be unaware of, or not to understand, the frustrations that tax practitioners experience with the collecting agent, SARS, thereby contributing to the expectation gap.

> *Theoretical Proposition 15:*
>
> The more knowledgeable taxpayers are about tax matters, the better their comprehension of the realities of the systems and processes of the collecting agent will be.

**Figure 60: Propositions 16 to 18**




*9.3.5.16 Association 16: Taxpayer expectations regarding tax services and tax practitioner's fees*

Taxpayers' expectations regarding the nature and scope of tax services that should be rendered to them affect their sense of the fairness of fees charged for the tax services provided to them. When taxpayers' expectations regarding tax services provided to them are not met, it may lead them to perceive the tax service as not being of value to them, thereby contributing to the expectation gap.

Some taxpayers' expectations regarding fees (or their fear of high fees) may result in their limiting the scope of the tax service provided to them, or may lead to their doing some of the tax work themselves. If problems do arise, taxpayers may believe tax practitioners are still responsible for solving these problems and expect their tax practitioners to deal with the problems without charging additional fees. In circumstances where work is done by taxpayers themselves, and where they lack the necessary tax skills, the taxpayers may end up paying more, since their tax practitioners have to rectify mistakes and sort out problems. These factors may also contribute to the expectation gap.

| |
|---|
| *Theoretical Proposition 16:*<br><br>The higher the expectations of the taxpayer about the nature and scope of the tax service, the more the taxpayer will be willing to pay for the service. The more price sensitive taxpayers are, the more inclined they will be to limit the scope of the tax service. |

*9.3.5.17 Association 17: Taxpayer expectation of tax service and tax practitioner competency*

Taxpayers expect to receive a tax service from a professional, competent tax practitioner. If a tax practitioner is unable to provide a comprehensive elucidation of tax legislation, or is unable to complete tax services promptly and accurately, or provide answers to complicated tax issues and resolve any tax issues that may occur, this may result in taxpayers' expectations regarding tax services differing from tax practitioners' perceptions of those services, thereby contributing to the expectation gap.

Alternatively, over-confident and well-spoken, but incompetent, tax practitioners may create misperceptions about the quality of the tax service to be provided. This results in tax practitioners' over-committing on the tax service to be provided, but falling short in the delivery thereof. The result may contribute to  the expectation gap.

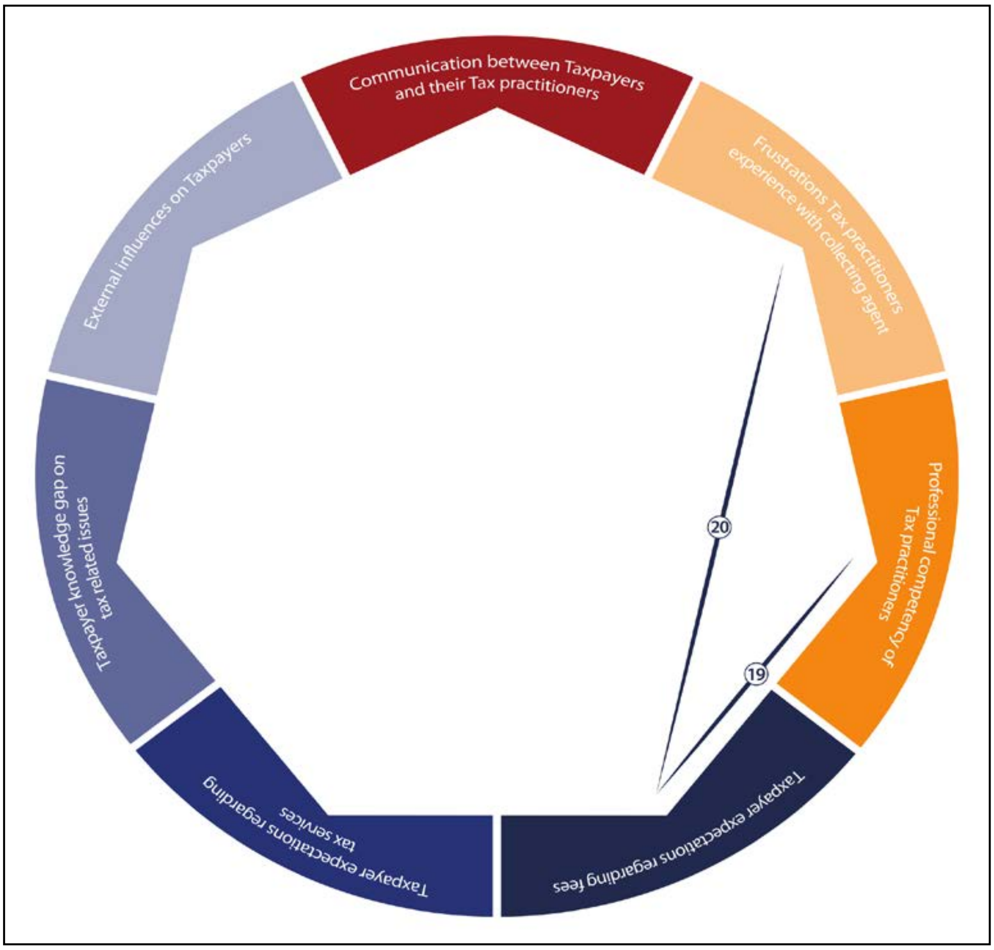
| |
|---|
| *Theoretical Proposition 17:*<br><br>The more taxpayers expect with regard to the nature and scope of the tax service, the higher their expectation of the competency of tax practitioners. The more competent tax practitioners are, the more they can influence taxpayers' expectations regarding the nature and scope of the tax service that the practitioners provide. |

*9.3.5.18 Association 18: Taxpayer expectations of tax service and the collecting agent*

The frustrations tax practitioners experience in their dealings with the collecting agent increase the risk that tax practitioners may not meet the expectations of taxpayers regarding tax services. These frustrations contribute to the expectation gap.

> *Theoretical Proposition 18:*
>
> The quality and responsiveness of the systems and processes of the collecting agent will affect taxpayers' expectations of the tax service provided by tax practitioners.

**Figure 61: Associations 19 to 20**




*9.3.5.19 Association 19: Tax practitioner's fees and tax practitioner's competency*

Taxpayers are not willing to pay a fee for tax services delivered by incompetent tax practitioners, especially if the quality of the service is perceived not to add value for them.

Different or even unrealistic expectations regarding what constitutes a competent tax practitioner contribute to the expectation gap.

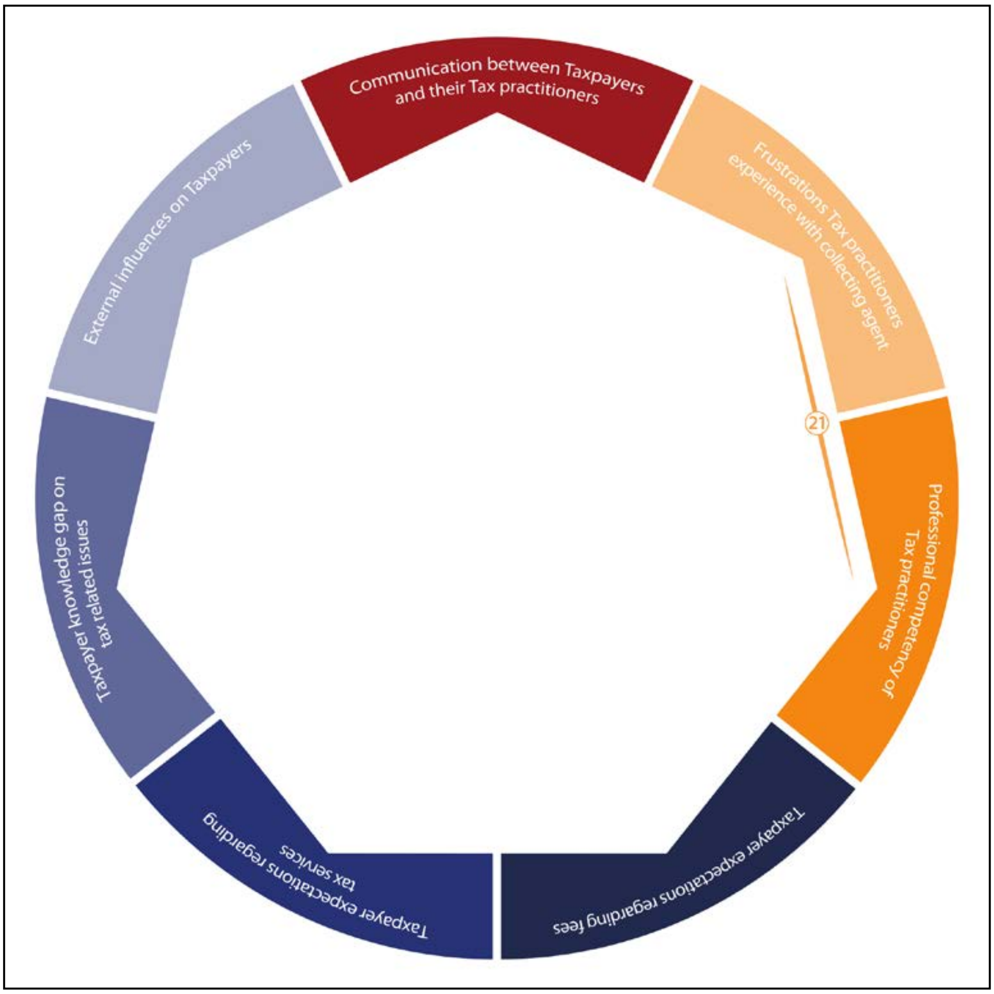
> *Theoretical Proposition 19:*
>
> The higher the perceived competency levels of tax practitioners, the more taxpayers will be willing to pay for the fees charged by tax practitioners.

*9.3.5.20 Association 20: Tax practitioner's fees and the collecting agent*

Taxpayers expect the fees they pay for tax services to include all dealings with the collecting agent, no matter what the circumstances are. By contrast, tax practitioners revealed that the frustrations they experience with the collecting agent are, in many instances, not a result of negligence on the part of the tax professional, and they therefore deem the solving of problems arising from these frustrations as an additional tax service for which additional fees should be charged. Therefore the frustrations that tax practitioners experience with the collecting agent contribute to the expectation gap.

> *Theoretical Proposition 20:*
>
> The more inefficient the systems and complex the processes of the collecting agent are, the higher the fees that tax practitioners need to charge for the tax service.

**Figure 62: Association 21**




### 9.3.5.21 *Association 21: Professional competency of the tax practitioner and the collecting agent*

Although tax practitioners may be competent and may put in place measures to enhance tax compliance, tax practitioners may still experience frustration in their dealings with the collecting agent. These frustrations are beyond their control. Thus, the frustrations that tax practitioners have with the collecting agent contribute to the expectation gap between taxpayers and tax practitioners.

*Theoretical Proposition 21:*

The more competent tax practitioners are, the more likely it is that they will be able to resolve issues with the collecting agent. Conversely, the more inefficient the systems and processes of the collection agent are, the less likely is it that (even competent) tax practitioners will be able to resolve tax issues.

## 9.4 CONCLUSION

Chapter 9 addressed the main purpose of this research study, namely to gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa. This chapter integrated the perceptions of taxpayers and the different groups of tax practitioners of various factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context by discussing the 18 themes identified from the data reported in Chapters 5 to 8. In addition, the chapter proposed (in the form of theoretical proposition statements) how these factors may interact or may be systematically associated. Thus an improved understanding of the issues, and the complex interrelatedness between the factors that contribute to the expectation gap between taxpayers and their tax practitioners in South Africa was gained in this chapter.

The theoretical propositions derived in Chapter 9 are applied in Chapter 10 to suggest mechanisms and interventions that can be used to address the expectation gap between taxpayers and their tax practitioners in South Africa, based on the principles described by Denyer, Tranfield and Van Aken (2008:393-408).

# CHAPTER 10: CONCLUSIONS AND RECOMMENDATIONS

## 10.1 INTRODUCTION

Chapter 10 provides a holistic view of the research results of this study in view of the research objectives, and makes recommendations concerning the primary objective, namely to shed light on the dynamics of factors leading to the expectation gap between taxpayers and tax practitioners in a South African context. Firstly, a summary of the findings is presented. This is then followed by a discussion of the implications of the findings for various stakeholders. Next, the limitations of the study are indicated, followed by recommendations for future research and a few concluding remarks.

## 10.2 SUMMARY OF FINDINGS AND CONCLUSIONS

The relationship between tax practitioners and taxpayers is complex – a variety of aspects shape their expectations, interactions and perceptions of services rendered and received. The complexity of the matter at hand and divergent interpretations by both parties of their respective roles contribute to differences in their expectations regarding the nature and scope of services rendered by tax practitioners.

It is widely accepted by both researchers and revenue bodies that tax practitioners play a vital role in influencing the tax compliance strategies of their clients. Given the increasing utilisation of tax practitioners in South Africa, it is important for both tax practitioners and taxpayers to understand the factors that drive taxpayers' and tax practitioners' behaviour in order to improve the relationship between them. For tax practitioners, more clarity on these factors would make them more aware of ethical issues, and this could result in more accountable decision-making. The formation of an inclusive regulatory framework and improved ethical conduct by tax practitioners are likely to result in taxpayers' receiving better and more consistent tax advice.

The empirical results from this study were analysed in depth in Chapters 5 to 8. In Chapter 5, the empirical results on the factors that contribute to the expectation gap between taxpayers and their tax practitioners were discussed from the taxpayers' perspective. The discussion provided an indication of the possible systematic relations between these factors. Chapter 5 addressed Secondary Objective 1, presenting 12 affinities which were generated by the taxpayer group and which they believed to contribute to the expectation gap from the perspective of taxpayers (see Section 5.3).

Chapter 6 presented the empirical results on the perceptions of Chartered Accountants in the South African context on the factors that contribute to the expectation gap between taxpayers and their tax practitioners, addressing Secondary Objective 2 of this study. A total of 16 affinities (see Section 6.2) were generated by the Chartered Accountants.

In Chapter 7, the empirical results on the Professional Accountants' perceptions on the factors or issues that contribute to the expectation gap between taxpayers and their tax practitioners in the South African context were covered, addressing Secondary Objective 3 of this study. A total of 13 affinities (see Section 7.2) originating from the Professional Accountants were described.

Lastly, the perceptions of tax professionals other than Chartered Accountants and Professional Accountants were reported in Chapter 8, addressing Secondary Objective 4 of this research. The 13 affinities generated by these other tax professionals and the interactions between these affinities were explained (see Section 8.2).

In each of these four chapters (Chapters 5 to 8), the IQA process was applied to each of the sets of affinities in order to determine how they are perceived to interact with each other. Although the SIDs that resulted from the process were useful, it is a limitation of the process that each only presented the perspective of a specific group. Thus the diagrams were inherently very different for each of the four groups. It was clear that integration of all the information about the systematic relationships could provide a useful and more holistic framework for interventions and mechanisms that could be introduced by different stakeholders to reduce the expectation gap between taxpayers and tax practitioners. An overarching and more holistic perspective would be more useful to all stakeholders in the tax environment.

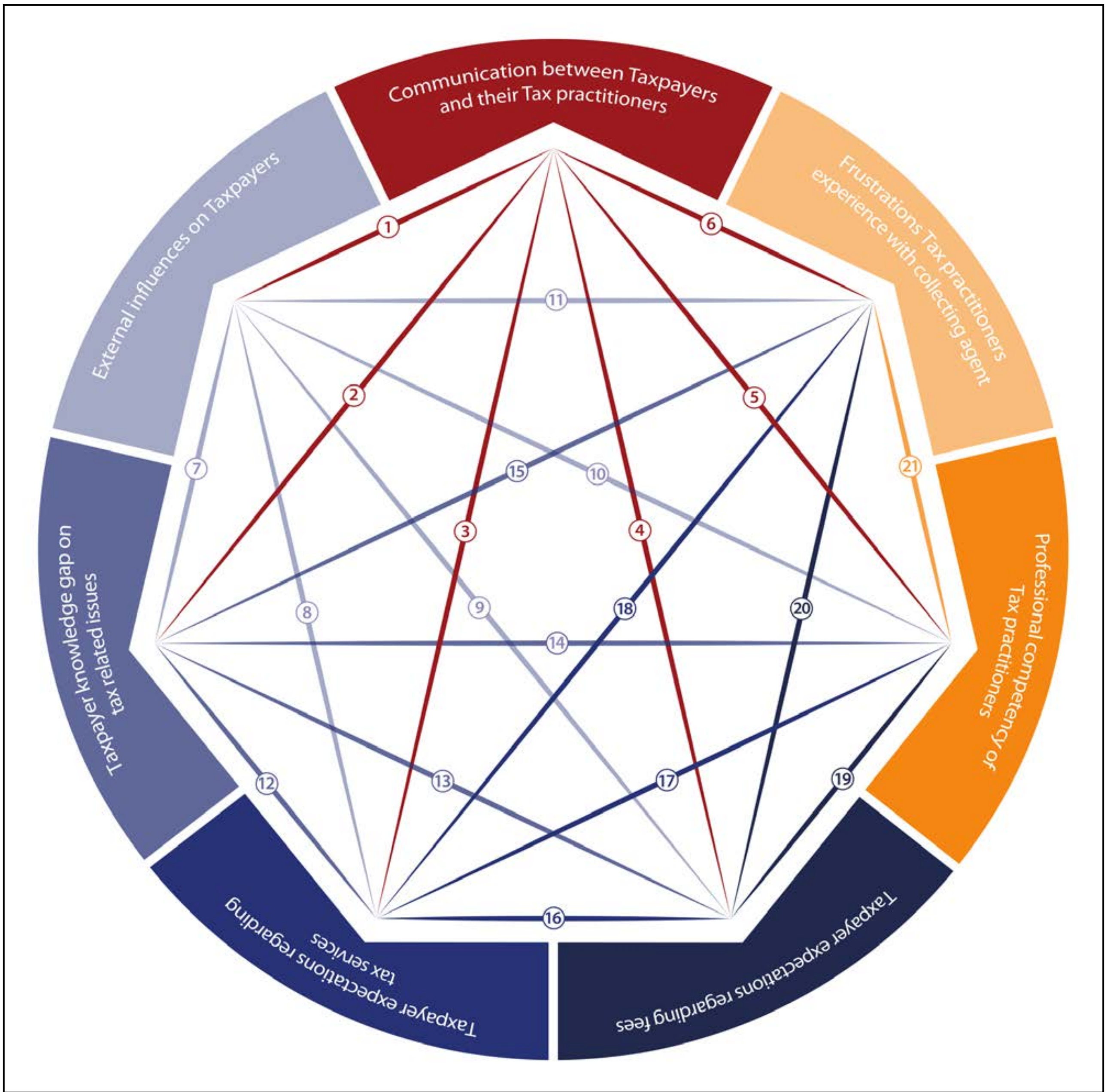
In order to meet this objective (the primary objective of this study), such an integration was undertaken in Chapter 9. In this chapter, from the data reported in Chapters 5 to 8, 18 themes were identified and discussed, using qualititative thematic analysis to cover taxpayers' as well as tax practitioners' perceptions of all the factors that contribute to the expectation gap between them in the South African context.

These 18 themes were in turn reorganised into meta-themes to provide an over-arching conceptual interrelational framework of the expectation gap between taxpayers and their tax practitioners in South Africa. Seven meta-themes emerged:

- communication between taxpayers and their tax practitioners;
- external influences on taxpayers;
- the taxpayer knowledge gap on tax-related issues;
- taxpayers' expectations regarding tax services;
- taxpayers' expectations regarding fees of tax services;
- the professional competency of tax practitioners; and
- frustrations tax practitioners experience with the collecting agent, SARS.

These meta-themes acted as the basis for the final graphic conceptual interrelationship framework presented in Figure 63 (overleaf).

**Figure 63: Graphic representation of the proposed interrelational conceptual framework**




Subsequently, using this interrelationship conceptual framework as a point of departure, theoretical propositions were generated for the 21 associations indicated in the interrelational-conceptual framework (see Section 9.3.4).

Although the objective of this research was only to gain an understanding on the expectation gap between taxpayers and their tax practitioners, the next section applies the understanding gained in the study and proposes a model to mitigate the expectation gap explored in this study. Due to the richness of the data, it was possible to compile this model in a systematic way.

## 10.3 PROPOSED MODEL TO MITIGATE THE EXPECTATION GAP

In this section, a model that combines the empirical results with the factors mentioned in the scholarly literature is proposed. Thus, the final interpretation of the findings resulting from the different phases of the qualitative research, are presented in a suggested model for reducing the expectation gap between taxpayers and their tax practitioners. Direct quotations from the qualitative interviews relating to the proposed model, as well as specific references to the literature, are provided for each "layer" in the model.

A critical evaluation of the seven meta-themes identified the following six key factors which emerged from this empirical research.

- Frequent and clear ***communication*** should take place prior to, during, and subsequent to the tax service engagement between the taxpayer and tax practitioner (meta-theme 1).
- The **capabilities** of both taxpayers and tax practitioners should constantly be improved. This can be achieved by improving taxpayers' knowledge on basic tax matters in order for them to understand tax processes better (meta-theme 3), as well as by improving tax practitioners' competence (meta-theme 6).
- The professional role and responsibilities of tax practitioners, together with the nature and scope of the tax service, should be clearly and openly communicated to taxpayers in order to minimise **confusion** in this regard (meta-theme 4).
- The fee structure should be transparent in order for taxpayers to **comprehend** it better and eliminate misconceptions about fees (meta-theme 5).
- In order to manage the **contribution** of external influences to the confusion amongst taxpayers, tax practitioners should identify possible external influences in advance and address them by means of suitable communication (meta-theme 2).
- The role and responsibilities of the **collecting agent** should also be openly and clearly stated in order to enlighten taxpayers on the collecting agent's systems and processes (meta-theme 7).

All six of the above factors may lead to the creation of reasonable expectations among taxpayers with regard to the tax services provided by tax practitioners, and may lead to the mitigation of the expectation gap between taxpayers and tax practitioners in South Africa.

The tax compliance behaviour of both taxpayers and tax practitioners was mentioned under meta-theme 4 (taxpayer expectations regarding tax services), and it was also identified in the prior literature as a factor that may contribute to the expectation gap between taxpayers and their tax practitioners. This factor was not prominent in the empirical processes followed in Chapter 9. While the other factors in the literature (see Table 52, page 327) were mentioned by the participants, compliance behaviour did not feature strongly in the qualitative analysis in the current study. However, since there is strong evidence in the literature that compliance behaviour affects the relationship between taxpayers and tax practitioners, for the sake of completeness, compliance is also included in the proposed model.

Figure 64 contains the proposed model for reducing or mitigating the expectation gap. It takes into account the above mentioned factors originating from both the empirical research and the existing literature.

In the model presented in Figure 64, the stakeholders in the provision of a tax service (the taxpayers and tax practitioners) are positioned on the left and the right sides respectively. Seven factors were found in this study to influence the relationship between taxpayers and tax practitioners. These seven factors have been termed the “seven C’s”, as described below. These “seven C’s” are presented as factors contributing to the expectation gap between taxpayers and tax practitioners in the South African context. They are the following:

- Communication;
- Capability of taxpayers and tax practitioners;
- Confusion on the nature and scope of tax service;
- Comprehension of fee structure;
- Contribution of external influences on taxpayers;
- Collecting agent’s systems and processes; and
- Compliance behaviour of taxpayers and tax practitioners.

Communication is an overarching factor that contributes to the expectation gap, since it has an impact on the other six factors. Therefore, communication was positioned at the top of the model to show its pervasive influence on the expectation gap. The remaining six factors contributing to the expectation gap are arranged in the middle of the diagram in the same order as they are listed above.

Positioned on either side of each of the factors contributing to the expectation gap are actions than can be taken to mitigate or reduce the expectation gap between the taxpayers and tax practitioners.

The factors contributing to the expectation gap, as well as the actions to be taken to achieve the mitigation of the expectation gap, are discussed prior to presenting the proposed model.

### 10.3.1 Communication

In this model, effective communication between taxpayers and their tax practitioners serves as a key factor to bridge the expectation gap. Communication has a pervasive impact on all other factors presented in the model. Improved communication between taxpayers and tax practitioners could reduce the knowledge gap among taxpayers and can assist in conveying realistic expectations regarding the competence of tax practitioners to taxpayers. It could create realistic expectations on the nature and scope of tax services, as well as the fees to be charged for tax services. Improved communication could also reduce the effect of external influences and improve taxpayers' understanding of the system's realities and the collecting agent's processes. Finally, effective communication could ensure alignment of compliance behaviour.

Suggestions for improved communication include frequent, timeous and sufficient personal communication between taxpayers and tax practitioners. Tax information and tax advice provided should be presented in a user-friendly manner by optimising use of available and appropriate technology.

Tax practitioners believe that improved communication from taxpayers includes timeous and thorough disclosure of the tax information that tax practitioners need to perform the tax services required.

Therefore, Figure 64 proposes that **effective** communication between taxpayers and tax practitioners is a purposeful action that can be used to reduce the expectation gap between taxpayers and tax practitioners.

Empirical evidence for the communication aspects can be found in the following direct quotations from the focus group and IQA process:[34]

> "*Taxpayers expect tax information to be shared in a thorough but simple (user-friendly) way that is easy for a taxpayer to understand, even without a tax background; and expect to be effectively assisted by the use of technology.*" (FG1)

> *"Proper, good and frequent communication between SARS, taxpayers and tax practitioners will reduce the expectation gap in the interpretation and application of tax legislation between these parties."* (FG3-4:41)

> *"Information provided by taxpayers, which is not always complete or accurate. This might compel tax practitioners to make assumptions based on the facts available to them, instead of using accurate information. Also, taxpayers sometimes only disclose further information after the tax service has been completed."* (FG4)

Schmidt (2001:170) provides evidence in line with this factor and indicates that tax practitioners should ensure clear and accurate communication of information to their taxpayers, as it could influence their tax behaviour.

### 10.3.2 Capability of taxpayers and tax practitioners

This capability refers to the taxpayers' basic knowledge on the subject of tax and to the professional competence of the tax practitioner.

With reference to taxpayers, there is a knowledge gap amongst taxpayers that results in them not understanding tax-related issues. Therefore, by means of education, taxpayers' general tax knowledge can be improved, resulting in them having more clarity on the nature and scope of, as well as the fees to be charged for, a tax service. Improved

[34] For reference to the empirical research for: Focus Group 1 (FG1) see Section 5.3
Focus Group 2 (FG2) see Section 6.2
Focus Group 3 (FG3) see Section 7.2
Focus Group 4 (FG4) see Section 8.2

knowledge levels among taxpayers will also lead to more realistic expectations with regard to tax practitioner competencies and abilities, and a better comprehension of the realities of the systems' realities and the collecting agents' processes.

Empirical evidence for the role of competency on the part of taxpayers can be found in the following direct quotations from the focus group and IQA process:

> *"Taxpayers having a limited knowledge or understanding of different tax types. This limited knowledge/understanding leads to confusion among taxpayers."* (FG2)

> *"A combination of taxpayers' limited tax knowledge and their perceived resistance to paying tax leads to taxpayers' failing to understand or wanting to understand the timeframes in the tax environment."* (FG2-2:59; a similar argument to that reported in FG2-3:59; FG2-5:93; FG2-6:59; FG2-7:59; FG2-9:59,93; FG2-11:59,93; FG2-13:59; FG2-15:93; and FG2-17:93)

Prior studies that emphasise the importance of educating taxpayers on tax related matters include those by Braithwaite (2003a:15), Kirchler (2009:31) and Torgler (2002:683).

In respect of the competence of tax practitioners, transparent communication about professional competency will generate realistic expectations about what taxpayers could expect from a tax service provided. Furthermore, higher levels of competence on the part of tax practitioners will provide them with the ability to improve the tax knowledge of taxpayers.

Empirical evidence for the need for this factor can be found in the following direct quotation from the focus group and IQA process:

> *"Experienced tax practitioners generally have superior knowledge of tax and knowledge of dealing with taxpayers."* (FG4-5:1)

It was also suggested that taxpayers hold the perception that if tax practitioners are experienced, knowledge of the specific tax field is automatically present (FG4-9:1). It was felt that tax practitioners with the necessary experience would be able to "manage" taxpayers' expectations regarding tax practitioners' knowledge (FG4-11:1).

Supporting evidence on the importance of tax practitioners' competence in the tax environment are found in the studies by Duncan *et al*. (1989:106), Kaplan *et al*. (1988:441), Killian and Doyle (2004:182) and Marshall *et al*. (2006:500).

Figure 64 summarises this discussion by showing that **improving the knowledge** of taxpayers and **improving the competence** of tax practitioners should decrease the expectation gap between taxpayers and their tax practitioners.

### 10.3.3 Confusion on the nature and scope of tax services

Improved communication between taxpayers and tax practitioners will enrich clarity on the nature and scope of a tax service with taxpayers. Simplified and more frequent communication from taxpayers to tax practitioners will minimise confusion and misunderstandings between stakeholders, since taxpayers will know what to expect.

Empirical evidence in support of this argument is found in the following direct quotes from the focus groups.

> *"If clear and continuous tax planning advice is provided to the taxpayer, the perception of the quality of service delivery improves."* (FG1-2:16)

> *"If the tax services are correctly scoped, the client should know what to expect from the relationship (and what not to expect)."* (FG4-8:41)

> If the tax services are correctly scoped, it *"will clarify any expectations regarding the client/tax practitioner relationship".* (FG4-9:41)

> *"The level of communication in the relationship plays an important role in managing taxpayers' expectations of the nature of the service provided."* (FG4-11:49)

Myers and Morris (1998:40) also provide evidence in support of enriching clarity on the nature and scope of the tax service, especially when dealing with new clients.

The discussion above is summarised in Figure 64 by showing that an **enrichment of the clarity** on the nature and scope of tax services between taxpayers and tax practitioners will mitigate the expectation gap that exists between the two parties.

### 10.3.4 Comprehension of the fee structure

Better comprehension of the fee structure applied for a tax service can be achieved through increased transparency of the fees. It is helpful to know the specific scope of work that is included for a particular fee. Furthermore, a discussion of deviations from fee structures or scope will result in fewer discrepancies and less dissatisfaction with fees amongst taxpayers. This increased transparency regarding fees will reduce the difference between taxpayers' perceived expectation with regard to the fees charged for tax services and tax practitioners' perceptions of that expectation for fees charged.

Empirical evidence for the need of change regarding this factor can be found in the following direct quotations from the focus group and IQA process:

> *"The transparency of fees charged is also perceived to enhance the perception of good service delivery by the tax practitioner, because if taxpayers are aware of what service tax practitioners are supposed to deliver and what they are charged for, it also enables taxpayers to manage the service providing process."* (FG1-5:53)

> *"A better understanding of the various timeframes and the point that fees are linked to the time spent will result in a better understanding of the fees charged and in the taxpayers' having more realistic expectations regarding fees."* (FG3-3:69; a similar argument to that reported in FG3-4:69; FG3-9:69; and FG3-10:69)

Myers and Morris (1998:42) also indicate the need for the disclosure of fee structures.

The above discussion was built into Figure 64 by including the action to **increase transparency** surrounding the fee structure for tax services in order to decrease the expectation gap between the stakeholders.

### 10.3.5 Contribution of external influences

Managing external influences through timely communication and improved taxpayer knowledge will result in taxpayers being less susceptible to external influences that have an impact on their expectations of the nature, scope of, and fee for tax services, as well as their valuation of the professional competencies of tax practitioners.

Empirical evidence to substantiate the role of external influences can be found in the following direct quotations from the focus group and IQA process:

> *"Due to taxpayers' lack of knowledge, they tend to believe anything they hear regarding tax and are more likely to be influenced by these external influences."* (FG4-3:27; a similar argument to that reported in FG4-9:27 and FG4-11:27)

> *"More knowledgeable taxpayers would be able to distinguish valid external information from incorrect information."* (FG4-5:27; a similar argument to that reported in FG4-4:27)

> *"These external influences on taxpayers can influence the service scope definition – which defines what taxpayers expect from tax practitioners."* (FG4-3:36)

It was argued that in instances where taxpayers are prone to listen to more external influences, their understanding of the service scope definition would change (FG4-5:36) and that the risk of misunderstanding the scope of the tax services is likely to increase (FG4-11:36).

Studies that report taxpayers' reacting to external influences include those by Sigala *et al*. (1999:241), Torgler (2005a:157) and Welch *et al*. (2005:25).

Figure 64 encapsulates these ideas by showing that **managing** external influences reduces the expectation gap between taxpayers and tax practitioners.

### 10.3.6 Collection agent's systems and processes

Communication on the potential obstacles and frustrations that may be experienced with the collecting agent's systems and processes will enlighten taxpayers and improve their understanding of the systems and processes of the collecting agent.

The more efficient the systems and processes are with the collection agent, the more likely it is that tax practitioners will be able to resolve tax issues and as a result meet their taxpayer clients' expectations.

Empirical evidence on the role of the collecting agent can be found in the following direct quotation from the focus group and IQA process:

> *"The frustrations that tax practitioners experience with SARS lead them to spend more time on services and to charge higher fees for tax services rendered, and as a result the taxpayers' expectation of fees charged by tax practitioners are affected."* (FG2-3:79; a similar argument to that reported in FG2-6:79; FG2-9:79 and FG2-17:79)

Although taxpayers may not always be aware of these frustrations (FG2-16:79), these frustrations may lead to higher fees, which is not in line with the taxpayers' expectation of reasonable fees (FG2-13:79).

Evidence on the role played by the collecting agent confirming the importance of taxpayer treatment and resolving of tax matters by tax authorities is also provided by Kirchler (2009:170) and Niemirowski and Wearing (2003:200).

Figure 64 shows that **enlightening** taxpayers on the collecting agent's systems and processes may moderate the expectation gap.

### 10.3.7 Compliance behaviour

Finally, taxpayers' expectations with regard to tax services are based on their own tax compliance behaviour. This influences their perceptions of the role that tax practitioners have to fulfil to assist them in achieving their expectations. Furthermore, the interaction amongst all stakeholders within the tax environment shapes tax compliance behaviour (Kirchler, 2007; Kirchler, Hoelzl & Wahl, 2008).

Therefore, if the taxpayers' and tax practitioners' tax compliance behaviour is aligned, this will result in mitigation of the expectation gap. When taxpayers and tax practitioners have incompatible compliance behaviour attitudes or disagree on the tax risk they are willing to take, the expectation gap will increase.

Empirical evidence for the role of compliance behaviour can be found in the following direct quotation from the focus group and IQA process:

> *"Taxpayers expect miracles regarding tax compliance from tax practitioners."* (FG3-1:10)

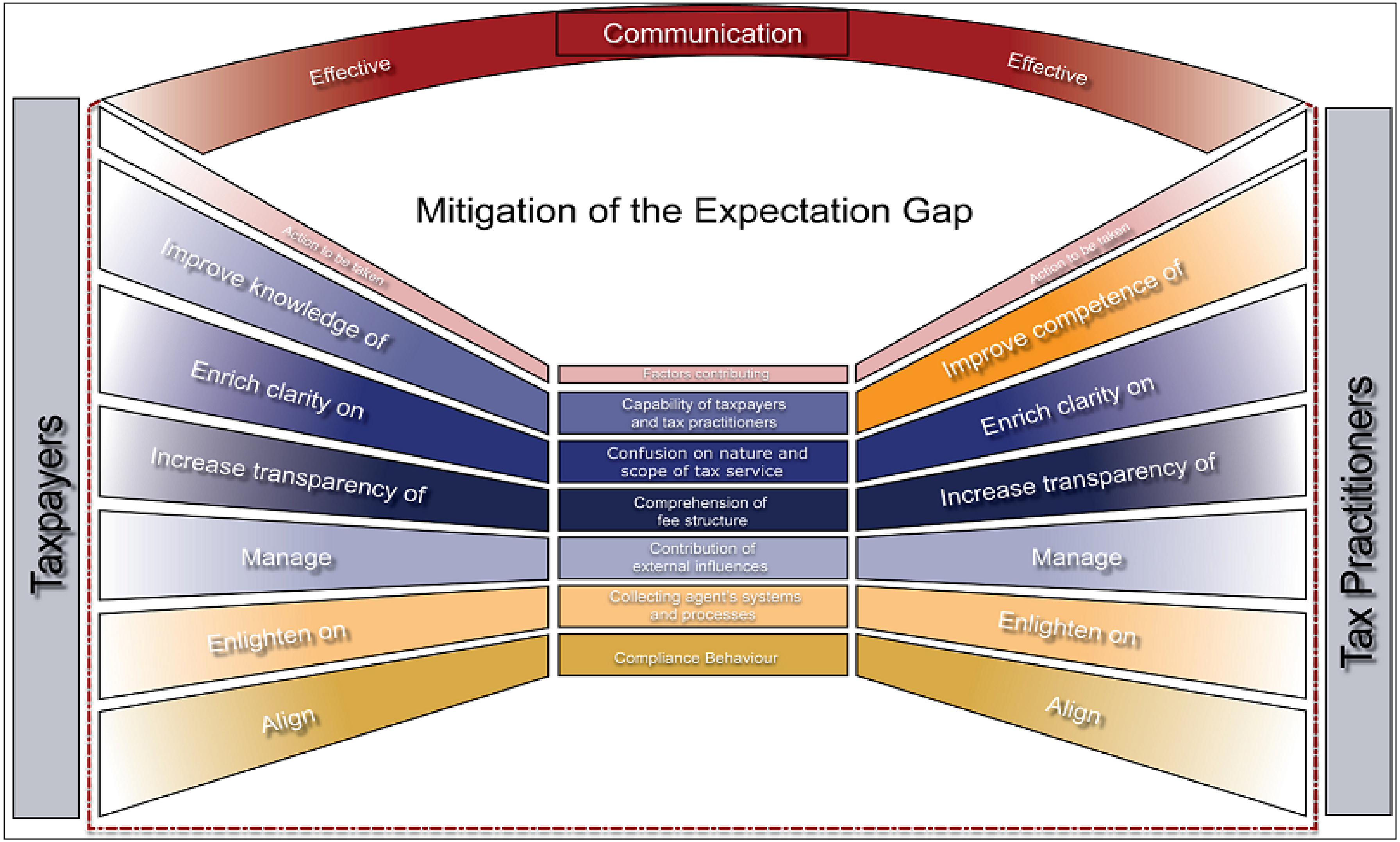
The group indicated that if taxpayers have unreasonable expectations, these can and do have an effect on their tax compliance, and taxpayers' expectations of compliance (FG3-4:10). In other words, unreasonable taxpayer expectations have a direct impact on their willingness to comply with tax legislation (FG3-5:10).

If taxpayers have an attitude of tax compliance, they tend to be open to and adhere to the tax advice provided by the tax practitioners (FG3-4:1) and are not influenced by hearsay (FG3-5:1).

Christenson (1992:78) and Stephenson (2007:418) also comment on the need for a match between taxpayers' and tax practitioners' compliance behaviour attitudes.

As a result of the discussion above, Figure 64 shows that the **alignment** of the tax compliance behaviour of taxpayers and tax practitioners serves as an alleviating action for the expectation gap.

**Figure 64: Graphic representation of the proposed conceptual framework**



## 10.4 IMPLICATIONS FOR VARIOUS STAKEHOLDERS

In this section, the implications or recommendations for the various stakeholders are presented by means of design propositions. The process followed is based on the CIMO-logic principles suggested by Denyer *et al.* (2008:397). According to these authors, a design proposition is an input for designing a solution to a problem. It is not regarded as an absolute solution to that problem. In terms of these principles, the components of a design proposition are Context (C), Interventions (I), Mechanisms (M) and Outcome (O). For the purposes of this study, these components are explained in the right hand column of Table 54.

**Table 54: CIMO-logic – the components of the design propositions for this study**

| Component | Explanation for this study |
|---|---|
| Context (C) | The professional relationship between a taxpayer and a tax practitioner in the South African tax environment is the focus and provides the context for the application of CIMO logic. |
| Interventions (I) | The theoretical propositions suggested in Section 9.3.4 are used as a basis, since these provide the specific interrelationships that have an effect on the expectation gap between taxpayers and tax practitioners. The interventions stakeholders can apply in order to influence the behaviour are mentioned in the theoretical propositions. |
| Mechanisms (M) | These are the mechanisms that stakeholders such as taxpayers, tax practitioners and the collecting agent can put into place to achieve the interventions. |
| Outcome (O) | The outcome of the intervention in this case is reducing the expectation gap between taxpayers and tax practitioners. |

Source: Adapted from Denyer *et al.* (2008:397)

### 10.4.1 Context and interventions

Table 55 (overleaf) provides the theoretical propositions and suggests possible interventions stakeholders can apply in order to influence the behaviour mentioned in the theoretical proposition.

**Table 55: Design propositions based on associations**

| No | Theoretical propositions | Interventions |
|---|---|---|
| **1** | Improved communication between taxpayers and tax practitioners will reduce the effect of external influences on taxpayers, and an increase of external influences will result in an increased need for communication and clarification from taxpayers. | More regular and improved communication between tax practitioners and their taxpayer clients is required, making use of technology. This will result in the power of external influences being minimised and it will address taxpayers' need for more frequent communication.<br>Tax practitioners should gain an informed interpretation of the external influences that cause anxiety amongst taxpayers. |
| **2** | Improved communication between taxpayers and tax practitioners will reduce the knowledge gap of taxpayers. The less educated taxpayers are regarding tax issues, the higher the need for communication to clarify tax issues. | Tax practitioners should communicate on tax matters more regularly and more simply and in an understandable fashion to improve taxpayers' general tax knowledge to reduce the need for frequent interaction with taxpayers. |
| **3** | The better the communication between taxpayers and tax practitioners, the more realistic taxpayers will be about the scope of what a tax service entails. | Simplified but more frequent communication from taxpayers to tax practitioners will reduce misunderstandings between them and result in more realistic expectations of tax services in advance of a service's being rendered. |
| **4** | The more transparent (in terms of better communication) the fee structure of tax practitioners, the more realistic taxpayers will be about the value of the tax service. | Clear disclosure and communication on the fee structure and the scope of the service it includes will result in taxpayers taking decisional control by not delaying the process, which may result in higher fees. When variations in the fees charged or time spent on tax matters are applicable, these have to be explained clearly. This will result in taxpayers being prepared for what will be charged and not having different or even unrealistic expectations of the fees charged or what they include. |
| **5** | Improved communication about the specific competency and professional limitations of tax practitioners will result in more realistic expectations among taxpayers regarding the scope of a tax service. | Honest communication to taxpayers regarding the competency levels of the tax practitioners and their staff members will ensure that unrealistic expectations are not created about a tax service amongst taxpayers. |
| **6** | Improved communication between taxpayers and tax practitioners will improve the understanding of taxpayers about the realities of the systems and processes of the collecting agent. | Pro-active communication of potential frustrations with the collecting agent results in taxpayers' expectations being aligned with those of tax practitioners. |
| **7** | Increased exposure to external influences will lead to an increase in the confusion among taxpayers. The less knowledgeable taxpayers are regarding tax issues, the more negatively they will be affected by external influences. | Taxpayers should be educated so that their general tax knowledge is improved, resulting in their not being that susceptible to external influences that affect their expectations of the nature and scope of tax services. This will result in their valuing the professional competencies of tax practitioners, leading to taxpayers' improved understanding of the monetary fairness of fees and frustrations experienced with the collecting |
| **8** | Increased exposure to external influences will change taxpayers' expectations regarding the scope of tax services. | |

| No | Theoretical propositions | Interventions |
|---|---|---|
| 9 | Increased exposure to external influences will result in a larger disparity between taxpayers and tax practitioners regarding the fair value of a tax service. | agent. |
| 10 | Increased exposure to external influences will increase the scepticism of taxpayers about the professional competency of tax practitioners. | |
| 11 | Increased confusion among taxpayers due to external influences will increase misconceptions of the realities of systems and processes of the collecting agent. | |
| 12 | The more knowledgeable taxpayers are about tax matters, the more realistic they will be with regard to the nature and scope of a tax service. | Improving the general tax knowledge of taxpayers through education will result in their expectations regarding tax services being more realistic and in line with those of the tax practitioners. |
| 13 | The more knowledgeable taxpayers are about tax matters, the more realistic they will be with regard to the fee structures applied by tax practitioners. | Improved communication about and disclosure of fee structures, together with the scope of what work is to be done, is included in the fee. Furthermore, the explanations of deviations from these structures or scope will result in fewer discrepancies and less dissatisfaction with fees amongst taxpayers. |
| 14 | The more ignorant taxpayers are in respect of tax matters, the higher their expectation of the competency of tax practitioners. More competent tax practitioners will be better equipped to improve the knowledge of taxpayers on taxation matters. | Transparent written communication on professional competencies and the practitioner’s field of expertise will create realistic expectations regarding the scope and nature of a tax service on the part of taxpayers. |
| 15 | The more knowledgeable taxpayers are about tax matters, the better their comprehension of the realities of the systems and processes of the collecting agent will be. | Communication on the possible frustrations that may be experienced with the collecting agent will educate taxpayers on these potential delays and will improve their understanding. |
| 16 | The higher the expectations of the taxpayer about the nature and scope of the tax service, the more the taxpayer will be willing to pay for the service. The more price sensitive taxpayers are, the more inclined they will be to limit the scope of the tax service. | Improved communication on and disclosure of fee structures, together with the specific scope of work that is included for a specific fee. Furthermore, the discussion of deviations from these structures or the scope will result in fewer discrepancies and dissatisfactions with fees amongst taxpayers. |
| 17 | The more taxpayers expect with regard to the nature and scope of the tax service, the higher their expectation of the competency of tax practitioners. The more competent tax practitioners are, the more they can influence taxpayers’ expectations regarding the nature and scope of the tax service that the practitioners provide. | Transparent written communication on professional competency and the field of expertise will create realistic expectations of what to expect from a tax service on the part of taxpayers. |
| 18 | The quality and responsiveness of the systems and processes of the collecting agent will affect taxpayers’ expectations of the tax service provided by tax practitioners. | Preliminary communication on the possible frustrations that may be experienced with the collecting agent will educate taxpayers on these possible frustrations and will improve their understanding regarding this frustration if it does occur. |

| No | Theoretical propositions | Interventions |
|---|---|---|
| **19** | The higher the perceived competency levels of tax practitioners, the more taxpayers will be willing to pay for the fees charged by tax practitioners. | Clear written communication on professional competencies and the practitioner's field of expertise will create realistic expectations of what to expect from a tax service among taxpayers and also create realistic expectations of fees charged. |
| **20** | The more inefficient the systems and complex the processes of the collecting agent are, the higher the fees that tax practitioners need to charge for the tax service. | Improved communication on and disclosure of fee structures, together with the scope of what work is included in the fee together with preliminary communication on the possible frustrations that may be experienced with the collecting agent, will educate taxpayers on these possible frustrations and will improve their understanding regarding this and why particular fees are charged. |
| **21** | The more competent tax practitioners are, the more likely it is that they will be able to resolve issues with the collecting agent. Conversely, the more inefficient the systems and processes of the collection agent are, the less likely is it that (even competent) tax practitioners will be able to resolve tax issues. | Communication on the possible frustrations that may be experienced with the collecting agent will educate taxpayers on these possible frustrations and will improve their understanding regarding this and why those fees are charged. |

### 10.4.2 Mechanisms

In this section, recommended mechanisms that stakeholders in the tax environment, such as taxpayers, tax practitioners, professional bodies and the collecting agent, can use to achieve the interventions mentioned in Table 55 are provided.

#### *10.4.2.1 Taxpayers*

Taxpayers can take some initiatives to reduce the expectation gap, such as the following:

- take responsibility for improving their own general tax knowledge;
- attend training workshops presented by tax practitioner firms;
- communicate with tax practitioners regarding what they expect from a tax service;
- provide complete and accurate information and documentation to tax practitioners should be complete accurate, and ordered; and
- be informed about the qualification and professional affiliation of the tax practitioner.

#### *10.4.2.2 Tax practitioners*

Tax practitioners can also undertake several initiatives which could have an effect on the expectation gap, such as the following:

- Step-by-step guidelines with regard to providing the tax service can be conveyed to the taxpayer in a preliminary contact session. This will reduce taxpayers' anxiety levels, since this will educate them on the general tax process, address their lack of knowledge about the tax environment, and let them feel more in control of the process (Myers & Morris, 1998:43).
- During this first contact session, a user-friendly tax service orientation guide, together with a letter of engagement, must be presented to the taxpayer. These actions will minimise misunderstandings regarding a tax service, give taxpayers some perceived control over the process, and also educate taxpayers. During this initial meeting, the staff involved should also be introduced, which will make future interactions much easier.

  A tax service orientation guide can include
  - a suggested time plan;

- the responsibilities of tax practitioner role players who will handle the taxpayers' accounts;
- a list of questions frequently asked by taxpayers;
- a list of information to be provided by the taxpayer and clear indication of by when the information must be provided; and
- disclosure of fees, and an explanation of how fees will be determined.

Tax practitioners should use engagement letters provided by professional bodies such as SAICA, SAIPA and SAIT as a basis. Another point of reference is the basic points of consideration or criteria when it comes to drafting engagement letters suggested by Zabrosky (1999):

- the engagement letter scope;
- legal analysis;
- confidentiality;
- representations and warranties;
- client co-operation;
- intellectual property;
- reliance on information;
- limiting the use of the report;
- indemnifications;
- conflict of interest;
- payment terms; and
- termination.

The format of these documents is highly flexible, but allows for an increased ability to bridge the gap in expectations that may arise or potentially arise during the course of the engagement.

- During the provisional tax service, tax practitioners should use relevant technology to constantly remind taxpayers of their duties and inform them on progress regarding the tax service.
- Taxpayers should be informed of any possible risks or frustration that may be experienced with the collecting agent.
- Upon completion of the tax service, the results and consequences should be personally discussed and explained to taxpayers.

- A personal follow-up procedure should be in place with the taxpayer subsequent to the completion of the tax service in order to assess the perceived overall experience from the client's point of view.
- Training workshops with the objective of explaining general tax matters to taxpayers can be held in order to educate them on certain matters.
- Frequent and easy-to-understand communication in the form of a newsletter or via social media containing explanations on contentious issues or the latest tax news can be a method to educate taxpayers.
- Tax practitioners should build a positive relationship with the collecting agent.
- Tax practitioners should continuously maintain and expand their professional competencies.
- Tax practitioners should participate in tax practitioner groups to assist in staying abreast with administration processes and these groups could also be used to facilitate and discuss problems they might experience.
- Tax practitioners should be tax compliant themselves.

*10.4.2.3 Professional bodies*

There are several initiatives that professional bodies can take. Some of the key initiatives are listed below. Professional bodies could

- assist tax practitioners in developing training workshops presented to taxpayers in a simple accessible manner that can educate taxpayers on general tax matters or changes in tax legislation;
- develop basic engagement letters and encourage tax practitioner members to use theses to mitigate the expectation gap;
- provide user-friendly and easy-to-understand material such as leaflets or brochures to assist tax practitioners in the education of their taxpayer clients;
- support research regarding the relationship between taxpayers and tax practitioners in order to understand and improve the relationship between their members (tax practitioners and their clients, the taxpayers);
- assist members to improve their relationship with the collecting agent;
- assist members with addressing and resolving the frustrations tax practitioners experience with the collecting agent;

- assist in creating local peer groups in which members can participate in order to stay abreast with the administration processes and to discuss problems they might experience;
- assist with training their members in order to maintain and improve the competency of their members; and
- frequently ensure that the competency levels of members are up to standard.

##### *10.4.2.4 Collecting agent*

The collecting agent can also take initiatives to reduce the expectation gap. SARS could

- ensure that their marketing campaigns and correspondence are a true reflection of reality in order not to create false perceptions amongst taxpayers;
- deal with tax practitioners' frustrations and attend to them in a timely manner to improve the relationship between SARS and the tax practitioners,
- assist tax practitioners with easy-to-understand material they can use to educate taxpayers on general tax matters to improve their understanding thereof;
- support research regarding the relationship between taxpayers and tax practitioners in order to improve the relationship between them;
- provide training workshops on the new tax administration process;
- provide efficient designated help desks for tax practitioners in order for them to resolve tax issues quickly and effectively; and
- implement service quality evaluations by stakeholders in order to manage service quality levels.

### 10.4.3 Outcome

Addressing the propositions by means of the proposed interventions by applying the suggested mechanisms will assist in reducing the expectation gap between taxpayers and their tax practitioners in the South African context.

## 10.5 SUMMARY OF CONTRIBUTIONS OF THE STUDY AND CONCLUDING REMARKS

This is the first qualitative research study that endeavoured to gain an understanding of the expectation gap between taxpayers and their tax practitioners in South Africa, in line with Tan's (2008) view that quantitative survey research by means of questionnaires does not sufficiently capture the nature of the interactions between the taxpayers and their practitioners.

An understanding of the expectation gap between taxpayers and their tax practitioners in South Africa was gained from the perspective of different stakeholders within the tax environment. The study identified factors that influence the expectation gap between taxpayers and tax practitioners and also identified possible systematic interactions between these factors, using the power of the IQA process. The resulting systematic view provides a useful framework for interventions and mechanisms that can be introduced by different groups of stakeholders to reduce the expectation gap.

The research also suggested a conceptual framework of the factors contributing to the expectation gap between taxpayers and tax practitioners that can serve as a foundation for future research.

Another key contribution of the study is that it highlights the complexity and interrelatedness of the factors that contribute to the expectation gap between tax practitioners and their clients. While anecdotal evidence suggests that some of the relationships identified by the study exist, it generally considers these factors in isolation. This study provides a comprehensive framework, not only of the factors affecting the expectation gap, but also of how these factors may relate to one another, thereby developing a more in-depth understanding of the phenomenon.

## 10.6 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

### 10.6.1 Limitations of this particular study

Critical reflection on this research revealed certain limitations that should be taken into account in interpreting the results, and in future studies

The purpose of the study was to develop an in-depth understanding of factors that create or influence the expectation gap between taxpayers and tax practitioners in the South African tax context. It did not seek to quantify the expectation gap, by including how much, in what way and which type of gap[35] these factors or issues influence. This can be viewed both as a limitation in the current study, and as a direction for future research to take.

Secondly, the sample itself can be viewed as a limitation. Although four different focus groups were used, representing different stakeholders, they were nevertheless all based in the Gauteng province and each group consisted of a limited number of participants. While the results of this particular study were not intended to represent the total population of taxpayers and tax practitioners in South Africa, or to be extrapolated to the whole taxpayer-practitioner population, it is possible and even likely that stakeholders from other provinces may have different perceptions of the expectation gap. This too could be investigated in future research.

Thirdly, the choice of methodology may have led to research bias. However, the research methodology chosen for the research attempted to limit the researcher's subjectivity in collecting and analysing the data. A number of measures, as discussed in the research methodology chapter, Chapter 4, were also implemented by the researcher to limit researcher bias.

The IQA methodology is a relatively new methodological approach. It was used in this study because the power and depth of the IQA method allowed the content to be determined by the taxpayers and tax practitioners themselves. The data therefore

[35] In terms of the Gaps model of service quality in the tax environment explained in Figure 12.

originated inductively, which would not be the case if the participants were presented with a predetermined questionnaire based on the findings from previous studies.

From a constructivist point of view, this also suggests that the research findings were not substantially distorted by researcher influence. However, the methodology itself has yet to be proved over a prolonged period of time (Northcutt & McCoy, 2004).

Although every effort was made to limit researcher bias, the fact that the researcher is both a qualified Chartered Accountant tax practitioner and an academic may unintentionally lead to a bias towards tax practitioners.

A limitation that will not be apparent in the results, but that may well have influenced them lies in the delay between the affinity origination process (Phase 2) and the theoretical coding (Phase 3). Ideally, the two processes should have been done contiguously but instead they were separated by as much as a month with some of the stakeholders. This was unavoidable, given that the majority of participants in this research were professionals for whom time is money. During the initial meetings, they were unwilling to set aside more time than was required for affinity recognition alone. Although they declared their willingness to participate with the coding later on, the initial commitment to the research had weakened and it was a challenge to obtain the required feedback from some participants. In the end, the findings were adequate and the findings are based on response rates ranging between 70% and 100% among the four groups.

Although this particular study has some limitations, its contributions as discussed in Section 10.5 are of value and unquestionably pose extensive opportunities for future research.

### 10.6.2 Recommendations for further research

The results of this particular study, presented in the proposed layered model, provide a platform for future research on the expectation gap between taxpayers and tax practitioners, both in the South African context and internationally. Further research is necessary to build onto this conceptual framework and to refine it. Numerous possibilities for future research about the expectation gap between taxpayers and tax practitioners are possible. However, the researcher identified a number of possibilities for future studies that are influenced by the researcher's own research interests.

A first recommendation for further research would be the development of a structured instrument based on the findings of this particular study and other studies relating to the expectation gap, to determine the relative importance of different aspects resulting in the expectation gap, and whether it is possible to measure the magnitude of the expectation gap and to shed further light on the meta-themes identified. Such information may assist different stakeholders to introduce interventions that will reduce the gap.

The second recommendation is to use this instrument in order to provide scientific measures of the expectation gap between taxpayers and tax practitioners in South Africa.

Subsequent research can explore demographic differences in the expectation gap over different segments in South Africa such as different provinces, urban versus rural environments, different types of taxpayers or different types of tax practitioners.

Another possibility for future research is the creation of an instrument to determine and measure the expectation gap for a specific tax practitioner's firm and its clients in order to equip them to provide a better tax service to their clients.

## 10.7 CONCLUDING REMARKS

Hite and Hasseldine (2003:1) and Christensen (1992:87) has shown that within the legal relationship in which taxpayers demand tax services from tax practitioners what taxpayers expect of tax practitioners does not always agree with tax practitioners' views or capabilities. This result in a possible expectation gap between the stakeholders, since a taxpayer's expectation may differ from what the tax practitioner thinks the taxpayer expects.

Through the current qualitative study, an in depth-understanding of the complexity of factors contributing to the expectation gap between taxpayers and tax practitioners in the South African context was obtained, and a conceptual framework was proposed. This conceptual framework can serve as a foundation for other related research both in South Africa and internationally. It may also initiate debate on this matter and add momentum to research on the expectation gap between taxpayers and tax practitioners. In the words of Toffler (2013:n.p.),

> The illiterate of the 21st Century will not be those who cannot read or write, but those who cannot learn, unlearn and relearn.

There is still a lot to learn, unlearn and relearn about the expectation gap between taxpayers and tax practitioners in the South African context.

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# ANNEXURE A

## INVITATION TO PARTICIPANTS

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**Faculty of Economic and Management Sciences**
**Department of Taxation**

Dear Taxpayer

Thank you for your willingness to participate in my PhD study on the expectation gap between the taxpayer and the tax practitioner. Your time is very valuable and therefore I am grateful for your kind participation in this project.

This email serves as a reminder of the date and also communicates the logistics of the focus group. I have planned the facilitation of this focus group meeting to be as efficient as possible.

**The focus group day:**

- Date: 17 April 2012
- Time: 10:30 for 11:00 – Refreshments will be supplied.
- Place: The Leadership Centre, University of Pretoria (see attached map for details).

**Planned participation involvement:**

- Attend a focus group meeting on 17 April 2012 at 11:00. No preparation is necessary.
- After the initial focus group meeting I will articulate the findings of the meeting by e-mail in order for you to provide me with further feedback on these findings.
- Lastly, I may request your time for a short follow-up interview, if further information is required from you.
- Please note that your responses during the focus group meeting will be used in aggregate with the responses of the other participants. Your identity will remain anonymous.

**It is of the utmost importance that you send me your vehicle registration number before Friday 13 April 2012 by 12:00. This will ensure that there are no problems when you enter the gate and that you have reserved parking on campus.**

If you have any dietary requirements please inform me thereof.

If you have any further enquiries or questions regarding the focus group meeting you can contact me on my mobile phone: 082 771 9549, or via e-mail: gerhard.nienaber@up.ac.za.

Yours sincerely

Gerhard Nienaber

(Department of Taxation)

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**Faculty of Economic and Management Sciences**
**Department of Taxation**

Dear Chartered Accountant

Thank you for your willingness to participate in my PhD study on the expectation gap between the taxpayer and the tax practitioner. Your time is very valuable and therefore I am grateful for your kind participation in this project.

This email serves as a reminder of the date and also communicates the logistics of the focus group. I have planned the facilitation of this focus group meeting to be as efficient as possible.

**The focus group day:**

- Date: 17 April 2012
- Time: 07:30 for 08:00 – Refreshments will be supplied.
- Place: The Leadership Centre, University of Pretoria (see attached map for details).

**Planned participation involvement:**

- Attend a focus group meeting on 17 April 2012 at 08:00. No preparation is necessary.
- After the initial focus group meeting, I will articulate the findings of the meeting by e-mail in order for you to provide me with further feedback on these findings.
- Lastly, I may request your time for a short follow-up interview, if further information is required from you.
- Please note that your responses during the focus group meeting will be used in aggregate with the responses of the other participants. Your identity will remain anonymous.

**It is of the utmost importance that you send me your vehicle registration number before Friday 13 April 2012 by 12:00. This will ensure that there are no problems when you enter the gate and that you have reserved parking on campus.**

If you have any dietary requirements please inform me thereof.

If you have any further enquiries or questions regarding the focus group meeting you can contact me on my mobile phone: 082 771 9549 or via e-mail: gerhard.nienaber@up.ac.za.

Yours sincerely

Gerhard Nienaber

(Department of Taxation)

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**Faculty of Economic and Management Sciences**
**Department of Taxation**

Dear Professional Accountant

Thank you for your willingness to participate in my PhD study on the expectation gap between the taxpayer and the tax practitioner. Your time is very valuable and therefore I am grateful for your kind participation in this project.

This email serves as a reminder of the date and also communicates the logistics of the focus group. I have planned the facilitation of this focus group meeting to be as efficient as possible.

**<u>The focus group day:</u>**

- Date: 19 April 2012
- Time: 07:30 for 08:00 – Refreshments will be supplied.
- Place: The Leadership Centre, University of Pretoria (see attached map for details).

**<u>Planned participation involvement:</u>**

- Attend a focus group meeting on 19 April 2012 at 08:00. No preparation is necessary. The focus group meeting will not exceed 2.5 hours.
- After the initial focus group meeting I will articulate the findings of the meeting by e-mail in order for you to provide me with further feedback on these findings.
- Lastly, I may request your time for a short follow-up interview, if further information is required from you.
- Please note that your responses during the focus group meeting will be used in aggregate with the responses of the other participants. Your identity will remain anonymous.

**It is of the utmost importance that you send me your vehicle registration number before Monday 16 April 2012. This will ensure that there are no problems when you enter the gate and that you have reserved parking on campus.**

If you have any dietary requirements please inform me thereof.

If you have any further enquiries or questions regarding the focus group meeting you can contact me on my mobile phone: 082 771 9549 or via e-mail: gerhard.nienaber@up.ac.za.

Yours sincerely

Gerhard Nienaber

(Department of Taxation)

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

**Faculty of Economic and Management Sciences**
**Department of Taxation**

Dear Other tax practitioner

Thank you for your willingness to participate in my PhD study on the expectation gap between the taxpayer and the tax practitioner. Your time is very valuable and therefore I am grateful for your kind participation in this project.

This email serves as a reminder of the date and also communicates the logistics of the focus group. I have planned the facilitation of this focus group meeting to be as efficient as possible.

**The focus group day:**

- Date: 19 April 2012
- Time: 10:30 for 11:00 – Refreshments will be supplied.
- Place: The Leadership Centre, University of Pretoria (see attached map for details).

**Planned participation involvement:**

- Attend a focus group meeting on 19 April 2012 at 11:00. No preparation is necessary. The focus group meeting will not exceed 2.5 hours.
- After the initial focus group meeting I will articulate the findings of the meeting by e-mail in order for you to provide me with further feedback on these findings.
- Lastly, I may request your time for a short follow-up interview, if further information is required from you.
- Please note that your responses during the focus group meeting will be used in aggregate with the responses of the other participants. Your identity will remain anonymous.

**It is of the utmost importance that you send me your vehicle registration number before Monday 16 April 2012. This will ensure that there are no problems when you enter the gate and that you have reserved parking on campus.**

If you have any dietary requirements please inform me thereof.

If you have any further enquiries or questions regarding the focus group meeting you can contact me on my mobile phone: 082 771 9549 or via e-mail: gerhard.nienaber@up.ac.za.

Yours sincerely

Gerhard Nienaber

(Department of Taxation)

# ANNEXURE B

## CONSENT FORM

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA
**Faculty of Economic and Management Sciences**
**Department of Taxation**

## Consent for participation in a research study
## Department of Taxation
## University of Pretoria

### Title of the study: "The expectation gap between taxpayers and tax practitioners in a South African context"

Research conducted by:
Gerhard Nienaber
Telephone number: (012) 420 4098
E-mail: gerhard.nienaber@up.ac.za

Dear Participant

You are invited to participate in a research study conducted by Gerhard Nienaber, a senior lecturer engaged on his PhD, from the Department of Taxation at the University of Pretoria.

The purpose of the study is to explore the following phenomenon: the expectation gap between the taxpayer and his/her tax practitioner.

Please note the following:

- 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. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- The results of the study will be used for academic purposes and may be published locally or internationally. The results of the study may also be considered for future research purposes. We will provide you with a summary of the findings on request.
- Please contact the study leaders, Prof. Madeleine Stiglingh, on tel. (012) 420 3346 (e-mail: ms@up.ac.za), Prof. Riel Franzsen, on tel. (012) 420 5538 (e-mail: riel.franzsen@up.ac.za) or Dr Arien Strasheim, on tel. (012) 420 3145 (e-mail: arien.strasheim@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
***Gerhard Nienaber (Department of Taxation)***

# ANNEXURE C

**PARETO PROTOCOL**

**AND POWER ANALYSIS TABLES**

**IN DESCENDING ORDER**

**FOCUS GROUPS 1 TO 4**

**Table 56: Affinities in descending order of frequency using the Pareto protocol and power analysis: Taxpayers (Focus Group 1)**

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 1 | 1→3 | 11 | 11 | 0.76 | 1.780 | 1.02 |
| 2 | 2←6 | 11 | 22 | 1.52 | 3.56 | 2.04 |
| 3 | 3←10 | 11 | 33 | 2.27 | 5.34 | 3.07 |
| 4 | 7→8 | 11 | 44 | 3.03 | 7.12 | 4.09 |
| 5 | 10→11 | 11 | 55 | 3.79 | 8.90 | 5.11 |
| 6 | 2←4 | 10 | 65 | 4.55 | 10.52 | 5.97 |
| 7 | 2←10 | 10 | 75 | 5.30 | 12.14 | 6.83 |
| 8 | 2←11 | 10 | 85 | 6.06 | 13.75 | 7.69 |
| 9 | 3←4 | 10 | 95 | 6.82 | 15.37 | 8.55 |
| 10 | 3←11 | 10 | 105 | 7.58 | 16.99 | 9.41 |
| 11 | 4→6 | 10 | 115 | 8.33 | 18.61 | 10.28 |
| 12 | 8←10 | 10 | 125 | 9.09 | 20.23 | 11.14 |
| 13 | 8←12 | 10 | 135 | 9.85 | 21.84 | 12.00 |
| 14 | 9←10 | 10 | 145 | 10.61 | 23.46 | 12.86 |
| 15 | 1→2 | 9 | 154 | 11.36 | 24.92 | 13.56 |
| 16 | 1→9 | 9 | 163 | 12.12 | 26.38 | 14.25 |
| 17 | 1→12 | 9 | 172 | 12.88 | 27.83 | 14.95 |
| 18 | 6←10 | 9 | 181 | 13.64 | 29.29 | 15.65 |
| 19 | 7←12 | 9 | 190 | 14.39 | 30.74 | 16.35 |
| 20 | 1→7 | 8 | 198 | 15.15 | 32.04 | 16.89 |
| 21 | 1→8 | 8 | 206 | 15.91 | 33.33 | 17.42 |
| 22 | 2←5 | 8 | 214 | 16.67 | 34.63 | 17.96 |
| 23 | 2←12 | 8 | 222 | 17.42 | 35.92 | 18.50 |
| 24 | 3←12 | 8 | 230 | 18.18 | 37.22 | 19.04 |
| 25 | 5→6 | 8 | 238 | 18.94 | 38.51 | 19.57 |
| 26 | 7←10 | 8 | 246 | 19.70 | 39.81 | 20.11 |
| 27 | 8←9 | 8 | 254 | 20.45 | 41.10 | 20.65 |
| 28 | 8←11 | 8 | 262 | 21.21 | 42.39 | 21.18 |
| 29 | 1→4 | 7 | 269 | 21.97 | 43.53 | 21.56 |
| 30 | 1→10 | 7 | 276 | 22.73 | 44.66 | 21.93 |
| 31 | 2→8 | 7 | 283 | 23.48 | 45.79 | 22.31 |
| 32 | 3←9 | 7 | 290 | 24.24 | 46.93 | 22.68 |
| 33 | 4→7 | 7 | 297 | 25.00 | 48.06 | 23.06 |
| 34 | 4→8 | 7 | 304 | 25.76 | 49.19 | 23.43 |
| 35 | 5→7 | 7 | 311 | 26.52 | 50.32 | 23.81 |
| 36 | 5→8 | 7 | 318 | 27.27 | 51.46 | 24.18 |
| 37 | 5←10 | 7 | 325 | 28.03 | 52.59 | 24.56 |
| 38 | 6←7 | 7 | 332 | 28.79 | 53.72 | 24.93 |
| 39 | 7←11 | 7 | 339 | 29.55 | 54.85 | 25.31 |
| 40 | 3←5 | 6 | 345 | 30.30 | 55.83 | 25.52 |
| 41 | 3←8 | 6 | 351 | 31.06 | 56.80 | 25.74 |
| 42 | 4←12 | 6 | 357 | 31.82 | 57.77 | 25.95 |
| 43 | 5←11 | 6 | 363 | 32.58 | 58.74 | 26.16 |
| 44 | 6→8 | 6 | 369 | 33.33 | 59.71 | 26.38 |
| 45 | 6←11 | 6 | 375 | 34.09 | 60.68 | 26.59 |
| 46 | 6←12 | 6 | 381 | 34.85 | 61.65 | 26.80 |
| 47 | 7←9 | 6 | 387 | 35.61 | 62.62 | 27.02 |
| 48 | 9←12 | 6 | 393 | 36.36 | 63.59 | 27.23 |
| 49 | 10←12 | 6 | 399 | 37.12 | 64.56 | 27.44 |
| 50 | 11→12 | 6 | 405 | 37.88 | 65.53 | 27.66 |
| 51 | 1←4 | 5 | 410 | 38.64 | 66.34 | 27.71 |
| 52 | 1→6 | 5 | 415 | 39.39 | 67.15 | 27.76 |
| 53 | 2←3 | 5 | 420 | 40.15 | 67.96 | 27.81 |
| 54 | 2→7 | 5 | 425 | 40.91 | 68.77 | 27.86 |
| 55 | 3←7 | 5 | 430 | 41.67 | 69.58 | 27.91 |
| 56 | 3→8 | 5 | 435 | 42.42 | 70.39 | 27.96 |
| 57 | 4→5 | 5 | 440 | 43.18 | 71.20 | 28.02 |
| 58 | 4→10 | 5 | 445 | 43.94 | 72.01 | 28.07 |
| 59 | 5→9 | 5 | 450 | 44.70 | 72.82 | 28.12 |
| 60 | 5←12 | 5 | 455 | 45.45 | 73.62 | 28.17 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 61 | 9→11 | 5 | 460 | 46.21 | 74.43 | 28.22 |
| 62 | 1←11 | 4 | 464 | 46.97 | 75.08 | 28.11 |
| 63 | 1→11 | 4 | 468 | 47.73 | 75.73 | 28.00 |
| 64 | 2→3 | 4 | 472 | 48.48 | 76.38 | 27.89 |
| 65 | 2←7 | 4 | 476 | 49.24 | 77.02 | 27.78 |
| 66 | 2←9 | 4 | 480 | 50.00 | 77.67 | 27.67 |
| 67 | 2→12 | 4 | 484 | 50.76 | 78.32 | 27.56 |
| 68 | 3→7 | 4 | 488 | 51.52 | 78.96 | 27.45 |
| 69 | 4→9 | 4 | 492 | 52.27 | 79.61 | 27.34 |
| 70 | 4←11 | 4 | 496 | 53.03 | 80.26 | 27.23 |
| 71 | 4→12 | 4 | 500 | 53.79 | 80.91 | 27.12 |
| 72 | 5→10 | 4 | 504 | 54.55 | 81.55 | 27.01 |
| 73 | 5→11 | 4 | 508 | 55.30 | 82.20 | 26.90 |
| 74 | 6→7 | 4 | 512 | 56.06 | 82.85 | 26.79 |
| 75 | 6←9 | 4 | 516 | 56.82 | 83.50 | 26.68 |
| 76 | 7→9 | 4 | 520 | 57.58 | 84.14 | 26.57 |
| 77 | 10→12 | 4 | 524 | 58.33 | 84.79 | 26.46 |
| 78 | 11←12 | 4 | 528 | 59.09 | 85.44 | 26.35 |
| 79 | 1→5 | 3 | 531 | 59.85 | 85.92 | 26.07 |
| 80 | 1←9 | 3 | 534 | 60.61 | 86.41 | 25.80 |
| 81 | 1←12 | 3 | 537 | 61.36 | 86.89 | 25.53 |
| 82 | 2←8 | 3 | 540 | 62.12 | 87.38 | 25.26 |
| 83 | 3←6 | 3 | 543 | 62.88 | 87.86 | 24.99 |
| 84 | 3→6 | 3 | 546 | 63.64 | 88.35 | 24.71 |
| 85 | 5←6 | 3 | 549 | 64.39 | 88.83 | 24.44 |
| 86 | 5←9 | 3 | 552 | 65.15 | 89.32 | 24.17 |
| 87 | 5→12 | 3 | 555 | 65.91 | 89.81 | 23.90 |
| 88 | 7→10 | 3 | 558 | 66.67 | 90.29 | 23.62 |
| 89 | 9←11 | 3 | 561 | 67.42 | 90.78 | 23.35 |
| 90 | 1←6 | 2 | 563 | 68.18 | 91.10 | 22.92 |
| 91 | 1←8 | 2 | 565 | 68.94 | 91.42 | 22.48 |
| 92 | 2→4 | 2 | 567 | 69.70 | 91.75 | 22.05 |
| 93 | 2→9 | 2 | 569 | 70.45 | 92.07 | 21.62 |
| 94 | 3→4 | 2 | 571 | 71.21 | 92.39 | 21.18 |
| 95 | 3→12 | 2 | 573 | 71.97 | 92.72 | 20.75 |
| 96 | 4←5 | 2 | 575 | 72.73 | 93.04 | 20.31 |
| 97 | 4←8 | 2 | 577 | 73.48 | 93.37 | 19.88 |
| 98 | 4←10 | 2 | 579 | 74.24 | 93.69 | 19.45 |
| 99 | 4→11 | 2 | 581 | 75.00 | 94.01 | 19.01 |
| 100 | 6←8 | 2 | 583 | 75.76 | 94.34 | 18.58 |
| 101 | 6→11 | 2 | 585 | 76.52 | 94.66 | 18.15 |
| 102 | 6→12 | 2 | 587 | 77.27 | 94.98 | 17.71 |
| 103 | 7→11 | 2 | 589 | 78.03 | 95.31 | 17.28 |
| 104 | 7→12 | 2 | 591 | 78.79 | 95.63 | 16.84 |
| 105 | 8→9 | 2 | 593 | 79.55 | 95.95 | 16.41 |
| 106 | 8→10 | 2 | 595 | 80.30 | 96.28 | 15.98 |
| 107 | 8→11 | 2 | 597 | 81.06 | 96.60 | 15.54 |
| 108 | 9→12 | 2 | 599 | 81.82 | 96.93 | 15.11 |
| 109 | 1←5 | 1 | 600 | 82.58 | 97.09 | 14.51 |
| 110 | 1←7 | 1 | 601 | 83.33 | 97.25 | 13.92 |
| 111 | 1←10 | 1 | 602 | 84.09 | 97.41 | 13.32 |
| 112 | 2→5 | 1 | 603 | 84.85 | 97.57 | 12.72 |
| 113 | 2→6 | 1 | 604 | 85.61 | 97.73 | 12.13 |
| 114 | 2→10 | 1 | 605 | 86.36 | 97.90 | 11.53 |
| 115 | 2→11 | 1 | 606 | 87.12 | 98.06 | 10.94 |
| 116 | 3→9 | 1 | 607 | 87.88 | 98.22 | 10.34 |
| 117 | 3→11 | 1 | 608 | 88.64 | 98.38 | 9.75 |
| 118 | 4←6 | 1 | 609 | 89.39 | 98.54 | 9.15 |
| 119 | 4←7 | 1 | 610 | 90.15 | 98.71 | 8.55 |
| 120 | 4←9 | 1 | 611 | 90.91 | 98.87 | 7.96 |
| 121 | 5←7 | 1 | 612 | 91.67 | 99.03 | 7.36 |
| 122 | 6→9 | 1 | 613 | 92.42 | 99.19 | 6.77 |
| 123 | 6→10 | 1 | 614 | 93.18 | 99.35 | 6.17 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 124 | 7←8 | **1** | 615 | 93.94 | 99.51 | 5.58 |
| 125 | 8→12 | **1** | 616 | 94.70 | 99.68 | 4.98 |
| 126 | 9→10 | **1** | 617 | 95.45 | 99.84 | 4.38 |
| 127 | 10←11 | **1** | 618 | 96.21 | 100.00 | 3.79 |
| 128 | 1←2 | **0** | 618 | 96.97 | 100.00 | 3.03 |
| 129 | 1←3 | **0** | 618 | 97.73 | 100.00 | 2.27 |
| 130 | 3→5 | **0** | 618 | 98.48 | 100.00 | 1.52 |
| 131 | 3→10 | **0** | 618 | 99.24 | 100.00 | 0.76 |
| 132 | 5←8 | **0** | 618 | 100.00 | 100.00 | 0.00 |
| | Total frequency | **618** | | | | |

**Table 57: Affinities in descending order of frequency using the Pareto protocol and power analysis: Chartered Accountants (Focus Group 2)**

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 1 | 1←9 | 13 | 13 | 0.42 | 1.53 | 1.11 |
| 2 | 3←9 | 12 | 25 | 0.83 | 2.94 | 2.11 |
| 3 | 5→10 | 11 | 36 | 1.25 | 4.24 | 2.99 |
| 4 | 5→11 | 11 | 47 | 1.67 | 5.53 | 3.86 |
| 5 | 5→13 | 11 | 58 | 2.08 | 6.82 | 4.74 |
| 6 | 7←8 | 11 | 69 | 2.50 | 8.12 | 5.62 |
| 7 | 8→11 | 11 | 80 | 2.92 | 9.41 | 6.50 |
| 8 | 3←5 | 10 | 90 | 3.33 | 10.59 | 7.25 |
| 9 | 4←15 | 10 | 100 | 3.75 | 11.76 | 8.01 |
| 10 | 5→12 | 10 | 110 | 4.17 | 12.94 | 8.77 |
| 11 | 5→16 | 10 | 120 | 4.58 | 14.12 | 9.53 |
| 12 | 10→11 | 10 | 130 | 5.00 | 15.29 | 10.29 |
| 13 | 11→13 | 10 | 140 | 5.42 | 16.47 | 11.05 |
| 14 | 1→2 | 9 | 149 | 5.83 | 17.53 | 11.70 |
| 15 | 2←10 | 9 | 158 | 6.25 | 18.59 | 12.34 |
| 16 | 5→14 | 9 | 167 | 6.67 | 19.65 | 12.98 |
| 17 | 9→14 | 9 | 176 | 7.08 | 20.71 | 13.62 |
| 18 | 10→13 | 9 | 185 | 7.50 | 21.76 | 14.26 |
| 19 | 11→12 | 9 | 194 | 7.92 | 22.82 | 14.91 |
| 20 | 12←15 | 9 | 203 | 8.33 | 23.88 | 15.55 |
| 21 | 1←3 | 8 | 211 | 8.75 | 24.82 | 16.07 |
| 22 | 1→14 | 8 | 219 | 9.17 | 25.76 | 16.60 |
| 23 | 2→12 | 8 | 227 | 9.58 | 26.71 | 17.12 |
| 24 | 5→6 | 8 | 235 | 10.00 | 27.65 | 17.65 |
| 25 | 5←8 | 8 | 243 | 10.42 | 28.59 | 18.17 |
| 26 | 8→10 | 8 | 251 | 10.83 | 29.53 | 18.70 |
| 27 | 9→11 | 8 | 259 | 11.25 | 30.47 | 19.22 |
| 28 | 9→16 | 8 | 267 | 11.67 | 31.41 | 19.75 |
| 29 | 13←16 | 8 | 275 | 12.08 | 32.35 | 20.27 |
| 30 | 15→16 | 8 | 283 | 12.50 | 33.29 | 20.79 |
| 31 | 2←3 | 7 | 290 | 12.92 | 34.12 | 21.20 |
| 32 | 2→4 | 7 | 297 | 13.33 | 34.94 | 21.61 |
| 33 | 2←8 | 7 | 304 | 13.75 | 35.76 | 22.01 |
| 34 | 2←14 | 7 | 311 | 14.17 | 36.59 | 22.42 |
| 35 | 2→15 | 7 | 318 | 14.58 | 37.41 | 22.83 |
| 36 | 4→11 | 7 | 325 | 15.00 | 38.24 | 23.24 |
| 37 | 5→7 | 7 | 332 | 15.42 | 39.06 | 23.64 |
| 38 | 6←8 | 7 | 339 | 15.83 | 39.88 | 24.05 |
| 39 | 6→14 | 7 | 346 | 16.25 | 40.71 | 24.46 |
| 40 | 6→16 | 7 | 353 | 16.67 | 41.53 | 24.86 |
| 41 | 7←10 | 7 | 360 | 17.08 | 42.35 | 25.27 |
| 42 | 8→13 | 7 | 367 | 17.50 | 43.18 | 25.68 |
| 43 | 9→13 | 7 | 374 | 17.92 | 44.00 | 26.08 |
| 44 | 1←6 | 6 | 380 | 18.33 | 44.71 | 26.37 |
| 45 | 1←15 | 6 | 386 | 18.75 | 45.41 | 26.66 |
| 46 | 2←5 | 6 | 392 | 19.17 | 46.12 | 26.95 |
| 47 | 2←9 | 6 | 398 | 19.58 | 46.82 | 27.24 |
| 48 | 2→13 | 6 | 404 | 20.00 | 47.53 | 27.53 |
| 49 | 3→13 | 6 | 410 | 20.42 | 48.24 | 27.82 |
| 50 | 4←16 | 6 | 416 | 20.83 | 48.94 | 28.11 |
| 51 | 5→9 | 6 | 422 | 21.25 | 49.65 | 28.40 |
| 52 | 6←9 | 6 | 428 | 21.67 | 50.35 | 28.69 |
| 53 | 8→14 | 6 | 434 | 22.08 | 51.06 | 28.98 |
| 54 | 11→16 | 6 | 440 | 22.50 | 51.76 | 29.26 |
| 55 | 12←16 | 6 | 446 | 22.92 | 52.47 | 29.55 |
| 56 | 1→13 | 5 | 451 | 23.33 | 53.06 | 29.73 |
| 57 | 1←16 | 5 | 456 | 23.75 | 53.65 | 29.90 |
| 58 | 2←6 | 5 | 461 | 24.17 | 54.24 | 30.07 |
| 59 | 2←11 | 5 | 466 | 24.58 | 54.82 | 30.24 |
| 60 | 2→14 | 5 | 471 | 25.00 | 55.41 | 30.41 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 61 | 2←16 | 5 | 476 | 25.42 | 56.00 | 30.58 |
| 62 | 3→4 | 5 | 481 | 25.83 | 56.59 | 30.75 |
| 63 | 3←6 | 5 | 486 | 26.25 | 57.18 | 30.93 |
| 64 | 3←14 | 5 | 491 | 26.67 | 57.76 | 31.10 |
| 65 | 3→14 | 5 | 496 | 27.08 | 58.35 | 31.27 |
| 66 | 3←15 | 5 | 501 | 27.50 | 58.94 | 31.44 |
| 67 | 3←16 | 5 | 506 | 27.92 | 59.53 | 31.61 |
| 68 | 4←5 | 5 | 511 | 28.33 | 60.12 | 31.78 |
| 69 | 4←12 | 5 | 516 | 28.75 | 60.71 | 31.96 |
| 70 | 4→12 | 5 | 521 | 29.17 | 61.29 | 32.13 |
| 71 | 7→11 | 5 | 526 | 29.58 | 61.88 | 32.30 |
| 72 | 7←16 | 5 | 531 | 30.00 | 62.47 | 32.47 |
| 73 | 8→9 | 5 | 536 | 30.42 | 63.06 | 32.64 |
| 74 | 11←15 | 5 | 541 | 30.83 | 63.65 | 32.81 |
| 75 | 14←16 | 5 | 546 | 31.25 | 64.24 | 32.99 |
| 76 | 1→3 | 4 | 550 | 31.67 | 64.71 | 33.04 |
| 77 | 1←5 | 4 | 554 | 32.08 | 65.18 | 33.09 |
| 78 | 1←8 | 4 | 558 | 32.50 | 65.65 | 33.15 |
| 79 | 2←4 | 4 | 562 | 32.92 | 66.12 | 33.20 |
| 80 | 2←7 | 4 | 566 | 33.33 | 66.59 | 33.25 |
| 81 | 2→11 | 4 | 570 | 33.75 | 67.06 | 33.31 |
| 82 | 2→16 | 4 | 574 | 34.17 | 67.53 | 33.36 |
| 83 | 3←8 | 4 | 578 | 34.58 | 68.00 | 33.42 |
| 84 | 3←10 | 4 | 582 | 35.00 | 68.47 | 33.47 |
| 85 | 3→11 | 4 | 586 | 35.42 | 68.94 | 33.52 |
| 86 | 3←12 | 4 | 590 | 35.83 | 69.41 | 33.58 |
| 87 | 6←10 | 4 | 594 | 36.25 | 69.88 | 33.63 |
| 88 | 6→15 | 4 | 598 | 36.67 | 70.35 | 33.69 |
| 89 | 8→12 | 4 | 602 | 37.08 | 70.82 | 33.74 |
| 90 | 9→10 | 4 | 606 | 37.50 | 71.29 | 33.79 |
| 91 | 9→12 | 4 | 610 | 37.92 | 71.76 | 33.85 |
| 92 | 10→12 | 4 | 614 | 38.33 | 72.24 | 33.90 |
| 93 | 10←14 | 4 | 618 | 38.75 | 72.71 | 33.96 |
| 94 | 10→14 | 4 | 622 | 39.17 | 73.18 | 34.01 |
| 95 | 10→16 | 4 | 626 | 39.58 | 73.65 | 34.06 |
| 96 | 11←14 | 4 | 630 | 40.00 | 74.12 | 34.12 |
| 97 | 13←14 | 4 | 634 | 40.42 | 74.59 | 34.17 |
| 98 | 13←15 | 4 | 638 | 40.83 | 75.06 | 34.23 |
| 99 | 1←2 | 3 | 641 | 41.25 | 75.41 | 34.16 |
| 100 | 1←13 | 3 | 644 | 41.67 | 75.76 | 34.10 |
| 101 | 2→5 | 3 | 647 | 42.08 | 76.12 | 34.03 |
| 102 | 2→9 | 3 | 650 | 42.50 | 76.47 | 33.97 |
| 103 | 2←13 | 3 | 653 | 42.92 | 76.82 | 33.91 |
| 104 | 2←15 | 3 | 656 | 43.33 | 77.18 | 33.84 |
| 105 | 3→6 | 3 | 659 | 43.75 | 77.53 | 33.78 |
| 106 | 3→12 | 3 | 662 | 44.17 | 77.88 | 33.72 |
| 107 | 3→16 | 3 | 665 | 44.58 | 78.24 | 33.65 |
| 108 | 4←14 | 3 | 668 | 45.00 | 78.59 | 33.59 |
| 109 | 5←6 | 3 | 671 | 45.42 | 78.94 | 33.52 |
| 110 | 5→8 | 3 | 674 | 45.83 | 79.29 | 33.46 |
| 111 | 5←9 | 3 | 677 | 46.25 | 79.65 | 33.40 |
| 112 | 6→7 | 3 | 680 | 46.67 | 80.00 | 33.33 |
| 113 | 6→9 | 3 | 683 | 47.08 | 80.35 | 33.27 |
| 114 | 6→10 | 3 | 686 | 47.50 | 80.71 | 33.21 |
| 115 | 6→12 | 3 | 689 | 47.92 | 81.06 | 33.14 |
| 116 | 6→13 | 3 | 692 | 48.33 | 81.41 | 33.08 |
| 117 | 6←16 | 3 | 695 | 48.75 | 81.76 | 33.01 |
| 118 | 7←13 | 3 | 698 | 49.17 | 82.12 | 32.95 |
| 119 | 7→13 | 3 | 701 | 49.58 | 82.47 | 32.89 |
| 120 | 7←14 | 3 | 704 | 50.00 | 82.82 | 32.82 |
| 121 | 8→16 | 3 | 707 | 50.42 | 83.18 | 32.76 |
| 122 | 9←15 | 3 | 710 | 50.83 | 83.53 | 32.70 |
| 123 | 9→15 | 3 | 713 | 51.25 | 83.88 | 32.63 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 124 | 10←15 | 3 | 716 | 51.67 | 84.24 | 32.57 |
| 125 | 10→15 | 3 | 719 | 52.08 | 84.59 | 32.50 |
| 126 | 11←16 | 3 | 722 | 52.50 | 84.94 | 32.44 |
| 127 | 12←13 | 3 | 725 | 52.92 | 85.29 | 32.38 |
| 128 | 13→16 | 3 | 728 | 53.33 | 85.65 | 32.31 |
| 129 | 14→16 | 3 | 731 | 53.75 | 86.00 | 32.25 |
| 130 | 1→6 | 2 | 733 | 54.17 | 86.24 | 32.07 |
| 131 | 1←7 | 2 | 735 | 54.58 | 86.47 | 31.89 |
| 132 | 1→7 | 2 | 737 | 55.00 | 86.71 | 31.71 |
| 133 | 1→11 | 2 | 739 | 55.42 | 86.94 | 31.52 |
| 134 | 1←14 | 2 | 741 | 55.83 | 87.18 | 31.34 |
| 135 | 1→16 | 2 | 743 | 56.25 | 87.41 | 31.16 |
| 136 | 2→3 | 2 | 745 | 56.67 | 87.65 | 30.98 |
| 137 | 2→6 | 2 | 747 | 57.08 | 87.88 | 30.80 |
| 138 | 2→7 | 2 | 749 | 57.50 | 88.12 | 30.62 |
| 139 | 2→8 | 2 | 751 | 57.92 | 88.35 | 30.44 |
| 140 | 2→10 | 2 | 753 | 58.33 | 88.59 | 30.25 |
| 141 | 2←12 | 2 | 755 | 58.75 | 88.82 | 30.07 |
| 142 | 3→10 | 2 | 757 | 59.17 | 89.06 | 29.89 |
| 143 | 3←11 | 2 | 759 | 59.58 | 89.29 | 29.71 |
| 144 | 3←13 | 2 | 761 | 60.00 | 89.53 | 29.53 |
| 145 | 4←9 | 2 | 763 | 60.42 | 89.76 | 29.35 |
| 146 | 4←11 | 2 | 765 | 60.83 | 90.00 | 29.17 |
| 147 | 4→14 | 2 | 767 | 61.25 | 90.24 | 28.99 |
| 148 | 5←10 | 2 | 769 | 61.67 | 90.47 | 28.80 |
| 149 | 5←11 | 2 | 771 | 62.08 | 90.71 | 28.62 |
| 150 | 5→15 | 2 | 773 | 62.50 | 90.94 | 28.44 |
| 151 | 6→11 | 2 | 775 | 62.92 | 91.18 | 28.26 |
| 152 | 6←13 | 2 | 777 | 63.33 | 91.41 | 28.08 |
| 153 | 6←14 | 2 | 779 | 63.75 | 91.65 | 27.90 |
| 154 | 7←9 | 2 | 781 | 64.17 | 91.88 | 27.72 |
| 155 | 7←11 | 2 | 783 | 64.58 | 92.12 | 27.53 |
| 156 | 7←12 | 2 | 785 | 65.00 | 92.35 | 27.35 |
| 157 | 7→14 | 2 | 787 | 65.42 | 92.59 | 27.17 |
| 158 | 7←15 | 2 | 789 | 65.83 | 92.82 | 26.99 |
| 159 | 9←16 | 2 | 791 | 66.25 | 93.06 | 26.81 |
| 160 | 10←16 | 2 | 793 | 66.67 | 93.29 | 26.63 |
| 161 | 11←12 | 2 | 795 | 67.08 | 93.53 | 26.45 |
| 162 | 11→14 | 2 | 797 | 67.50 | 93.76 | 26.26 |
| 163 | 11→15 | 2 | 799 | 67.92 | 94.00 | 26.08 |
| 164 | 12←14 | 2 | 801 | 68.33 | 94.24 | 25.90 |
| 165 | 12→14 | 2 | 803 | 68.75 | 94.47 | 25.72 |
| 166 | 13→14 | 2 | 805 | 69.17 | 94.71 | 25.54 |
| 167 | 14←15 | 2 | 807 | 69.58 | 94.94 | 25.36 |
| 168 | 14→15 | 2 | 809 | 70.00 | 95.18 | 25.18 |
| 169 | 1←4 | 1 | 810 | 70.42 | 95.29 | 24.88 |
| 170 | 1→4 | 1 | 811 | 70.83 | 95.41 | 24.58 |
| 171 | 1→5 | 1 | 812 | 71.25 | 95.53 | 24.28 |
| 172 | 1→8 | 1 | 813 | 71.67 | 95.65 | 23.98 |
| 173 | 1←10 | 1 | 814 | 72.08 | 95.76 | 23.68 |
| 174 | 1←11 | 1 | 815 | 72.50 | 95.88 | 23.38 |
| 175 | 1→12 | 1 | 816 | 72.92 | 96.00 | 23.08 |
| 176 | 1→15 | 1 | 817 | 73.33 | 96.12 | 22.78 |
| 177 | 3←4 | 1 | 818 | 73.75 | 96.24 | 22.49 |
| 178 | 3→5 | 1 | 819 | 74.17 | 96.35 | 22.19 |
| 179 | 3←7 | 1 | 820 | 74.58 | 96.47 | 21.89 |
| 180 | 3→7 | 1 | 821 | 75.00 | 96.59 | 21.59 |
| 181 | 3→8 | 1 | 822 | 75.42 | 96.71 | 21.29 |
| 182 | 3→9 | 1 | 823 | 75.83 | 96.82 | 20.99 |
| 183 | 3→15 | 1 | 824 | 76.25 | 96.94 | 20.69 |
| 184 | 4→9 | 1 | 825 | 76.67 | 97.06 | 20.39 |
| 185 | 4←10 | 1 | 826 | 77.08 | 97.18 | 20.09 |
| 186 | 4←13 | 1 | 827 | 77.50 | 97.29 | 19.79 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 187 | 4→15 | 1 | 828 | 77.92 | 97.41 | 19.50 |
| 188 | 4→16 | 1 | 829 | 78.33 | 97.53 | 19.20 |
| 189 | 5←7 | 1 | 830 | 78.75 | 97.65 | 18.90 |
| 190 | 5←15 | 1 | 831 | 79.17 | 97.76 | 18.60 |
| 191 | 5←16 | 1 | 832 | 79.58 | 97.88 | 18.30 |
| 192 | 6←7 | 1 | 833 | 80.00 | 98.00 | 18.00 |
| 193 | 6→8 | 1 | 834 | 80.42 | 98.12 | 17.70 |
| 194 | 6←11 | 1 | 835 | 80.83 | 98.24 | 17.40 |
| 195 | 6←12 | 1 | 836 | 81.25 | 98.35 | 17.10 |
| 196 | 6←15 | 1 | 837 | 81.67 | 98.47 | 16.80 |
| 197 | 7→9 | 1 | 838 | 82.08 | 98.59 | 16.50 |
| 198 | 7→10 | 1 | 839 | 82.50 | 98.71 | 16.21 |
| 199 | 7→12 | 1 | 840 | 82.92 | 98.82 | 15.91 |
| 200 | 7→15 | 1 | 841 | 83.33 | 98.94 | 15.61 |
| 201 | 8←10 | 1 | 842 | 83.75 | 99.06 | 15.31 |
| 202 | 8←15 | 1 | 843 | 84.17 | 99.18 | 15.01 |
| 203 | 8←16 | 1 | 844 | 84.58 | 99.29 | 14.71 |
| 204 | 9←10 | 1 | 845 | 85.00 | 99.41 | 14.41 |
| 205 | 9←11 | 1 | 846 | 85.42 | 99.53 | 14.11 |
| 206 | 9←12 | 1 | 847 | 85.83 | 99.65 | 13.81 |
| 207 | 11←13 | 1 | 848 | 86.25 | 99.76 | 13.51 |
| 208 | 12→15 | 1 | 849 | 86.67 | 99.88 | 13.22 |
| 209 | 15←16 | 1 | 850 | 87.08 | 100.00 | 12.92 |
| 210 | 1→9 | 0 | 850 | 87.50 | 100.00 | 12.50 |
| 211 | 1→10 | 0 | 850 | 87.92 | 100.00 | 12.08 |
| 212 | 1←12 | 0 | 850 | 88.33 | 100.00 | 11.67 |
| 213 | 4→5 | 0 | 850 | 88.75 | 100.00 | 11.25 |
| 214 | 4←6 | 0 | 850 | 89.17 | 100.00 | 10.83 |
| 215 | 4→6 | 0 | 850 | 89.58 | 100.00 | 10.42 |
| 216 | 4←7 | 0 | 850 | 90.00 | 100.00 | 10.00 |
| 217 | 4→7 | 0 | 850 | 90.42 | 100.00 | 9.58 |
| 218 | 4←8 | 0 | 850 | 90.83 | 100.00 | 9.17 |
| 219 | 4→8 | 0 | 850 | 91.25 | 100.00 | 8.75 |
| 220 | 4→10 | 0 | 850 | 91.67 | 100.00 | 8.33 |
| 221 | 4→13 | 0 | 850 | 92.08 | 100.00 | 7.92 |
| 222 | 5←12 | 0 | 850 | 92.50 | 100.00 | 7.50 |
| 223 | 5←13 | 0 | 850 | 92.92 | 100.00 | 7.08 |
| 224 | 5←14 | 0 | 850 | 93.33 | 100.00 | 6.67 |
| 225 | 7→8 | 0 | 850 | 93.75 | 100.00 | 6.25 |
| 226 | 7→16 | 0 | 850 | 94.17 | 100.00 | 5.83 |
| 227 | 8←9 | 0 | 850 | 94.58 | 100.00 | 5.42 |
| 228 | 8←11 | 0 | 850 | 95.00 | 100.00 | 5.00 |
| 229 | 8←12 | 0 | 850 | 95.42 | 100.00 | 4.58 |
| 230 | 8←13 | 0 | 850 | 95.83 | 100.00 | 4.17 |
| 231 | 8←14 | 0 | 850 | 96.25 | 100.00 | 3.75 |
| 232 | 8→15 | 0 | 850 | 96.67 | 100.00 | 3.33 |
| 233 | 9←13 | 0 | 850 | 97.08 | 100.00 | 2.92 |
| 234 | 9←14 | 0 | 850 | 97.50 | 100.00 | 2.50 |
| 235 | 10←11 | 0 | 850 | 97.92 | 100.00 | 2.08 |
| 236 | 10←12 | 0 | 850 | 98.33 | 100.00 | 1.67 |
| 237 | 10←13 | 0 | 850 | 98.75 | 100.00 | 1.25 |
| 238 | 12→13 | 0 | 850 | 99.17 | 100.00 | 0.83 |
| 239 | 12→16 | 0 | 850 | 99.58 | 100.00 | 0.42 |
| 240 | 13→15 | 0 | 850 | 100.00 | 100.00 | 0.00 |
| | Total frequency | 850 | | | | |

**Table 58: Affinities in descending order of frequency using the Pareto protocol and power analysis: Professional Accountants (Focus Group 3)**

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 1 | 9←12 | 8 | 8 | 0.64 | 1.93 | 1.29 |
| 2 | 1←3 | 7 | 15 | 1.28 | 3.62 | 2.34 |
| 3 | 1←5 | 7 | 22 | 1.92 | 5.31 | 3.39 |
| 4 | 1←13 | 7 | 29 | 2.56 | 7.00 | 4.44 |
| 5 | 2←7 | 7 | 36 | 3.21 | 8.70 | 5.49 |
| 6 | 3→10 | 7 | 43 | 3.85 | 10.39 | 6.54 |
| 7 | 8→10 | 7 | 50 | 4.49 | 12.08 | 7.59 |
| 8 | 9→10 | 7 | 57 | 5.13 | 13.77 | 8.64 |
| 9 | 10←12 | 7 | 64 | 5.77 | 15.46 | 9.69 |
| 10 | 11←12 | 7 | 71 | 6.41 | 17.15 | 10.74 |
| 11 | 2←3 | 6 | 77 | 7.05 | 18.60 | 11.55 |
| 12 | 2←4 | 6 | 83 | 7.69 | 20.05 | 12.36 |
| 13 | 3←4 | 6 | 89 | 8.33 | 21.50 | 13.16 |
| 14 | 3→7 | 6 | 95 | 8.97 | 22.95 | 13.97 |
| 15 | 3→8 | 6 | 101 | 9.62 | 24.40 | 14.78 |
| 16 | 3→9 | 6 | 107 | 10.26 | 25.85 | 15.59 |
| 17 | 3→13 | 6 | 113 | 10.90 | 27.29 | 16.40 |
| 18 | 4→6 | 6 | 119 | 11.54 | 28.74 | 17.21 |
| 19 | 7→8 | 6 | 125 | 12.18 | 30.19 | 18.01 |
| 20 | 7→11 | 6 | 131 | 12.82 | 31.64 | 18.82 |
| 21 | 9→11 | 6 | 137 | 13.46 | 33.09 | 19.63 |
| 22 | 11←13 | 6 | 143 | 14.10 | 34.54 | 20.44 |
| 23 | 2←13 | 5 | 148 | 14.74 | 35.75 | 21.01 |
| 24 | 3→11 | 5 | 153 | 15.38 | 36.96 | 21.57 |
| 25 | 5→11 | 5 | 158 | 16.03 | 38.16 | 22.14 |
| 26 | 7←12 | 5 | 163 | 16.67 | 39.37 | 22.71 |
| 27 | 8←11 | 5 | 168 | 17.31 | 40.58 | 23.27 |
| 28 | 8←12 | 5 | 173 | 17.95 | 41.79 | 23.84 |
| 29 | 8←13 | 5 | 178 | 18.59 | 43.00 | 24.41 |
| 30 | 12→13 | 5 | 183 | 19.23 | 44.20 | 24.97 |
| 31 | 1→2 | 4 | 187 | 19.87 | 45.17 | 25.30 |
| 32 | 1←4 | 4 | 191 | 20.51 | 46.14 | 25.62 |
| 33 | 1←11 | 4 | 195 | 21.15 | 47.10 | 25.95 |
| 34 | 2←5 | 4 | 199 | 21.79 | 48.07 | 26.27 |
| 35 | 2→8 | 4 | 203 | 22.44 | 49.03 | 26.60 |
| 36 | 2←12 | 4 | 207 | 23.08 | 50.00 | 26.92 |
| 37 | 4→5 | 4 | 211 | 23.72 | 50.97 | 27.25 |
| 38 | 4→9 | 4 | 215 | 24.36 | 51.93 | 27.57 |
| 39 | 4→11 | 4 | 219 | 25.00 | 52.90 | 27.90 |
| 40 | 5←12 | 4 | 223 | 25.64 | 53.86 | 28.22 |
| 41 | 6→9 | 4 | 227 | 26.28 | 54.83 | 28.55 |
| 42 | 10←13 | 4 | 231 | 26.92 | 55.80 | 28.87 |
| 43 | 1←6 | 3 | 234 | 27.56 | 56.52 | 28.96 |
| 44 | 1←8 | 3 | 237 | 28.21 | 57.25 | 29.04 |
| 45 | 1←9 | 3 | 240 | 28.85 | 57.97 | 29.12 |
| 46 | 1←10 | 3 | 243 | 29.49 | 58.70 | 29.21 |
| 47 | 1→10 | 3 | 246 | 30.13 | 59.42 | 29.29 |
| 48 | 1←12 | 3 | 249 | 30.77 | 60.14 | 29.38 |
| 49 | 2→3 | 3 | 252 | 31.41 | 60.87 | 29.46 |
| 50 | 2←6 | 3 | 255 | 32.05 | 61.59 | 29.54 |
| 51 | 2←8 | 3 | 258 | 32.69 | 62.32 | 29.63 |
| 52 | 2→10 | 3 | 261 | 33.33 | 63.04 | 29.71 |
| 53 | 2→11 | 3 | 264 | 33.97 | 63.77 | 29.79 |
| 54 | 3→5 | 3 | 267 | 34.62 | 64.49 | 29.88 |
| 55 | 3←7 | 3 | 270 | 35.26 | 65.22 | 29.96 |
| 56 | 3←12 | 3 | 273 | 35.90 | 65.94 | 30.04 |
| 57 | 4→7 | 3 | 276 | 36.54 | 66.67 | 30.13 |
| 58 | 4→8 | 3 | 279 | 37.18 | 67.39 | 30.21 |
| 59 | 4→10 | 3 | 282 | 37.82 | 68.12 | 30.30 |
| 60 | 4←12 | 3 | 285 | 38.46 | 68.84 | 30.38 |
| 61 | 4→12 | 3 | 288 | 39.10 | 69.57 | 30.46 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 62 | 4←13 | 3 | 291 | 39.74 | 70.29 | 30.55 |
| 63 | 5←6 | 3 | 294 | 40.38 | 71.01 | 30.63 |
| 64 | 5←7 | 3 | 297 | 41.03 | 71.74 | 30.71 |
| 65 | 5←13 | 3 | 300 | 41.67 | 72.46 | 30.80 |
| 66 | 6→10 | 3 | 303 | 42.31 | 73.19 | 30.88 |
| 67 | 6→11 | 3 | 306 | 42.95 | 73.91 | 30.96 |
| 68 | 7→10 | 3 | 309 | 43.59 | 74.64 | 31.05 |
| 69 | 7←13 | 3 | 312 | 44.23 | 75.36 | 31.13 |
| 70 | 9←13 | 3 | 315 | 44.87 | 76.09 | 31.22 |
| 71 | 10→11 | 3 | 318 | 45.51 | 76.81 | 31.30 |
| 72 | 1←2 | 2 | 320 | 46.15 | 77.29 | 31.14 |
| 73 | 1←7 | 2 | 322 | 46.79 | 77.78 | 30.98 |
| 74 | 1→7 | 2 | 324 | 47.44 | 78.26 | 30.82 |
| 75 | 1→8 | 2 | 326 | 48.08 | 78.74 | 30.67 |
| 76 | 1→9 | 2 | 328 | 48.72 | 79.23 | 30.51 |
| 77 | 2→5 | 2 | 330 | 49.36 | 79.71 | 30.35 |
| 78 | 2→7 | 2 | 332 | 50.00 | 80.19 | 30.19 |
| 79 | 2←9 | 2 | 334 | 50.64 | 80.68 | 30.04 |
| 80 | 2←10 | 2 | 336 | 51.28 | 81.16 | 29.88 |
| 81 | 2←11 | 2 | 338 | 51.92 | 81.64 | 29.72 |
| 82 | 3→4 | 2 | 340 | 52.56 | 82.13 | 29.56 |
| 83 | 3←5 | 2 | 342 | 53.21 | 82.61 | 29.40 |
| 84 | 3←6 | 2 | 344 | 53.85 | 83.09 | 29.25 |
| 85 | 3←13 | 2 | 346 | 54.49 | 83.57 | 29.09 |
| 86 | 5→7 | 2 | 348 | 55.13 | 84.06 | 28.93 |
| 87 | 5←8 | 2 | 350 | 55.77 | 84.54 | 28.77 |
| 88 | 5←11 | 2 | 352 | 56.41 | 85.02 | 28.61 |
| 89 | 5→13 | 2 | 354 | 57.05 | 85.51 | 28.46 |
| 90 | 6→7 | 2 | 356 | 57.69 | 85.99 | 28.30 |
| 91 | 6←12 | 2 | 358 | 58.33 | 86.47 | 28.14 |
| 92 | 7←8 | 2 | 360 | 58.97 | 86.96 | 27.98 |
| 93 | 7←9 | 2 | 362 | 59.62 | 87.44 | 27.82 |
| 94 | 7→9 | 2 | 364 | 60.26 | 87.92 | 27.67 |
| 95 | 7←11 | 2 | 366 | 60.90 | 88.41 | 27.51 |
| 96 | 7→12 | 2 | 368 | 61.54 | 88.89 | 27.35 |
| 97 | 8←9 | 2 | 370 | 62.18 | 89.37 | 27.19 |
| 98 | 8→11 | 2 | 372 | 62.82 | 89.86 | 27.03 |
| 99 | 10←11 | 2 | 374 | 63.46 | 90.34 | 26.88 |
| 100 | 1→3 | 1 | 375 | 64.10 | 90.58 | 26.48 |
| 101 | 1→4 | 1 | 376 | 64.74 | 90.82 | 26.08 |
| 102 | 1→5 | 1 | 377 | 65.38 | 91.06 | 25.68 |
| 103 | 1→11 | 1 | 378 | 66.03 | 91.30 | 25.28 |
| 104 | 1→12 | 1 | 379 | 66.67 | 91.55 | 24.88 |
| 105 | 1→13 | 1 | 380 | 67.31 | 91.79 | 24.48 |
| 106 | 2→4 | 1 | 381 | 67.95 | 92.03 | 24.08 |
| 107 | 2→6 | 1 | 382 | 68.59 | 92.27 | 23.68 |
| 108 | 2→9 | 1 | 383 | 69.23 | 92.51 | 23.28 |
| 109 | 2→13 | 1 | 384 | 69.87 | 92.75 | 22.88 |
| 110 | 3→6 | 1 | 385 | 70.51 | 93.00 | 22.48 |
| 111 | 3←8 | 1 | 386 | 71.15 | 93.24 | 22.08 |
| 112 | 3←9 | 1 | 387 | 71.79 | 93.48 | 21.68 |
| 113 | 3←10 | 1 | 388 | 72.44 | 93.72 | 21.28 |
| 114 | 3←11 | 1 | 389 | 73.08 | 93.96 | 20.88 |
| 115 | 3→12 | 1 | 390 | 73.72 | 94.20 | 20.48 |
| 116 | 4←5 | 1 | 391 | 74.36 | 94.44 | 20.09 |
| 117 | 4←8 | 1 | 392 | 75.00 | 94.69 | 19.69 |
| 118 | 4←9 | 1 | 393 | 75.64 | 94.93 | 19.29 |
| 119 | 4←10 | 1 | 394 | 76.28 | 95.17 | 18.89 |
| 120 | 4←11 | 1 | 395 | 76.92 | 95.41 | 18.49 |
| 121 | 5←9 | 1 | 396 | 77.56 | 95.65 | 18.09 |
| 122 | 5→9 | 1 | 397 | 78.21 | 95.89 | 17.69 |
| 123 | 5→10 | 1 | 398 | 78.85 | 96.14 | 17.29 |
| 124 | 6←7 | 1 | 399 | 79.49 | 96.38 | 16.89 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 125 | 6←9 | 1 | 400 | 80.13 | 96.62 | 16.49 |
| 126 | 6←10 | 1 | 401 | 80.77 | 96.86 | 16.09 |
| 127 | 6←11 | 1 | 402 | 81.41 | 97.10 | 15.69 |
| 128 | 6→12 | 1 | 403 | 82.05 | 97.34 | 15.29 |
| 129 | 6→13 | 1 | 404 | 82.69 | 97.58 | 14.89 |
| 130 | 7←10 | 1 | 405 | 83.33 | 97.83 | 14.49 |
| 131 | 7→13 | 1 | 406 | 83.97 | 98.07 | 14.09 |
| 132 | 8←10 | 1 | 407 | 84.62 | 98.31 | 13.69 |
| 133 | 8→12 | 1 | 408 | 85.26 | 98.55 | 13.29 |
| 134 | 8→13 | 1 | 409 | 85.90 | 98.79 | 12.89 |
| 135 | 9←10 | 1 | 410 | 86.54 | 99.03 | 12.50 |
| 136 | 9←11 | 1 | 411 | 87.18 | 99.28 | 12.10 |
| 137 | 10→12 | 1 | 412 | 87.82 | 99.52 | 11.70 |
| 138 | 10→13 | 1 | 413 | 88.46 | 99.76 | 11.30 |
| 139 | 11→12 | 1 | 414 | 89.10 | 100.00 | 10.90 |
| 140 | 1→6 | 0 | 414 | 89.74 | 100.00 | 10.26 |
| 141 | 2→12 | 0 | 414 | 90.38 | 100.00 | 9.62 |
| 142 | 4←6 | 0 | 414 | 91.03 | 100.00 | 8.97 |
| 143 | 4←7 | 0 | 414 | 91.67 | 100.00 | 8.33 |
| 144 | 4→13 | 0 | 414 | 92.31 | 100.00 | 7.69 |
| 145 | 5→6 | 0 | 414 | 92.95 | 100.00 | 7.05 |
| 146 | 5→8 | 0 | 414 | 93.59 | 100.00 | 6.41 |
| 147 | 5←10 | 0 | 414 | 94.23 | 100.00 | 5.77 |
| 148 | 5→12 | 0 | 414 | 94.87 | 100.00 | 5.13 |
| 149 | 6←8 | 0 | 414 | 95.51 | 100.00 | 4.49 |
| 150 | 6→8 | 0 | 414 | 96.15 | 100.00 | 3.85 |
| 151 | 6←13 | 0 | 414 | 96.79 | 100.00 | 3.21 |
| 152 | 8→9 | 0 | 414 | 97.44 | 100.00 | 2.56 |
| 153 | 9→12 | 0 | 414 | 98.08 | 100.00 | 1.92 |
| 154 | 9→13 | 0 | 414 | 98.72 | 100.00 | 1.28 |
| 155 | 11→13 | 0 | 414 | 99.36 | 100.00 | 0.64 |
| 156 | 12←13 | 0 | 414 | 100.00 | 100.00 | 0.00 |
| | Total frequency | 414 | | | | |

**Table 59: Affinities in descending order of frequency using the Pareto protocol and power analysis: other tax practitioners (Focus Group 4)**

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 1 | 1→4 | 6 | 6 | 0.64 | 2.30 | 1.658 |
| 2 | 3→4 | 6 | 12 | 1.28 | 4.60 | 3.316 |
| 3 | 3→6 | 6 | 18 | 1.92 | 6.90 | 4.973 |
| 4 | 7→8 | 6 | 24 | 2.56 | 9.20 | 6.631 |
| 5 | 1→2 | 5 | 29 | 3.21 | 11.11 | 7.906 |
| 6 | 3→7 | 5 | 34 | 3.85 | 13.03 | 9.181 |
| 7 | 3→11 | 5 | 39 | 4.49 | 14.94 | 10.455 |
| 8 | 4→11 | 5 | 44 | 5.13 | 16.86 | 11.730 |
| 9 | 7→9 | 5 | 49 | 5.77 | 18.77 | 13.005 |
| 10 | 7→10 | 5 | 54 | 6.41 | 20.69 | 14.279 |
| 11 | 1→8 | 4 | 58 | 7.05 | 22.22 | 15.171 |
| 12 | 1→12 | 4 | 62 | 7.69 | 23.75 | 16.062 |
| 13 | 1→13 | 4 | 66 | 8.33 | 25.29 | 16.954 |
| 14 | 3→5 | 4 | 70 | 8.97 | 26.82 | 17.846 |
| 15 | 3→8 | 4 | 74 | 9.62 | 28.35 | 18.737 |
| 16 | 3→9 | 4 | 78 | 10.26 | 29.89 | 19.629 |
| 17 | 3→13 | 4 | 82 | 10.90 | 31.42 | 20.520 |
| 18 | 4←7 | 4 | 86 | 11.54 | 32.95 | 21.412 |
| 19 | 4→10 | 4 | 90 | 12.18 | 34.48 | 22.303 |
| 20 | 4→12 | 4 | 94 | 12.82 | 36.02 | 23.195 |
| 21 | 4→13 | 4 | 98 | 13.46 | 37.55 | 24.086 |
| 22 | 5→6 | 4 | 102 | 14.10 | 39.08 | 24.978 |
| 23 | 8←10 | 4 | 106 | 14.74 | 40.61 | 25.869 |
| 24 | 9←12 | 4 | 110 | 15.38 | 42.15 | 26.761 |
| 25 | 10←11 | 4 | 114 | 16.03 | 43.68 | 27.653 |
| 26 | 1→5 | 3 | 117 | 16.67 | 44.83 | 28.161 |
| 27 | 1→6 | 3 | 120 | 17.31 | 45.98 | 28.669 |
| 28 | 1→7 | 3 | 123 | 17.95 | 47.13 | 29.178 |
| 29 | 1→10 | 3 | 126 | 18.59 | 48.28 | 29.686 |
| 30 | 1→11 | 3 | 129 | 19.23 | 49.43 | 30.195 |
| 31 | 2→4 | 3 | 132 | 19.87 | 50.57 | 30.703 |
| 32 | 2→6 | 3 | 135 | 20.51 | 51.72 | 31.211 |
| 33 | 2→10 | 3 | 138 | 21.15 | 52.87 | 31.720 |
| 34 | 5→10 | 3 | 141 | 21.79 | 54.02 | 32.228 |
| 35 | 5→11 | 3 | 144 | 22.44 | 55.17 | 32.737 |
| 36 | 6←12 | 3 | 147 | 23.08 | 56.32 | 33.245 |
| 37 | 7→13 | 3 | 150 | 23.72 | 57.47 | 33.753 |
| 38 | 10→13 | 3 | 153 | 24.36 | 58.62 | 34.262 |
| 39 | 1←8 | 2 | 155 | 25.00 | 59.39 | 34.387 |
| 40 | 1→9 | 2 | 157 | 25.64 | 60.15 | 34.512 |
| 41 | 2→3 | 2 | 159 | 26.28 | 60.92 | 34.637 |
| 42 | 2→5 | 2 | 161 | 26.92 | 61.69 | 34.763 |
| 43 | 2→7 | 2 | 163 | 27.56 | 62.45 | 34.888 |
| 44 | 2←8 | 2 | 165 | 28.21 | 63.22 | 35.013 |
| 45 | 2→13 | 2 | 167 | 28.85 | 63.98 | 35.139 |
| 46 | 3→10 | 2 | 169 | 29.49 | 64.75 | 35.264 |
| 47 | 4←5 | 2 | 171 | 30.13 | 65.52 | 35.389 |
| 48 | 4→5 | 2 | 173 | 30.77 | 66.28 | 35.514 |
| 49 | 4→6 | 2 | 175 | 31.41 | 67.05 | 35.640 |
| 50 | 4→8 | 2 | 177 | 32.05 | 67.82 | 35.765 |
| 51 | 4←9 | 2 | 179 | 32.69 | 68.58 | 35.890 |
| 52 | 4→9 | 2 | 181 | 33.33 | 69.35 | 36.015 |
| 53 | 4←13 | 2 | 183 | 33.97 | 70.11 | 36.141 |
| 54 | 5→9 | 2 | 185 | 34.62 | 70.88 | 36.266 |
| 55 | 5←12 | 2 | 187 | 35.26 | 71.65 | 36.391 |
| 56 | 5→13 | 2 | 189 | 35.90 | 72.41 | 36.516 |
| 57 | 6←8 | 2 | 191 | 36.54 | 73.18 | 36.642 |
| 58 | 6←9 | 2 | 193 | 37.18 | 73.95 | 36.767 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 59 | 6→10 | 2 | 195 | 37.82 | 74.71 | 36.892 |
| 60 | 6←13 | 2 | 197 | 38.46 | 75.48 | 37.017 |
| 61 | 7→11 | 2 | 199 | 39.10 | 76.25 | 37.143 |
| 62 | 7→12 | 2 | 201 | 39.74 | 77.01 | 37.268 |
| 63 | 8←11 | 2 | 203 | 40.38 | 77.78 | 37.393 |
| 64 | 8→11 | 2 | 205 | 41.03 | 78.54 | 37.518 |
| 65 | 8←12 | 2 | 207 | 41.67 | 79.31 | 37.644 |
| 66 | 9←10 | 2 | 209 | 42.31 | 80.08 | 37.769 |
| 67 | 10←12 | 2 | 211 | 42.95 | 80.84 | 37.894 |
| 68 | 12→13 | 2 | 213 | 43.59 | 81.61 | 38.019 |
| 69 | 1←2 | 1 | 214 | 44.23 | 81.99 | 37.762 |
| 70 | 1←3 | 1 | 215 | 44.87 | 82.38 | 37.504 |
| 71 | 1←6 | 1 | 216 | 45.51 | 82.76 | 37.246 |
| 72 | 1←10 | 1 | 217 | 46.15 | 83.14 | 36.988 |
| 73 | 1←11 | 1 | 218 | 46.79 | 83.52 | 36.730 |
| 74 | 1←13 | 1 | 219 | 47.44 | 83.91 | 36.472 |
| 75 | 2←4 | 1 | 220 | 48.08 | 84.29 | 36.214 |
| 76 | 2←5 | 1 | 221 | 48.72 | 84.67 | 35.956 |
| 77 | 2→8 | 1 | 222 | 49.36 | 85.06 | 35.698 |
| 78 | 2← 9 | 1 | 223 | 50.00 | 85.44 | 35.441 |
| 79 | 2→9 | 1 | 224 | 50.64 | 85.82 | 35.183 |
| 80 | 2←10 | 1 | 225 | 51.28 | 86.21 | 34.925 |
| 81 | 2→11 | 1 | 226 | 51.92 | 86.59 | 34.667 |
| 82 | 2←12 | 1 | 227 | 52.56 | 86.97 | 34.409 |
| 83 | 2←13 | 1 | 228 | 53.21 | 87.36 | 34.151 |
| 84 | 3←5 | 1 | 229 | 53.85 | 87.74 | 33.893 |
| 85 | 3←7 | 1 | 230 | 54.49 | 88.12 | 33.635 |
| 86 | 3←8 | 1 | 231 | 55.13 | 88.51 | 33.378 |
| 87 | 3←10 | 1 | 232 | 55.77 | 88.89 | 33.120 |
| 88 | 3→12 | 1 | 233 | 56.41 | 89.27 | 32.862 |
| 89 | 4←6 | 1 | 234 | 57.05 | 89.66 | 32.604 |
| 90 | 4←8 | 1 | 235 | 57.69 | 90.04 | 32.346 |
| 91 | 4←10 | 1 | 236 | 58.33 | 90.42 | 32.088 |
| 92 | 5←7 | 1 | 237 | 58.97 | 90.80 | 31.830 |
| 93 | 5←8 | 1 | 238 | 59.62 | 91.19 | 31.572 |
| 94 | 5→8 | 1 | 239 | 60.26 | 91.57 | 31.314 |
| 95 | 5←9 | 1 | 240 | 60.90 | 91.95 | 31.057 |
| 96 | 5←10 | 1 | 241 | 61.54 | 92.34 | 30.799 |
| 97 | 5→12 | 1 | 242 | 62.18 | 92.72 | 30.541 |
| 98 | 6←7 | 1 | 243 | 62.82 | 93.10 | 30.283 |
| 99 | 6←11 | 1 | 244 | 63.46 | 93.49 | 30.025 |
| 100 | 6→12 | 1 | 245 | 64.10 | 93.87 | 29.767 |
| 101 | 8←9 | 1 | 246 | 64.74 | 94.25 | 29.509 |
| 102 | 8→9 | 1 | 247 | 65.38 | 94.64 | 29.251 |
| 103 | 8→10 | 1 | 248 | 66.03 | 95.02 | 28.994 |
| 104 | 8←13 | 1 | 249 | 66.67 | 95.40 | 28.736 |
| 105 | 9→10 | 1 | 250 | 67.31 | 95.79 | 28.478 |
| 106 | 9←11 | 1 | 251 | 67.95 | 96.17 | 28.220 |
| 107 | 9→11 | 1 | 252 | 68.59 | 96.55 | 27.962 |
| 108 | 9→12 | 1 | 253 | 69.23 | 96.93 | 27.704 |
| 109 | 9→13 | 1 | 254 | 69.87 | 97.32 | 27.446 |
| 110 | 10→11 | 1 | 255 | 70.51 | 97.70 | 27.188 |
| 111 | 10→12 | 1 | 256 | 71.15 | 98.08 | 26.930 |
| 112 | 10←13 | 1 | 257 | 71.79 | 98.47 | 26.673 |
| 113 | 11←12 | 1 | 258 | 72.44 | 98.85 | 26.415 |
| 114 | 11←13 | 1 | 259 | 73.08 | 99.23 | 26.157 |
| 115 | 11→13 | 1 | 260 | 73.72 | 99.62 | 25.899 |
| 116 | 12←13 | 1 | 261 | 74.36 | 100.00 | 25.641 |
| 117 | 1→3 | 0 | 261 | 75.00 | 100.00 | 25.000 |
| 118 | 1←4 | 0 | 261 | 75.64 | 100.00 | 24.359 |
| 119 | 1←5 | 0 | 261 | 76.28 | 100.00 | 23.718 |
| 120 | 1←7 | 0 | 261 | 76.92 | 100.00 | 23.077 |
| 121 | 1←9 | 0 | 261 | 77.56 | 100.00 | 22.436 |

| | Affinity pair relationship | Frequency sorted (descending) | Cumulative frequency | Cumulative percentage (relation) | Cumulative percentage (frequency) | Power |
|---|---|---|---|---|---|---|
| 122 | 1←12 | 0 | 261 | 78.21 | 100.00 | 21.795 |
| 123 | 2←3 | 0 | 261 | 78.85 | 100.00 | 21.154 |
| 124 | 2←6 | 0 | 261 | 79.49 | 100.00 | 20.513 |
| 125 | 2←7 | 0 | 261 | 80.13 | 100.00 | 19.872 |
| 126 | 2←11 | 0 | 261 | 80.77 | 100.00 | 19.231 |
| 127 | 2→12 | 0 | 261 | 81.41 | 100.00 | 18.590 |
| 128 | 3←4 | 0 | 261 | 82.05 | 100.00 | 17.949 |
| 129 | 3←6 | 0 | 261 | 82.69 | 100.00 | 17.308 |
| 130 | 3←9 | 0 | 261 | 83.33 | 100.00 | 16.667 |
| 131 | 3←11 | 0 | 261 | 83.97 | 100.00 | 16.026 |
| 132 | 3←12 | 0 | 261 | 84.62 | 100.00 | 15.385 |
| 133 | 3←13 | 0 | 261 | 85.26 | 100.00 | 14.744 |
| 134 | 4→7 | 0 | 261 | 85.90 | 100.00 | 14.103 |
| 135 | 4←11 | 0 | 261 | 86.54 | 100.00 | 13.462 |
| 136 | 4←12 | 0 | 261 | 87.18 | 100.00 | 12.821 |
| 137 | 5←6 | 0 | 261 | 87.82 | 100.00 | 12.179 |
| 138 | 5→7 | 0 | 261 | 88.46 | 100.00 | 11.538 |
| 139 | 5←11 | 0 | 261 | 89.10 | 100.00 | 10.897 |
| 140 | 5←13 | 0 | 261 | 89.74 | 100.00 | 10.256 |
| 141 | 6→7 | 0 | 261 | 90.38 | 100.00 | 9.615 |
| 142 | 6→8 | 0 | 261 | 91.03 | 100.00 | 8.974 |
| 143 | 6→9 | 0 | 261 | 91.67 | 100.00 | 8.333 |
| 144 | 6←10 | 0 | 261 | 92.31 | 100.00 | 7.692 |
| 145 | 6→11 | 0 | 261 | 92.95 | 100.00 | 7.051 |
| 146 | 6→13 | 0 | 261 | 93.59 | 100.00 | 6.410 |
| 147 | 7←8 | 0 | 261 | 94.23 | 100.00 | 5.769 |
| 148 | 7←9 | 0 | 261 | 94.87 | 100.00 | 5.128 |
| 149 | 7←10 | 0 | 261 | 95.51 | 100.00 | 4.487 |
| 150 | 7←11 | 0 | 261 | 96.15 | 100.00 | 3.846 |
| 151 | 7←12 | 0 | 261 | 96.79 | 100.00 | 3.205 |
| 152 | 7←13 | 0 | 261 | 97.44 | 100.00 | 2.564 |
| 153 | 8→12 | 0 | 261 | 98.08 | 100.00 | 1.923 |
| 154 | 8→13 | 0 | 261 | 98.72 | 100.00 | 1.282 |
| 155 | 9←13 | 0 | 261 | 99.36 | 100.00 | 0.641 |
| 156 | 11→12 | 0 | 261 | 100.00 | 100.00 | 0.000 |
| | Total Frequency | 261 | | | | |

# ANNEXURE D

## INTERRELATIONSHIP DIAGRAMS

## FOCUS GROUPS 1 TO 4

**Table 60: Tabular IRD: Taxpayers (Focus Group 1)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 9 | 0 | 9 |
| **2** | ← | | ← | ← | ← | ← | ↑ | ↑ | | ← | ← | ← | 2 | 8 | -6 |
| **3** | ← | ↑ | | ← | ← | | ← | ← | ← | ← | ← | ← | 1 | 9 | -8 |
| **4** | ← | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | | ↑ | | ← | 7 | 2 | 5 |
| **5** | | ↑ | ↑ | ← | | ↑ | ↑ | ↑ | ↑ | ← | ← | ← | 6 | 4 | 2 |
| **6** | ← | ↑ | | ← | ← | | ← | ↑ | | ← | ← | ← | 2 | 7 | -5 |
| **7** | ← | ← | ↑ | ← | ← | ↑ | | ↑ | ← | ← | ← | ← | 3 | 8 | -5 |
| **8** | ← | ← | ↑ | ← | ← | ← | ← | | ← | ← | ← | ← | 1 | 10 | -9 |
| **9** | ← | | ↑ | | ← | | ↑ | ↑ | | ← | ↑ | ← | 4 | 4 | 0 |
| **10** | ← | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | ← | 8 | 3 | 5 |
| **11** | | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ← | ← | | ↑ | 7 | 2 | 5 |
| **12** | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | 9 | 2 | 7 |

**Table 61: Tabular IRD: Chartered Accountants (Focus Group 2)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | ← | | ← | ← | | ← | ← | | | | ↑ | ↑ | ← | ← | 3 | 7 | -4 |
| **2** | ← | | ← | ↑ | ← | ← | ← | ← | ← | ← | ← | ↑ | ↑ | ← | ↑ | ← | 4 | 11 | -7 |
| **3** | ↑ | ↑ | | ↑ | ← | ← | | ← | ← | ← | ↑ | ← | ↑ | ← | ← | ← | 5 | 9 | -4 |
| **4** | | ← | ← | | ← | | | | | | ↑ | ← | | | ← | ← | 1 | 6 | -5 |
| **5** | ↑ | ↑ | ↑ | ↑ | | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 13 | 1 | 12 |
| **6** | ↑ | ↑ | ↑ | | ← | | | ← | ← | ← | | | | ↑ | ↑ | ↑ | 6 | 4 | 2 |
| **7** | | ↑ | | | ← | | | ← | | ← | ↑ | | | | | ← | 2 | 4 | -2 |
| **8** | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | | 12 | 0 | 12 |
| **9** | ↑ | ↑ | ↑ | | ← | ↑ | | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 10 | 2 | 8 |
| **10** | | ↑ | ↑ | | ← | ↑ | ↑ | ← | ← | | ↑ | ↑ | ↑ | ← | | ↑ | 8 | 4 | 4 |
| **11** | | ↑ | ← | ← | ← | | ← | ← | ← | ← | | ↑ | ↑ | ← | ← | ↑ | 4 | 9 | -5 |
| **12** | | ← | ↑ | ↑ | ← | | | ← | ← | ← | ← | | | | ← | ← | 2 | 8 | -6 |
| **13** | ← | ← | ← | | ← | | | ← | ← | ← | ← | | | ← | ← | ← | 0 | 11 | -11 |
| **14** | ← | ↑ | ↑ | | ← | ← | | ← | ← | ↑ | ↑ | | ↑ | | | ← | 5 | 6 | -1 |
| **15** | ↑ | ← | ↑ | ↑ | | ← | | | | | ↑ | ↑ | ↑ | | | ↑ | 7 | 2 | 5 |
| **16** | ↑ | ↑ | ↑ | ↑ | ← | ← | ↑ | | ← | ← | ← | ↑ | ↑ | ↑ | ← | | 8 | 6 | 2 |

**Table 62: Tabular IRD: Professional Accountants (Focus Group 3)**

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | ← | ← | ← | ← | | ← | ← | ← | ← | ← | ← | 1 | 10 | -9 |
| **2** | ← | | ← | ← | ← | ← | ← | ↑ | | ↑ | ↑ | ← | ← | 3 | 8 | -5 |
| **3** | ↑ | ↑ | | ← | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | ↑ | 9 | 2 | 7 |
| **4** | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ← | ← | 10 | 2 | 8 |
| **5** | ↑ | ↑ | ← | ← | | ← | ← | | | | ↑ | ← | ← | 3 | 6 | -3 |
| **6** | ↑ | ↑ | | ← | ↑ | | | | ↑ | ↑ | ↑ | | | 6 | 1 | 5 |
| **7** | | ↑ | ← | ← | ↑ | | | ↑ | | ↑ | ↑ | ← | ← | 5 | 4 | 1 |
| **8** | ↑ | ← | ← | ← | | | ← | | | ↑ | ← | ← | ← | 2 | 7 | -5 |
| **9** | ↑ | | ← | ← | | ← | | | | ↑ | ↑ | ← | ← | 3 | 5 | -2 |
| **10** | ↑ | ← | ← | ← | | ← | ← | ← | ← | | ↑ | ← | ← | 2 | 9 | -7 |
| **11** | ↑ | ← | ← | ← | ← | ← | ← | ↑ | ← | ← | | ← | ← | 2 | 10 | -8 |
| **12** | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 11 | 0 | 11 |
| **13** | ↑ | ↑ | ← | ↑ | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | 9 | 2 | 7 |

**Table 63: Tabular IRD: Other Tax Practitioners (Focus Group 4)**

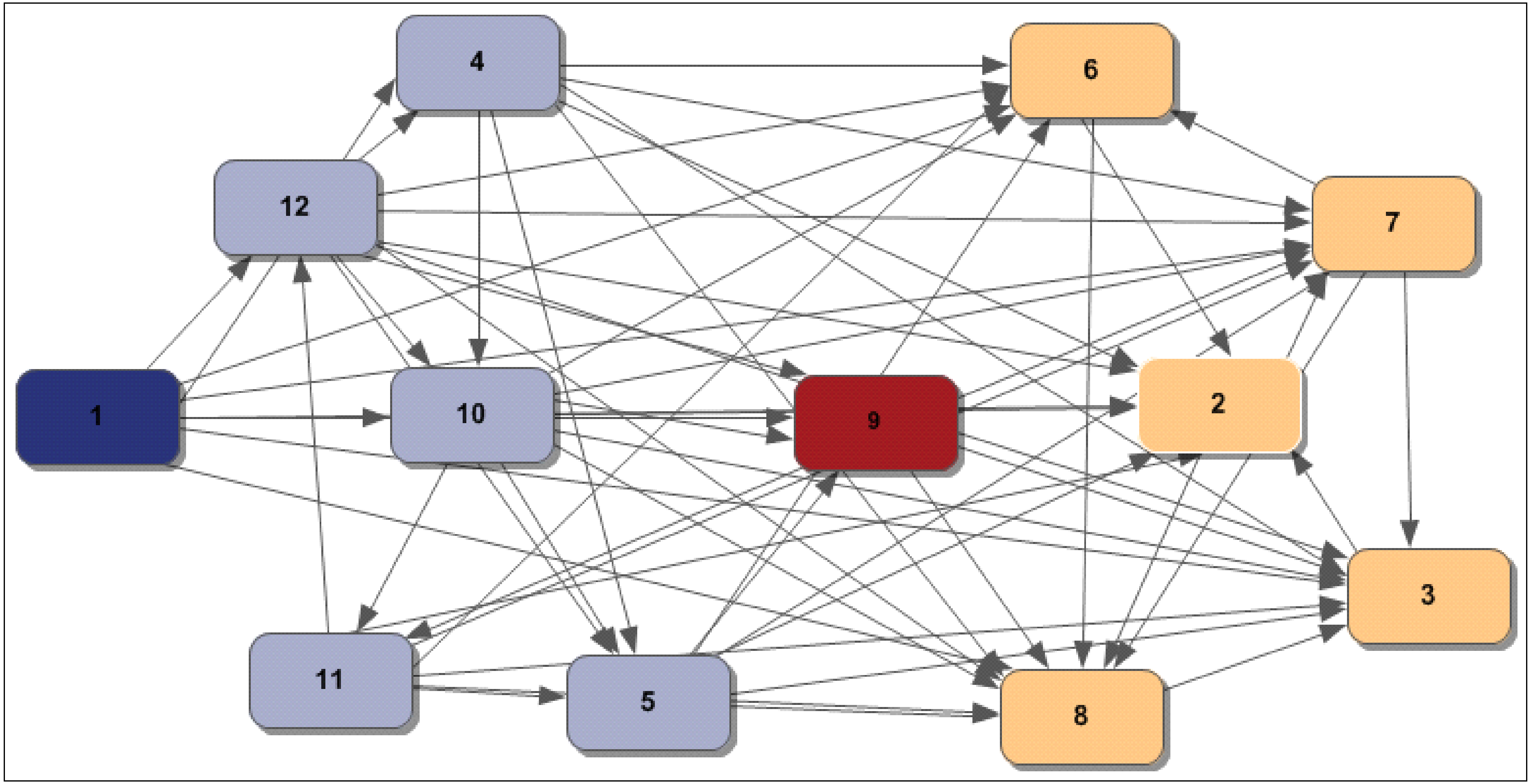
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | | Out | In | Δ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | | ↑ | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 11 | 11 | 0 | 11 |
| **2** | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | ← | | ↑ | | | ↑ | 9 | 7 | 2 | 5 |
| **3** | | ← | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | | ↑ | 10 | 9 | 1 | 8 |
| **4** | ← | ← | ← | | ↑ | ↑ | ← | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 12 | 8 | 4 | 4 |
| **5** | ← | ← | ← | ← | | ↑ | | | ↑ | ↑ | ↑ | ← | ↑ | 10 | 5 | 5 | 0 |
| **6** | ← | ← | ← | ← | ← | | | ← | ← | ↑ | | ← | ← | 10 | 1 | 9 | -8 |
| **7** | ← | ← | ← | ↑ | | | | ↑ | ↑ | ↑ | ↑ | ↑ | ↑ | 10 | 7 | 3 | 4 |
| **8** | ← | ↑ | ← | ← | | ↑ | ← | | | ← | ← | ← | | 9 | 2 | 7 | -5 |
| **9** | ← | | ← | ← | ← | ↑ | ← | | | ← | | ← | | 8 | 1 | 7 | -6 |
| **10** | ← | ← | ← | ← | ← | ← | ← | ↑ | ↑ | | ← | ← | ↑ | 12 | 3 | 9 | -6 |
| **11** | ← | | ← | ← | ← | | ← | ↑ | | ↑ | | | | 7 | 2 | 5 | -3 |
| **12** | ← | | | ← | ↑ | ↑ | ← | ↑ | ↑ | ↑ | | | ↑ | 9 | 6 | 3 | 3 |
| **13** | ← | ← | ← | ← | ← | ↑ | ← | | | ← | | ← | | 9 | 1 | 8 | -7 |

# ANNEXURE E

## COMPLETED CLUTTERED SIDs

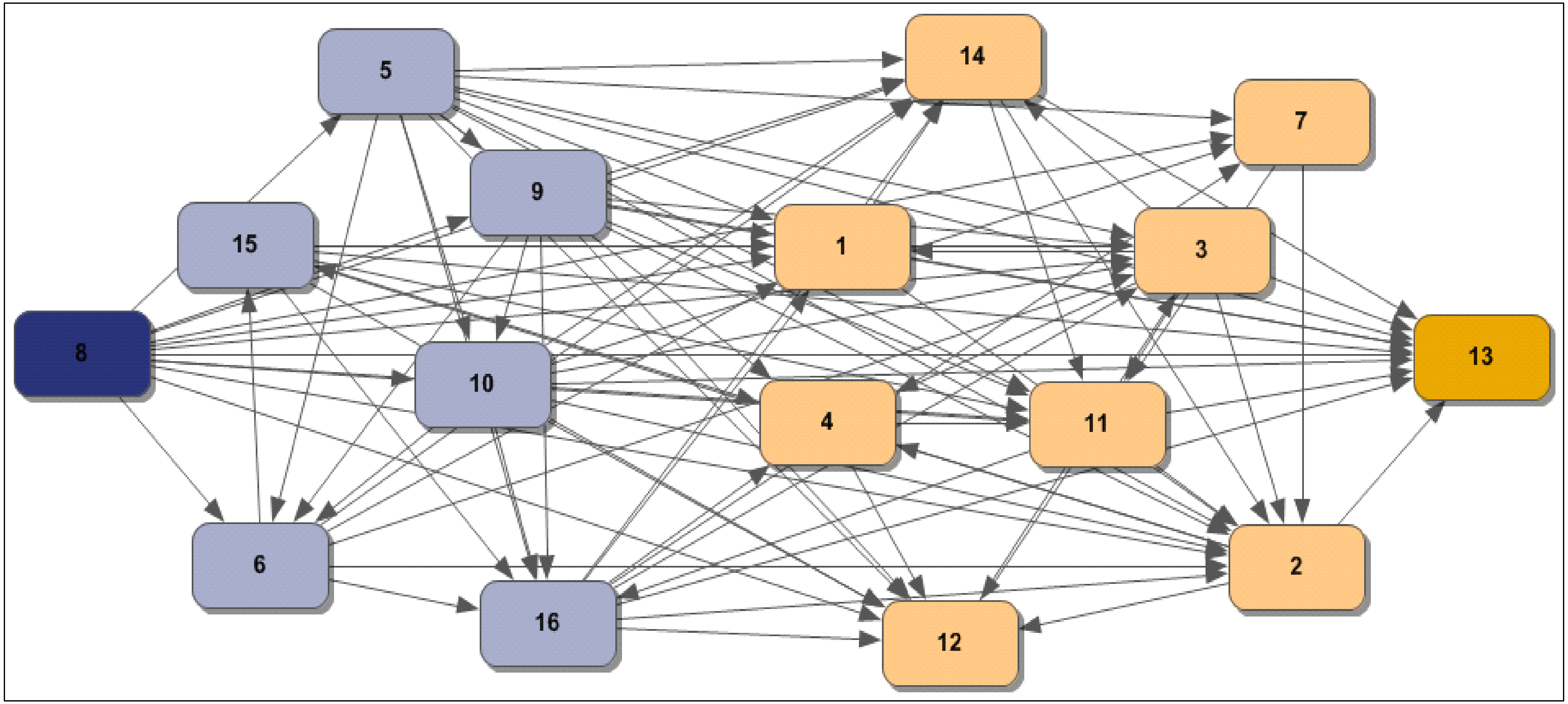
## FOCUS GROUPS 1 TO 4

**Figure 65: Cluttered SID: Taxpayers (Focus Group 1)**



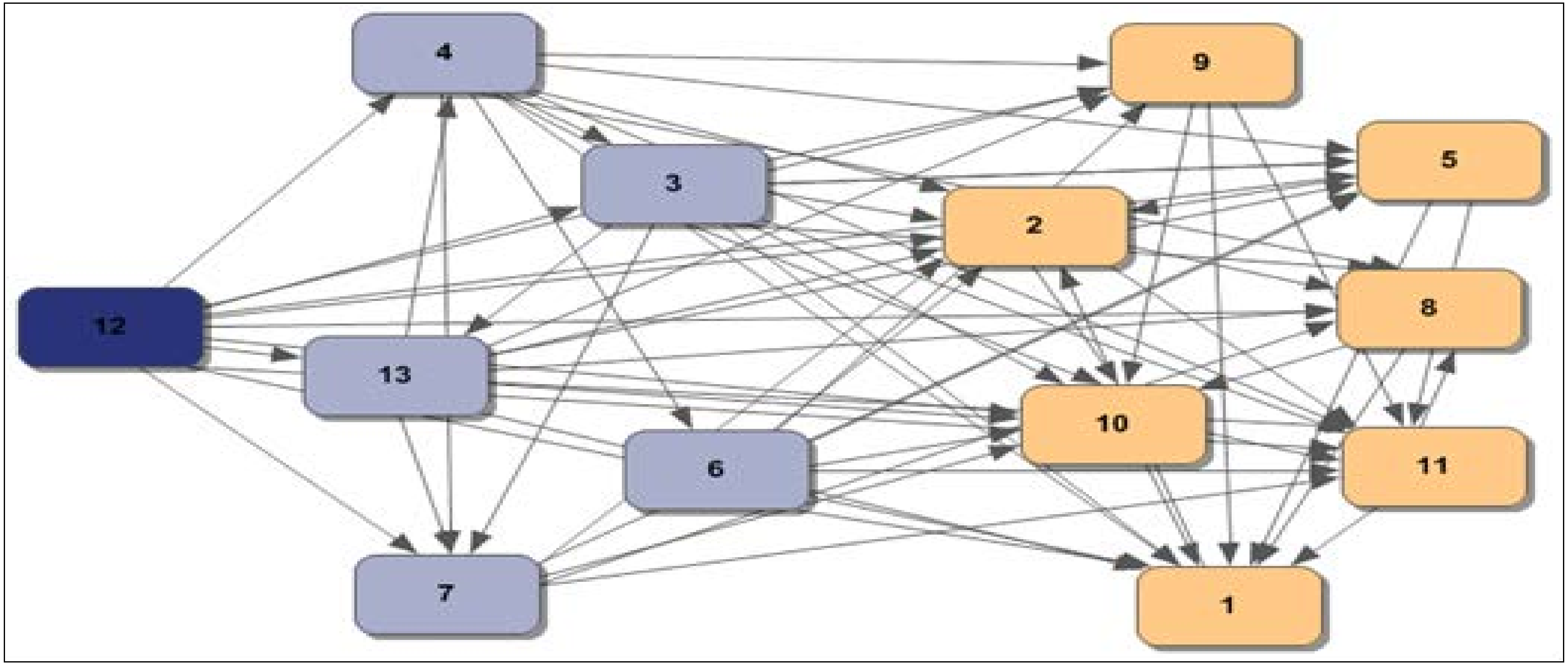

**Affinities: 1**. Professional integrity of tax practitioners. **2.** Taxpayer expectations of tax planning. **3.**Taxpayer expectations of financial guidance. **4**. Up-to-date professional competency of tax practitioners. **5**. Lack of user-friendliness of tax information. **6.** Tax knowledge gap of taxpayers. **7**. Service delivery by tax practitioners. **8.** Taxpayers expect value for money. **9**. Lack of transparency on fees charged. **10.** Lack of communication to taxpayer. **11.** Personal relationship. **12.** Professional responsibility towards taxpayers.

**Figure 66: Cluttered SID: Chartered Accountants (Focus Group 2)**



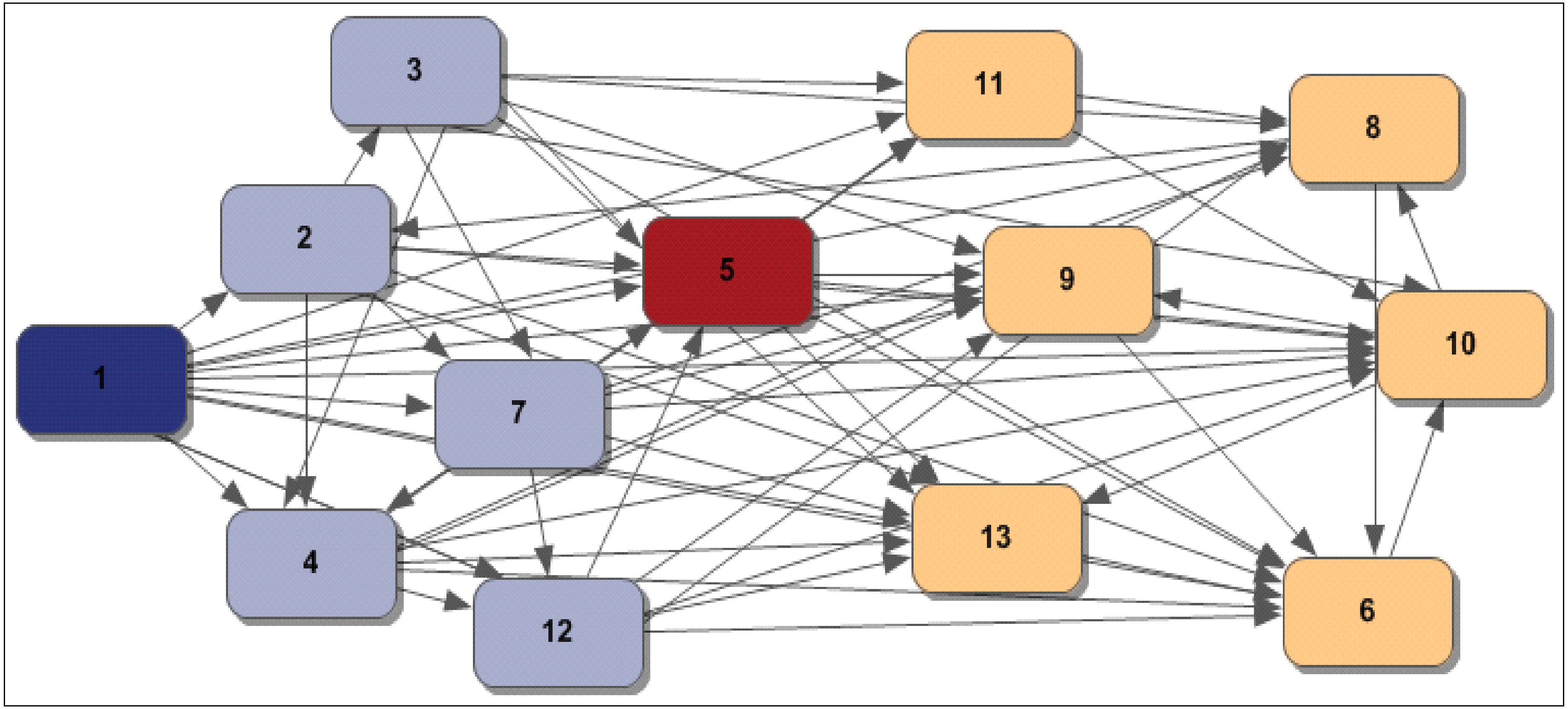

**Affinities:** **1.** Contradictory expectations of taxpayers on ethical practice. **2.** Taxpayers' expectations of receiving a professional service. **3.** Different interpretations of the definition of tax planning. **4.** Taxpayers' expectations on general non-tax advice. **5.** Taxpayer knowledge gap on tax-related issues. **6.**Taxpayers' fear of SARS. **7.** Frustrations tax practitioners experience with SARS. **8.** SARS's marketing to taxpayers. **9.** Taxpayers' resistance to paying tax. **10.** Taxpayers' lack of understanding of timeframes within the tax environment. **11.** Taxpayers' expectations of fees charged by tax practitioners. **12.** Taxpayers expect additional free advice from their tax practitioners. **13.** Taxpayers' unrealistic expectations regarding tax audits. **14.** Insufficient communication from taxpayer to tax practitioner. **15.** Taxpayers' expectations of a personal relationship with their tax practitioner. **16.** Taxpayers' shifting their responsibilities.

**Figure 67: Cluttered SID: Professional Accountants (Focus Group 3)**




**Affinities:** **1**. Taxpayers' expectations of tax compliance. **2.** Taxpayers' expectations of tax advice. **3.** Need for taxpayer education. **4.** SARS's application of tax legislation. **5.** Taxpayers' fear of SARS. **6**. Practitioners' lack of confidence in services of SARS. **7.** Taxpayers act on hearsay. **8.**Taxpayers' expectations of optimisation of tax. **9.** Taxpayers' not understanding time frames. **10.** Taxpayers' expectations of fees. **11.** Unreasonable taxpayer expectations. **12.** Communication with taxpayers. **13.** Taxpayers' lack of ownership.

**Figure 68: Cluttered SID: Other tax practitioners (Focus Group 4)**




**Affinities:** **1**. Tax practitioners' experience. **2**. Tax practitioners' knowledge. **3**. Lack of taxpayer knowledge. **4**. Service scope definition. **5**. Nature of the service. **6**. Completeness of supporting information. **7**. External influences on taxpayers. **8**. Taxpayers' expectations of tax savings. **9**. Taxpayers' demand for immediate response. **10**. Fees charged by tax practitioners. **11**. Difference in definition of value of tax service. **12**. Taxpayers' expectations of a client relationship. **13**. Taxpayers transferring their responsibility.

# ANNEXURE F

## THEMES GENERATED

**Table 64: Theme 1: Expectations of taxpayers regarding ethical practice**

<table>
<tr><td colspan="4">This theme refers to taxpayers' contradictory expectations regarding ethical practices by tax practitioners with regard to trust and confidentiality</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Ethical practice – confidentiality and trust</td></tr>
<tr><td>Regarding ethical practice, taxpayers maintain that tax practitioners have a professional responsibility to act with integrity, ensure correctness in their tax work, be up to date with the taxpayer's personal finances and have a good relationship with SARS (and even to have connections within SARS) in order to resolve tax issues effectively and confidentially.<br><br>If any of these expectations are not met, taxpayers feel that the tax practitioner has let them down and does not value their business.</td><td>Chartered Accountants believe that taxpayers have contradictory expectations of tax practitioners in respect of trust and confidentiality.<br><br>On the one hand, they expect tax practitioners to be completely ethical and trustworthy in their dealings with taxpayers, but on the other, they want practitioners to act unethically to the taxpayers' advantage in dealing with SARS.<br><br>Similarly, taxpayers provide tax practitioners with confidential information about their finances, but expect practitioners to conceal this information from SARS, thus freeing themselves of the burden of deception and passing it on to the tax practitioner.<br><br>Finally, the Chartered Accountants thought taxpayers were uncertain about "what hat" tax practitioners wear when dealing with clients' tax affairs. Taxpayers suspect that practitioners are agents of SARS, whose aim it is to get as much tax out of taxpayers as possible.</td><td>According to Professional Accountants, taxpayers link all negative outcomes to the perception that tax practitioners are acting as agents of SARS and are not acting in the best interests of the taxpayers – therefore, the taxpayers do not trust their tax practitioners.</td><td>No responses to this theme were recorded from this focus group.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners:</td></tr>
<tr><td colspan="4">According to the taxpayers<br>ethical behaviour from tax practitioners include:<br>• precision (correct tax calculations, correct taxpayers' information and correct advice);<br>• maintaining a good relationship with SARS to ensure effective resolution of tax issues; and<br>• confidentiality regarding taxpayers' financial information.</td></tr>
</table>

According to the tax practitioners,

- taxpayers have contradictory expectations regarding tax practitioners' ethical practice with regard to trust and confidentiality;
- taxpayers expect tax practitioners to demonstrate ethical behaviour (trustworthiness, integrity, honesty), but expect tax practitioners to act in taxpayers' interests, even if doing so is not ethical;
- taxpayers expect practitioners not to disclose certain confidential information that taxpayers provide to their practitioners to SARS; and
- taxpayers accuse tax practitioners of acting as SARS's agents when taxpayers have to pay tax.

**Conclusion**

The above emerging perceptions demonstrate that taxpayer's expectations regarding what constitutes ethical practice differ from the tax practitioners' perceptions. These different expectations held by the role players can be a factor or issue that create or contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.

**Comparison and reference to the existing literature**

Taxpayers' perceptions

Tan (2008:12) with reference to New Zealand, and Choong *et al*. (2008:17) with reference to Malaysia, also suggest that taxpayers want their tax practitioners to complete their returns and perform the tax services comprehensively and with accuracy.

Other authors such as Hite & McGill (1992:398) in the United States, Sakurai & Braithwaite (2001:20) in Australia and Tan (1999:445) in New Zealand also point out that taxpayers perceive tax practitioners to play a vital role in providing assurance that their affairs are correct and compliant with legislation.

Tax practitioners' perceptions

Tan (2008) also provides evidence that although taxpayers expect their tax practitioners to be trustworthy, honest and competent, in some instances taxpayers want practitioners to minimize their tax liability, even if there are risks involved in using aggressive tax techniques. However, in Choong *et al*.'s (2008:17) study, most taxpayers indicated that they wanted their tax practitioner to be honest when dealing with their tax affairs.

Contrary to the perceptions of tax practitioners in the current study, Sakurai and Braithwaite (2001:12) found that honesty and risk-aversion were the two most important characteristics That taxpayers required of tax practitioners, while taxpayers rated creativity and aggressiveness lowest. Within the United States, Collins Milliron and Toy (1990:18) also indicate that taxpayers who require assistance with the preparation of tax returns point out that their primary objective is to file accurate tax returns, but at the same time they want their tax liability to be minimized, which is in line with the perceptions of tax practitioners in this study.

Also within the United Sates, Schisler (1994:124-142) claims that tax practitioners are adamant that taxpayers insist on aggressive tax reporting, and would thus agree with the perceptions of tax practitioners in the current study that they are perceived by their clients to have the knowledge and experience needed to exploit ambiguities in tax law.

With regard to the perception that taxpayers are uncertain of "what hat" tax practitioners wear, the IRS maintains that a tax practitioner's loyalty should ultimately be to the federal tax system and that Certified Public Accountants (CPAs) should act as government agents (Brody & Masselli, 1996:18; Jackson *et al.*, 1988:333). However, research conducted by Ayres *et al.* (1989:300) suggests that CPAs in the United States are consistently more pro-taxpayer than non-CPAs.

**Table 65: Theme 2: Different definitions of the value of a tax service**

<table>
<tr><td colspan="4">This theme describes the difference between taxpayers' and tax practitioners' understanding of what value entails or what constitutes a value-added tax service</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Different definitions of the value of a tax service</td></tr>
<tr><td>Taxpayers indicated that they:<br>• expect value for money when it comes to tax services and want to receive the maximum benefit in terms of cost; and<br>• want to be able to assess the value of the tax services rendered to them in order to compare them to the fees they pay for these services.</td><td>This group argued that taxpayers expect to pay the lowest fee possible without understanding the principles of cost versus benefit or fees versus value added.<br><br>Tax practitioners remarked that they charge a reasonable fee that reflects the value of the service to the taxpayer.</td><td>According to the Professional Accountants, taxpayers:<br>• want to pay the minimum fee for the maximum service; and<br>• want to determine the value of the fee charged for a tax service in terms of the amount of tax they have to pay over to SARS;<br>• believe that a quality tax service means helping them pay less tax rather than dealing with clients' tax affairs promptly and professionally; and<br>• perceive tax services as an unwanted and negative cost.</td><td>The other tax practitioners indicated there is a difference between taxpayers' and tax practitioners' understanding of value or a value-added tax service, giving the following reasons:<br>• the difference in actual value of the tax practitioners' service versus the value experienced by taxpayers, and<br>• some taxpayers see only tax saving services as value-adding tax services.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers, they<br>• expect value for money;<br>• would like to be able assess or evaluate the value of the tax service received; and<br>• see the value of a tax practitioner's service as the quantifiable amount to which the cost of the service can be compared.<br>According to the tax practitioners,<br>• taxpayers want to pay as little as possible for tax services, due to a poor understanding of the principle of cost versus benefit;<br>• taxpayers see a quality tax service as paying little or no tax instead of prompt and professional management of tax affairs;<br>• taxpayers perceive tax services as a negative cost; and<br>• there is a difference between taxpayers' experience of value and actual value.</td></tr>
<tr><td colspan="4">Conclusion</td></tr>
<tr><td colspan="4">The abovementioned emerging perceptions demonstrate that taxpayers' expectations or definitions on the value of a tax service may differ from those of tax practitioners. This implies that the difference in the role players' definitions of the value of a tax service is a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
<tr><td colspan="4">Comparison and reference to the existing literature</td></tr>
<tr><td colspan="4">Taxpayers' perceptions<br>With reference to New Zealand, taxpayers perceive the minimizing of their tax liability and saving tax to be value for the fees they have to pay to the tax practitioner (Tan, 2008:16).<br>Tax practitioners' perceptions<br>No relevant reference could be found in the prior literature.</td></tr>
</table>

**Table 66: Theme 3: Different definitions of tax planning**

| This theme is associated with the different opinions that taxpayers and tax practitioners hold concerning what tax planning denotes | | | |
|---|---|---|---|
| Focus Group 1: Taxpayers | Focus Group 2: Chartered Accountants | Focus Group 3: Professional Accountants | Focus Group 4: Other Tax Practitioners |
| Different interpretations of the definition of tax planning | | | |
| With regard to future tax planning, taxpayers expect tax practitioners<br>• to map out a detailed time plan for them to ensure compliance with the deadlines for different tax types such as VAT, UIF and provisional and non-provisional tax;<br>• to provide advice regarding actual income and expenditure for a specific period, in order to complete VAT or provisional tax returns accurately; and<br>• to plan taxpayers' tax affairs to ensure a maximum tax benefit by means of tax optimisation (paying the minimum amount of tax legally possible). | The Chartered Accountants' focus group indicated that taxpayers resist paying tax where possible, which can take the form of a "no tax payable" attitude or a "pay the minimum or least tax possible" attitude.<br>• A "no tax payable" attitude implies that taxpayers are willing to take a chance on tax schemes that lead to tax evasion, even when practitioners do not endorse such schemes. With regard to these schemes, taxpayers also expect practitioners to have plans in place to limit the possible liabilities and risks associated with such schemes.<br>• Minimising tax liability:<br>Taxpayers expect tax practitioners to perform miracles in order to reduce the amount of tax to be paid using the best legal options available. | This group also indicated that taxpayers expect tax practitioners to provide tax advice on tax planning for the future, but have an attitude of not wanting to pay tax or wanting to pay the smallest amount of tax possible, and this influences their view of what tax planning means. | This group felt that taxpayers expect tax practitioners to save them money in the form of taxes to be paid, as they want to pay as little tax as possible. This drives their idea of what tax planning is |
| Emerging perceptions on the expectation gap between taxpayers and their tax practitioners | | | |
| According to the taxpayers, they<br>• expect tax planning for the future;<br>• require a detailed time plan to ensure compliance with the deadlines for different tax types;<br>• need calculations regarding actual income and expenditure in order to complete VAT or provisional tax returns accurately; and<br>• believe that tax planning should be directed at ensuring that the taxpayer receives the maximum tax benefit and pays the least amount of tax possible.<br>According to the tax practitioners,<br>• taxpayers and tax practitioners may have a different understanding of what tax planning denotes;<br>• taxpayers are reluctant to pay tax or want to pay the least possible amount of tax;<br>• some taxpayers are willing to take a chance with tax schemes that lead to tax evasion, even when tax practitioners do not endorse such schemes;<br>• in these instances of tax evasion schemes, taxpayers expect tax practitioners to have a rescue plan in place in case the scheme fails;<br>• when taxpayers think tax planning includes tax avoidance, they expect tax practitioners to use the best legal options available to save tax; and<br>• taxpayers may expect tax practitioners to perform miracles | | | |

| Conclusion |
|---|
| Taxpayers' expectations and tax practitioners' perceptions about what taxpayers expect regarding tax planning may differ, due to different interpretations of the definition of tax planning. The different interpretations of the definition of tax planning can therefore be seen as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| **Comparison and reference to the existing literature** |
| Taxpayers' perceptions<br>Stephenson (2006:39), with reference to the United States, Choong *et al.* (2008:17), with reference to Malaysia and Tan (2008:14-16), with reference to New Zealand, all show that taxpayers want to minimize their tax liabilities in a legitimate way and want their tax practitioners to file complete and accurate returns.<br><br>In line with taxpayers' expectations of tax planning, within the Australian context, Boccabella (1993:392) argues that tax practitioners' services can include providing an opinion on transactions such as financing and/or any structuring arrangements within an organisation (this argument is in line with the finding of this study that taxpayers seem to expect tax planning for the future). Boccabella (1993:392) also found that taxpayers expect tax planning to prepare them for the frequency and timing of events which lead to taxation liabilities (this finding is in line with the finding in the current study that taxpayers' expect or want a detailed time plan to ensure compliance with the deadlines for different tax types). Within the United States, Klepper and Nagin (1989:168) mention taxpayers' perception that tax planning should be directed at ensuring that the taxpayer receives the maximum tax benefit and pays the least amount of tax possible, a finding confirmed in this study.<br><br>Tax practitioners' perceptions<br>Tan (2008) concluded that taxpayers want to minimize their taxes, even if it sometimes includes taking risks to avoid or evade tax. On the other hand, taxpayers may only require accurate returns, and expect tax practitioners to minimize their tax liabilities and avoid penalties. Stephenson (2006:39) found that tax practitioners were more aggressive in taxpayers' tax returns in order to save them money than the taxpayers expected from them, but Choong *et al.* (2008:17) concluded that taxpayers want to minimize their tax liabilities, and are prepared to make use of creative accounting and tax planning.<br><br>Other authors, such as Magill and Previts (1991:1), also indicated that in the United States, tax practitioners' general opinion of their clients' primary motive is that taxpayers want their taxes minimized, while those same tax-paying clients paradoxically think a practitioner's primary responsibility is to prepare their tax returns accurately.<br><br>Contrary to tax practitioners' perception that taxpayers are reluctant to pay tax or want to pay the least possible tax, research conducted by Collins *et al.* (1990:15) indicates that the majority of Unites States' taxpayers favour accuracy and prefer conservative advice, which is confirmed by the studies of Hite and McGill (1992:398) and by Tan (1999:445), within the New-Zealand context. Klepper *et al.* (1991:228) have shown that Unites States tax practitioners play a "dual role", as tax law enforcers in unambiguous scenarios, and as tax law exploiters in ambiguous scenarios. This "dual role" is also noted in the research of Sakurai and Braithwaite (2001:20) conducted in Australia. Klepper *et al.*'s (1991:228) study reveals that the majority of the taxpayers prefer practitioners who enact the role of tax enforcer to practitioners who enact the role of exploiter. Another finding was that taxpayers in their study interested in minimising their tax liability preferred tax practitioners who assumed the exploiter role and who were familiar with both low- and high-risk tax schemes. As already indicated in some instances, research indicates that tax practitioners, with reference to the United States, are adamant that taxpayers insist on aggressive tax reporting (Schisler, 1994:124-142). Sakurai and Braithwaite (2001:20) found that most taxpayers are in favour of tax minimisation with conflict avoidance, but that some taxpayers prefer tax minimisation involving creative accounting and aggressive tax planning. With reference to the United States, Christensen (1992:78) claims that the greatest mismatch between the taxpayer as the client and the tax practitioner is the fact that the tax practitioner may significantly misjudge the taxpayer's appetite for conservative tax advice.<br><br>The tendency of tax practitioners to be more aggressive than their clients actually preferred them to be was also found in research conducted by Stephenson (2007:418). By contrast, a working paper by Mason and Garrett-Levy in 2004 (cited in Stephenson, 2006:15) put forward results showing the opposite: it reported degrees of aggressiveness among tax practitioners that were lower than those expected by their taxpayer clients. |

**Table 67: Theme 4: External influences on taxpayers**

| This theme describes possible external influences that may have an impact on taxpayers' expectations regarding tax services | | | |
|---|---|---|---|
| Focus Group 1: Taxpayers | Focus Group 2: Chartered Accountants | Focus Group 3: Professional Accountants | Focus Group 4: Other Tax Practitioners |
| External influences on taxpayers | | | |
| No responses to this theme were recorded. | This focus group felt strongly that SARS's marketing campaigns imply that processes such as e-filing or easy-file are easy, which then creates perceptions among taxpayers that are often the opposite of what tax practitioners actually experience with regard to these systems. | Professional Accountants claimed that<br>• communication from SARS to taxpayers influences taxpayers' perceptions and<br>• taxpayers act on hearsay or on what "they say" and approach tax practitioners with these "theories", and then second-guess tax practitioners on the tax advice provided. | This group argued that influences that possibly affect taxpayers' expectations include<br>• hearsay;<br>• conflicting views of previous or other tax practitioners;<br>• SARS's publications and marketing campaigns;<br>• constant changes in legislation and the implementation of new legislation; and<br>• inconsistent SARS practices. |
| Emerging perceptions on the expectation gap between taxpayers and their tax practitioners | | | |
| Taxpayers reported no perceptions regarding this theme.<br>According to the tax practitioners,<br>• SARS's marketing, especially of e-filing and easy-file, gives taxpayers the false impression that these systems are much easier to use than tax practitioners find them to be in practice;<br>• taxpayers react to rumours they have gleaned from hearsay and then question the sound advice their tax practitioner provides;<br>• advice from previously consulted tax practitioners may conflict with tax practitioners' advice;<br>• frequent changes in tax legislation are an external influence on taxpayers; and<br>• inconsistent SARS practices in applying tax legislation are a particular problem. | | | |
| Conclusion | | | |
| It can therefore be argued that various external influences may have an impact on taxpayers' perceptions of tax services and may create a difference between taxpayers' expectations about a tax service and tax practitioners' perceptions of what the taxpayers' expectations are. External influences on taxpayers can therefore be deemed a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. | | | |
| Comparison and reference to the existing literature | | | |
| Taxpayers' perceptions<br>No perceptions were identified regarding this theme.<br><br>Tax practitioners' perceptions<br>With regard to the tax practitioners' perception that taxpayers react to baseless theories they have gleaned from hearsay and rumours, Torgler (2005a:157) concludes, with reference to Latin America, that tax ethics are lower among taxpayers who socialise with others who evade tax. Within in the United States context, Welch *et al.* (2005:25) confirm that the more prevalent tax evasion is in a given community, the higher the chances are that a taxpayer would be prone to participating in tax evasion. From a British perspective, Sigala *et al.* (1999:241) state that peer group pressure as a social norm is one of the key factors that had an impact on tax compliance in Britain and concluded that in instances of uncertainty about objectively appropriate and correct behaviour, taxpayers revert to the social norms of a salient group with which they associate and identify. | | | |

**Table 68: Theme 5: Frustrations tax practitioners experience with SARS**

| This theme describes the problem that taxpayers are either not aware of, or fail to understand the frustrations that tax practitioners experience with SARS. | | | |
|---|---|---|---|
| Focus Group 1: Taxpayers | Focus Group 2: Chartered Accountants | Focus Group 3: Professional Accountants | Focus Group 4: Other Tax Practitioners |
| Frustrations tax practitioners experience with SARS | | | |
| Taxpayers held the opinion that the tax practitioners dealing with their tax affairs have a professional responsibility towards them which includes having a good relationship with SARS in order to resolve tax issues effectively. | The Chartered Accountants claimed that taxpayers are not aware, or do not understand the frustrations that tax practitioners experience with SARS, and they attributed these frustrations with SARS to<br>• insufficient or poor communication from SARS;<br>• a lack of expertise, skills and resources of employees within SARS;<br>• problems with tax registration processes;<br>• uninformed queries by staff;<br>• tax refunds that take too long;<br>• tax refunds;<br>• VAT review criteria, and<br>• call centre frustrations.<br><br>They also felt that these frustrations (and the taxpayers' not understanding them), lead taxpayers to expect additional free services when these shortcomings have to be addressed.<br><br>The Chartered Accountants believe that taxpayers wrongly assume that tax practitioners are personally acquainted with SARS employees who can assist them in resolving tax issues. | The Professional Accountants indicated that they do not have confidence in the services of SARS and emphasised that clients' expectations differ regarding what SARS expects from a tax practitioner.<br><br>They indicated that taxpayers do not understand<br>• the time frames applicable to tax processes;<br>• the overall time it takes to provide a tax service;<br>• the time it takes to interact with SARS; and<br>• the time it takes to get SARS to resolve tax issues or pay out tax credits.<br><br>They felt that taxpayers have unreasonable expectations of tax practitioners' ability to deal with SARS and that they do not appreciate the problems that tax practitioners have in these dealings, nor do they understand that tax practitioners have no control over the amount of time SARS may take to respond to their submissions. | Other tax practitioners' frustrations with SARS that have an effect on taxpayer expectations relate to<br>• constant changes in legislation;<br>• the implementation of new legislation; and<br>• inconsistent SARS practices. |

| Emerging perceptions on the expectation gap between taxpayers and their tax practitioners |
|---|
| According to the taxpayers,<br>Tax practitioners have a professional responsibility towards them, which includes having a good relationship with SARS (and even have connections in SARS) in order to resolve tax issue effectively.<br>According to the tax practitioners,<br>• taxpayers wrongly assume that every tax practitioner is personally acquainted with SARS employees who can assist him or her in resolving tax issues;<br>• taxpayers are not aware of or do not understand the various frustrations (mentioned above) that tax practitioners experience with SARS;<br>• taxpayers do not understand that tax practitioners have no control over SARS's turnaround time and that it may vary between different taxpayers;<br>• taxpayers expect tax practitioners not to charge an additional fee for correcting mistakes when errors are made by SARS;<br>• tax practitioners lack confidence in the services of SARS; and<br>• taxpayers have unreasonable expectations regarding tax practitioners' dealings with SARS. |
| Conclusion |
| The frustrations tax practitioners experience with SARS are deemed to be responsible for the difference between taxpayers' expectations about a tax service provided to them and the tax practitioners' perceptions of those expectations. Thus these frustrations can be classified as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| Comparison and reference to the existing literature |
| Taxpayers' perceptions<br>No available literature could be sourced that mention the issues covered in this theme.<br><br>Tax practitioners' perceptions<br>SARS (2009) drew up a list of issues that tax practitioners experience with SARS. Some of the issues that were raised include the following:<br>• the practitioners have problems regarding synchronisation between eFiling and EasyFile;<br>• practitioners feel that SARS's turnaround time on objects/requests for corrections on assessments is too long;<br>• practitioners have problems with the IT14 forms, as some of the taxpayers (those not registered for eFiling), do not receive this form, it does not include facilities for reporting farming operations, and corporate taxpayers do not have the same function as individuals to make corrections;<br>• there is often a delay in receiving VAT refunds;<br>• practitioners find it hard to get through to contact centres.<br><br>Annexure F provides a more detailed list of grievances that the tax practitioners experience with the collecting agent. |

**Table 69: Theme 6: Insufficient communication between taxpayers and tax practitioners**

<table>
<tr><td colspan="4">This theme relates to insufficient communication between taxpayers and tax practitioners. It is associated with taxpayers' opinion that information and advice provided by tax practitioners is not always user-friendly. It also covers the fact that practitioners often need to handle tax problems arising from this lack of communication from tax practitioners.</td></tr>
<tr><th>Focus Group 1: Taxpayers</th><th>Focus Group 2: Chartered Accountants</th><th>Focus Group 3: Professional Accountants</th><th>Focus Group 4: Other Tax Practitioners</th></tr>
<tr><td colspan="4">Insufficient communication from taxpayers to tax practitioners</td></tr>
<tr><td>Taxpayers believe that<br>• there is a lack of personal communication and interaction between them and their tax practitioners;<br>• tax practitioners use technology such as e-mail and cell phones ineffectively although this technology could limit delays in communication;<br>• information and advice provided by tax practitioners is not always user-friendly; and<br>• tax information should be shared in a thorough but simple (user-friendly) way that is easy for a taxpayer to understand, even if the taxpayer lacks a tax background.</td><td>The Chartered Accountants acknowledge taxpayers' expectations of good communication between clients and practitioners. In this group's view, tax practitioners often need to handle tax problems that are a consequence of a lack of communication on the taxpayers' part. They felt that in many instances, tax practitioners are expected to provide proper tax advice when only limited facts or inputs are made available by taxpayers.</td><td>This group emphasised the importance of continuous communication between tax practitioners and taxpayers, as well as communication from SARS to taxpayers.<br><br>According to them, improved communication together with the education of taxpayers will ensure that sufficient tax information is communicated by taxpayers at the right time.</td><td>Once again the taxpayers' need for good communication was acknowledged but this group also noted that problems arise when the information provided by taxpayers is not complete or is inaccurate, and, in some instances, facts are even disclosed by tax payers only after a tax service has been completed.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• taxpayers expect improved personal interaction with their tax practitioner and believe that this will prevent misunderstanding, and that this can be obtained through<br>o the effective use of technology such as e-mail, cell phones or faxes in order to limit delays;<br>o frequent and regular personal feedback while the tax practitioner works through their tax matters; and<br>o provision for two-way communication between them;<br>• taxpayers expect tax practitioners to provide tax information that is thorough without being too complicated – it should be easy for someone without a tax background to understand it; and<br>• they suggest the use of technology such as mobile phones and e-mail to assist practitioners to convey user-friendly tax information more effectively to taxpayers.<br><br>According to the tax practitioners,<br>• taxpayers expect frequent communication from their tax practitioners;<br>• poor communication is the taxpayers' fault – practitioners have to deal with queries from SARS that arise either because a taxpayer withholds information from them to begin with or goes ahead with a transaction without getting proper tax advice beforehand; and<br>• tax practitioners also consider taxpayers to be uninformed about tax matters and believe that good communication between the parties will assist in educating taxpayers on how long it takes to perform tax work, on the fees charged for tax services, on what information taxpayers need to provide to tax practitioners, and on the deadlines for providing it.<br><br>According to the tax practitioners,<br>a) taxpayers expect frequent communication from their tax practitioners;<br>b) poor communication is the taxpayers' fault – practitioners have to deal with queries from SARS that arise either because a taxpayer withheld information from them to begin with or went</td></tr>
</table>

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| ahead with a transaction without getting proper tax advice beforehand; and<br>*c)* tax practitioners also consider taxpayers to be uninformed about tax matters and believe that good communication between the parties will assist in educating taxpayers on how long it takes to perform tax work, on the fees charged for tax services, on what information they need to provide to tax practitioners and on the deadlines for providing it. |
| **Conclusion** |
| Insufficient communication between taxpayers and tax practitioners and the corresponding provision of adequate information seems to be responsible for a gap between taxpayers' expectations of tax services and the tax practitioners' perceptions of those expectations. Therefore, insufficient communication between taxpayers and tax practitioners is deemed a factor or issue that can create or contribute to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| **Comparison and reference to the existing literature** |
| Taxpayers<br>Within the New Zealand context, Tan (2008:16) states that taxpayers expect to receive information in such a manner that they can understand it easily, and argues that their tax practitioners should explain it clearly and in words taxpayers can understand. According to Myers and Morris (1998:40-41), within the United States context, taxpayers want a personal and interactive relationship with their tax practitioner or the person handling their affairs.<br><br>Tax practitioners<br>Taxpayers using tax practitioners may not know what tax information they have to bring with when first meeting the tax practitioner. It is possible that incomplete information may be handed over and can delay the turnover time of the tax practitioner (Myers & Morris, 1998:44). Taxpayers may believe that the service being rendered should be performed in a certain way (Myers & Morris, 1998:40).<br><br>The risk that tax practitioners and the taxpayers may misconstrue each other's communication on what exactly a low- or a high-risk tax minimiser entails may ultimately result in their failing to meet each other's expectations (Sakurai & Braithwaite, 2001:22). Within the United States, Schmidt (2001:170) also warns that tax practitioners should ensure clear and accurate communication of information to their clients, because the information provided could influence the behaviour of the client, the taxpayer.<br><br>Within the South African context, Coolidge *et al.* (2009:27) also indicate that taxpayer clients postpone bringing their financial records and documentation to their tax practitioners to the last minute and leave tax practitioners beleaguered and maybe incapable of completing all the work in time to adhere to the statutory deadlines. Within the United States, Book (2008:29) suggests that tax practitioners are likely to contribute to non-compliance by not ascertaining the facts correctly from a client so that they can apply the law correctly, and by failing to act with due diligence in not verifying information provided by the client. |

**Table 70: Theme 7: Interpretation of tax legislation**

<table>
<tr><th colspan="4">This theme is described as the difference between the interpretation and application of tax legislation by tax practitioners on the one hand and SARS on the other</th></tr>
<tr><th>Focus Group 1: Taxpayers</th><th>Focus Group 2: Chartered Accountants</th><th>Focus Group 3: Professional Accountants</th><th>Focus Group 4: Other Tax Practitioners</th></tr>
<tr><td colspan="4">Tax legislation</td></tr>
<tr><td>Taxpayers indicated that professional competency for tax practitioners includes a thorough knowledge of current tax law in order to be able to perform tax services quickly, provide technical explanations on complicated tax issues, and to resolve any tax problems that may arise.</td><td>This group indicated that taxpayers expect<br>• tax practitioners and their personnel to be professionally competent in order to assist clients with tax matters they do not understand, such as the interpretation of tax laws;<br>• accurate tax work; and<br>• 100% compliance with tax legislation; while clients take no cognisance of possible different interpretations that different parties may have on legislation.</td><td>Focus group 3 claimed<br>• that there is a difference between the interpretation and application of tax legislation by tax practitioners on the one hand and SARS on the other;<br>• that taxpayers seem not to understand that there can be different interpretations and then blame tax practitioners if such different interpretations incur penalties; and<br>• that constant changes in statutory requirements may lead to an increased risk of non-compliance.</td><td>The other tax practitioner group<br>• blamed the lack of basic knowledge of tax on taxpayers' not grasping that tax practitioners and SARS may interpret tax legislation differently;<br>• agreed that constant changes and new implementations of legislation together with inconsistent SARS practices contribute to an increased risk of non-compliance; and<br>• indicated that taxpayers believe that all tax practitioners are experts and specialists in all areas of tax and are up-to-date with all new tax legislation.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• tax practitioners should be thoroughly conversant with current tax legislation so that they are able to<br>• process tax services quickly and accurately;<br>• provide technical explanations on complicated tax issues; and<br>• solve any tax problems that may arise.<br><br>According to the tax practitioners,<br>• taxpayers expect tax practitioners and their personnel to be professionally competent;<br>• taxpayers have an expectation of accurate work;<br>• taxpayers require 100% compliance with tax law and also expect tax practitioners to assist them with tax matters they do not understand, such as the interpretation of tax laws;<br>• taxpayers believe that tax practitioners are experts in all areas of tax and are up-to-date with all new legislation;<br>• tax practitioners may differ from SARS in their interpretation and application of tax laws; and<br>• constant changes and new implementations of legislation together with inconsistent SARS practices contribute to problems.</td></tr>
<tr><td colspan="4">Conclusion</td></tr>
<tr><td colspan="4">Possible differences in the interpretation and application of tax legislation between tax practitioners on the one hand, and SARS on the other hand, may result in a difference between taxpayers' expectations regarding tax services and the tax practitioners' perceptions of those expectations, and may result in an expectation gap. Consequently, interpretation of tax legislation can be classified as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
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| Comparison and reference to the existing literature |
|---|
| Taxpayers<br>Tan's (2008:16) results in New Zealand also indicate that the majority of taxpayers expect their tax practitioners to be up to date with the latest changes in tax legislation and to be able to explain the technical aspects of tax to taxpayers when required to do so.<br><br>In line with what has been indicated by taxpayers, Killian and Doyle (2004:160) claim that, within the South African context, the increased use of tax practitioners is a result of the increasing complexity of tax legislation. Tan (2006:15) also reports that taxpayers increasingly make use of tax practitioners to assist them with tax return preparation and submission, and the resolution of ambiguous tax matters.<br><br>Tax practitioners<br>Taxpayers indicated that they want their tax practitioners and their professional staff to be up to date with the latest changes in tax law, to adhere to tax law (Tan, 2008:25) and to be able to file their tax returns with accuracy (Choong *et al* ., 2008:17; Stephenson, 2006:39).<br><br>Supporting the tax practitioners' perceptions above, with reference to Australia, Marshall *et al*. (1998:1279) point out that tax practitioners tend to specialise in specific areas of expertise in tax law and that, due to the complexity of tax legislation, tax practitioners believe that it is impossible to be an expert on all areas of tax. Thus they may feel that maintaining their professional competency is a major obstacle to overcome. Within the United States, Slemrod *et al.* (2001:459) admit that tax laws have become so complicated that even experts sometimes struggle to interpret the provisions of tax law. The ambiguities resulting from complex tax legislation create difficulties for tax practitioners and taxpayers, and these also affect tax authorities. Ambiguities make it difficult for the authorities to judge indisputably what actions are legal and which ones constitute avoiding or dodging tax law. Finally, Book (2008:29) suggests that tax practitioners may themselves contribute to non-compliance, for example, by not understanding tax legislation sufficiently. |

**Table 71: Theme 8: Professional competency of tax practitioner**

<table>
<tr><td colspan="4">This theme emphasises the taxpayers' expectation that tax practitioners will be professionally competent.</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Tax practitioners' professional competency</td></tr>
<tr><td>In this theme, taxpayers emphasised their expectation that tax practitioners will be professionally competent. As already indicated in Theme 7, this competency includes<br>• having thorough knowledge of current tax law;<br>• processing tax services quickly;<br>• providing technical explanations on complicated tax issues; and<br>• resolving any tax problems that may arise.<br><br>Taxpayers, however, often regard<br>• tax practitioners as lacking in practical experience, or, in other instances,<br>• as being inclined to merely criticise tax plans instead of solving problems relating to those plans.</td><td>This group indicated that they are aware of taxpayers' expectation thats of tax practitioners and their personnel should to be professionally competent in order to assist them with tax matters such as<br>• interpreting tax laws;<br>• ensuring accurate tax work; and<br>• 100% compliance with tax legislation.<br><br>Regarding the expectations about the competencies of tax practitioners, the group felt that this expectation is somewhat unrealistic, since tax practitioners are not, and cannot be, experts in all tax, business and economic sciences disciplines, and they point out that tax practitioners therefore cannot know everything.</td><td>No responses on this theme were recorded by this group.</td><td>According to the other tax practitioners<br>• experienced tax practitioners are better equipped to manage the expectation gap between tax practitioners and taxpayers than inexperienced tax practitioners would be;<br>• tax practitioners' knowledge also influences the tax practitioners' ability to determine taxpayers' expectations regarding a particular instruction;<br>• taxpayers perceive tax practitioners as experts and specialists in all areas of tax and expect them to be up to date with all new tax legislation, and assume that tax practitioners will always provide them with the correct tax advice.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• tax practitioners should be thoroughly conversant with current tax law so that they are able to<br>  o process tax services quickly and accurately;<br>  o provide technical explanations on complicated tax issues; and<br>  o solve any tax problems that may arise;<br>• some tax practitioners lack practical experience; and<br>• some tax practitioners are too inclined to criticise tax plans or schemes.<br>According to the tax practitioners,<br>• taxpayers expect tax practitioners and their personnel to be professionally competent;<br>• taxpayers expect accurate work;<br>• taxpayers anticipate 100% compliance with tax law and also expect tax practitioners to assist them with tax matters they do not understand, such as the interpretation of tax laws;<br>• tax practitioners are not and cannot be experts in all tax, business and economic science disciplines;<br>• experienced tax practitioners are better equipped to manage the expectation gap between tax practitioners and taxpayers; and<br>• the tax practitioners' knowledge influences the tax practitioners' ability to determine taxpayers' expectations regarding a particular instruction.</td></tr>
</table>

| Conclusion |
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| Different opinions on the professional competency of tax practitioners may lead to taxpayers' expectations regarding a tax service to be different to tax practitioners' perceptions of this expectation. Professional competency of tax practitioners, which includes tax practitioner experience and knowledge, may therefore be regarded as a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| **Comparison and reference to the existing literature** |
| Taxpayers<br>Taxpayers indicated that they want their tax practitioners and their personnel to be up to date with the latest changes in tax law (Tan, 2008:25) and be able to file their tax returns with accuracy (Choong *et al.*, 2008:17; Stephenson, 2006:39).<br><br>As already indicated, Sakurai and Braithwaite (2001:20), with reference to Australia, point out that one of the most important roles tax practitioners play is providing assurance to taxpayers that their tax affairs are under control and that these matters are dealt with in a lawful manner. According to Sakurai and Braithwaite (2001:11-12), taxpayers do not believe themselves to be competent to complete their own tax returns without some sort of assistance by a tax practitioner.<br><br>Tan's (2008:16) results in New Zealand, indicate that all taxpayers want their tax practitioners to be up to date with the latest changes in tax legislation and want them to be able to explain the technical matters to their clients.<br><br>In South Africa, Venter and De Clercq (2007:146) found that small businesses blamed their need to outsource their tax responsibilities on both a lack of skilled tax personnel, and a lack of the time required to manage tax functions in the business. Coolidge *et al.* (2009:27) indicate that there may be a number of poorly-qualified tax practitioners that serve SMMEs, including tax practitioners who may have been certified in the past, but who have failed to keep up with changing tax laws, regulations and interpretations. However, Labuschagne (2006:1) warns that taxpayers innocently and ignorantly believe that they are doing the correct thing by taking what they think is "expert advice" by organising their affairs in a tax-efficient manner, but this is not an acceptable excuse in the eyes of the tax authorities. Incorrect tax advice is usually the result of tax practitioners' not being up to date with the dynamic field of tax.<br><br>Tax practitioners<br>From an Australian perspective, Marshall *et al.* (2006:500) also argue that a failure to maintain technical competence by not keeping up to date with developments in tax legislation and administration is an issue that should raise concern. Within the United States, Kaplan *et al.* (1988) suggest that experience may affect the level of aggressiveness adopted in ambiguous settings, because tax practitioners depend on knowledge structures when making judgements. These researchers explain that it takes many years for tax professionals to develop these knowledge structures and also claim that more-experienced tax practitioners should have better-developed knowledge structures for making decisions in ambiguous settings. McGill (1988) reports that more experienced tax professionals tend to be more aggressive. By contrast, Ayres *et al.* (1989), Carnes *et al.* (1996) and Cuccia (1994) found little or no relation between number of years' experience and aggressiveness. Duncan *et al.*'s (1989) results suggest that the more actively tax practitioners are involved in advising taxpayers in similar tax situations, the more aggressive the positions that they adopt. |

**Table 72: Theme 9: Service scope definition and nature of the service**

<table>
<tr><td colspan="4">This theme is associated with the scope of the tax services to be rendered by tax practitioners and the taxpayers’ understanding of this scope</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Service scope definition and nature of the service</td></tr>
<tr><td>No responses relating to this theme were recorded.</td><td>The Chartered Accountants’ focus group suggested that<br>• taxpayers do not grasp that when the scope of the tax work is limited, tax practitioners are not responsible for errors that fall outside the limitations agreed upon in the service scope definition; and<br>• taxpayers’ fear of high fees result in their requesting tax practitioners to limit the scope of their work to material issues in order to save costs, but when problems arise with non-material issues, taxpayers believe the tax practitioners are still responsible for dealing with these problems, even though they fall outside the service scope definition.</td><td>No responses relating to this theme were recorded.</td><td>The other tax practitioners argued that<br>• a different understanding of the scope of the service provided may influence the gap between taxpayers’ and tax practitioners’ expectations; for example, if taxpayers wrongly assume that they will receive tax planning advice in addition to tax calculations, they may perceive tax practitioners as promising more than practitioners deliver;<br>• taxpayers often differ from tax practitioners in their ideas on the exact scope of the services their fees entitle them to – often taxpayers believe that once they have paid a tax practitioner to deal with their tax problems, the taxpayers have no further responsibility towards SARS and that they face no risk of falling foul of SARS; and<br>• the nature of the tax service provided, as well as the importance of the service to the taxpayer, may influence expectations regarding the service.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">The taxpayers did not identify any particular perceptions relating to this theme.<br><br>According to the tax practitioners,<br>• taxpayers are reluctant to understand that when the scope of the tax practitioner’s work is limited (for example, ensuring compliance on material issues or providing only high-level tax comments), the tax practitioner is no longer responsible for errors on non-material issues or those that require detailed tax work;<br>• taxpayers’ expectations differ according to the kind of tax services they require and its importance to them;<br>• taxpayers may differ from tax practitioners in their idea of exactly what scope of services their fees entitle them to; and<br>• fear of high fees results in taxpayers’ limiting the scope of the tax work.</td></tr>
</table>

| Conclusion |
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| Not understanding or having a different understanding of the scope of the service provided may lead taxpayers' expectations regarding a tax service to be different from tax practitioners' perceptions of this expectation, and as a result may create an expectation gap between taxpayers and tax practitioners. The service scope definition is therefore indicative of a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| Comparison and reference to the existing literature |
| Taxpayers<br>No findings regarding taxpayers' opinions have previously been published.<br><br>Tax practitioners<br>Within the United States, Myers and Morris (1998:40) found that especially customers with no prior experience with CPAs are inclined to have different expectations regarding the services rendered from the CPAs.<br><br>In the South African context, Coolidge *et al.* (2009:26) report that more routine tasks are most likely to be completed in-house by taxpayers, for example, general bookkeeping and preparing regular tax returns for Value-Added Tax (VAT) and payroll taxes, whereas less routine tasks, together with more complex tasks, are more likely to be outsourced. |

**Table 73: Theme 10: Taxpayers' expectations of receiving a professional service**

<table>
<tr><td colspan="4">This theme describes the fact that taxpayers expect a professional service from their tax practitioners and that they expect efficiency from tax practitioners in providing timely deadline reminders, timely execution and delivery of tax services, compliance with all submission and payment deadlines, effective use of technology, and being readily available for consultation</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Professional service</td></tr>
<tr><td>The taxpayers expect a professional service from their tax practitioners which includes<br>• efficiency in providing timely deadline reminders;<br>• timely execution and delivery of tax services;<br>• complying with all submission and payment deadlines;<br>• using technology effectively;<br>• being readily available for consultation; and<br>• not giving the impression of being too busy for the taxpayer.</td><td>Chartered Accountants thought that taxpayers expect a professional service from their tax practitioners that involves<br>• tax practitioners and their staff to be professionally competent;<br>• ensuring accurate tax work;<br>• good communication on tax matters; and<br>• 100% compliance with tax legislation.</td><td>The participants of the Professional Accountants group also suggested that taxpayers expect good service from their tax practitioners in terms of ensuring tax compliance, which implies that tax practitioners must adhere to all the requirements of SARS and tax legislation and must keep taxpayers out of trouble with SARS.</td><td>The other tax practitioners pointed out that taxpayers<br>• demand immediate responses to any tax queries they may have;<br>• do not understand that tax practitioners cannot always resolve all tax problems immediately; and<br>• do not realise that they are not the practitioner's only clients.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• taxpayers expect efficiency from tax practitioners;<br>• taxpayers expect tax practitioners to provide timely deadline reminders for them to comply with all submission and payment deadlines;<br>• taxpayers require tax practitioners to use technology effectively;<br>• taxpayers expect tax practitioners to be readily available for consultation; and<br>• tax practitioners should never give the impression of being too busy to meet any of these expectations.<br><br>According to the tax practitioners,<br>taxpayers<br>• expect tax practitioners and their personnel to be professionally competent;<br>• expect accurate work;<br>• expect good communication on tax matters;<br>• rely on the tax practitioner to keep taxpayers abreast of the requirements of SARS and to ensure that they are tax compliant; and<br>• imagine themselves to be the tax practitioner's only client and their first priority.</td></tr>
</table>

| Conclusion |
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| The expectations of taxpayers to receive a professional service may differ from what tax practitioners think this expectation is, thereby contributing to the expectation gap between taxpayers and tax practitioners. |
| **Comparison and reference to the existing literature** |
| Taxpayers<br>Taxpayers have indicated that they want to consult with their tax practitioners at any time, even after hours, as Tan (2008:13) reports from a New Zealand context.<br><br>Tax practitioners<br>With reference to Malaysia and the United States respectively, taxpayers have reported that they expect their tax practitioners and their staff to be up to date with the latest changes in tax legislation, adhere to it and be able to file their tax returns accurately (Choong *et al.*, 2008:17; Stephenson, 2006:39). Within the New Zealand context, they also expect their tax practitioners to respond immediately to their queries even if it means that the tax practitioners have to stay after hours to reply and give advice (Tan, 2008:13).<br><br>Furthermore, taxpayers in the United States expect a personal and interactive relationship with the person handling their tax affairs and they should have adequate communication with them (Myers & Morris, 1998:40-41).In this regard, with reference to Australia, Boccabella (1993:391) states that one of the tasks that tax practitioners may be required to perform is to represent and negotiate on behalf of taxpayers in proceedings with both revenue authorities and policy-makers. Collins *et al.* (1990:18) indicate that taxpayers who require assistance with the preparation of tax returns point out that their primary objective is to file accurate tax returns or to minimize their tax liability.<br><br>Also viewed from an Australian perspective, Sakurai and Braithwaite (2001:20) indicate that one of the most important roles that tax practitioners can play for taxpayers is to provide assurance that their tax affairs are under control and that these matters are dealt with in a lawful manner. |

**Table 74: Theme 11: Taxpayers' expectations on general non-tax advice**

<table>
<tr><td colspan="4">This theme relates to taxpayers' opinion that tax practitioners are experts in all business and economic sciences disciplines and that tax practitioners should know everything and should therefore also provide general non-tax advice to clients</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">General non-tax advice</td></tr>
<tr><td>Taxpayers as a group indicated that they expect tax practitioners to provide them with comprehensive financial advice in addition to tax advice. This includes advice on company growth and on the most appropriate legal entity for their business, enabling the taxpayer to make worthwhile financial decisions.</td><td>The Chartered Accountants lamented taxpayers' opinion that tax practitioners are experts in all business and economic science disciplines and should therefore provide advice regarding prospective local and international economic trends in addition to tax advice.</td><td>No responses related to this theme were recorded.</td><td>No responses related to this theme were recorded.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• tax practitioners should provide them with comprehensive financial advice in addition to ordinary tax advice; and<br>• this advice should include advice on company growth and on the most appropriate legal entity for their business.<br>According to the tax practitioners,<br>• taxpayers expect general non-tax advice in addition to normal tax advice;<br>• taxpayers consider tax practitioners to be experts on all economic matters and expect them to serve as their financial and investment advisors as well; and<br>• tax practitioners are not necessarily experts in all business and economic sciences disciplines and cannot always adequately address this expectation of taxpayers.</td></tr>
<tr><td colspan="4">Conclusion</td></tr>
<tr><td colspan="4">It can be inferred from the emerging perceptions above that taxpayers' expectations about receiving general non-tax advice may differ from the tax practitioners' perceptions of this expectation and that this could contribute to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
<tr><td colspan="4">Comparison and reference to the existing literature</td></tr>
<tr><td colspan="4">Taxpayers<br>This theme has not been mentioned in available scholarly literature.<br><br>Tax practitioners<br>This theme has not been mentioned in available scholarly literature.</td></tr>
</table>

**Table 75: Theme 12: Taxpayer knowledge gap on tax-related issues**

<table>
<tr><th colspan="4">This theme describes the knowledge gap in taxpayers' understanding of tax-related issues</th></tr>
<tr><th>Focus Group 1: Taxpayers</th><th>Focus Group 2: Chartered Accountants</th><th>Focus Group 3: Professional Accountants</th><th>Focus Group 4: Other Tax Practitioners</th></tr>
<tr><td colspan="4">Taxpayer knowledge</td></tr>
<tr><td>Taxpayers perceived themselves to lack basic tax knowledge, resulting in a tax knowledge gap.</td><td>The Chartered Accountants identified a knowledge gap in taxpayers' understanding of tax-related issues:<br>• taxpayers have a limited knowledge and understanding of different tax types; and<br>• this knowledge gap is also responsible for taxpayers' acting on hearsay or on what "they say" and taxpayers then approach tax practitioners with these rumours, and question tax practitioners on the tax advice they provide (also see Theme 4).</td><td>The Professional Accountants group stated that<br>• taxpayers are uninformed on a number of tax issues, which creates a knowledge gap;<br>• the gap can be addressed through taxpayer education; and<br>• this knowledge gap is also responsible for taxpayers' acting on hearsay or on what "they say" and approach tax practitioners with these rumours, and question tax practitioners on the tax advice they provide (also see Theme 4).</td><td>This focus group noted that taxpayers' basic tax knowledge results in taxpayers<br>• failing to comprehending that tax practitioners and SARS may interpret tax legislation differently;<br>• confusion regarding different types of taxes, such as Income Tax, PAYE, and VAT;<br>• ailing to understand the concept of provisional tax;<br>• relying more heavily on tax practitioners; and<br>• having a unrealistic expectation regarding a tax service.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• they lack a basic understanding of tax; and<br>• there is a knowledge gap between taxpayers and their tax practitioners.<br>According to the tax practitioners,<br>• taxpayers lack a basic understanding of tax;<br>• there is a knowledge gap between taxpayers and their tax practitioners;<br>• taxpayers are confused between different forms of taxation (IT, PAYE and VAT) and do not understand the concept of provisional tax;<br>• tax practitioners have to deal with queries from taxpayers arising from ignorance of different types of taxation (PAYE and provisional tax);<br>• taxpayers are uninformed about tax matters and need to be educated on<br>    o how long it takes to perform tax work;<br>    o on the fees charged for tax services;<br>    o on what information they need to provide tax practitioners; and<br>    o on deadlines for providing it;<br>• taxpayers with adequate tax knowledge have high expectations of tax practitioners and vice versa; and<br>• taxpayers whose knowledge of tax is inadequate, on the other hand, place more trust in tax practitioners.</td></tr>
<tr><td colspan="4">Conclusion</td></tr>
<tr><td colspan="4">Therefore, taxpayer knowledge can be seen as a culprit that may influence taxpayers' expectations about a tax service provided to them resulting in perceptions that differ from tax practitioners' perceptions of those expectations towards receiving the service. Therefore the taxpayer knowledge gap on tax-related issues is a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
</table>

| Comparison and reference to the existing literature |
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| **Taxpayers**<br>Kirchler (2009:32) found that individuals feel incompetent when it comes to the field of taxation.<br><br>**Tax practitioners**<br>Braithwaite (2003a:15) argues that, given the constant evolution of tax systems, educating taxpayers plays a fundamental role in modern tax systems – it is important that taxpayers have no doubt about the integrity of the entire tax administration. Kirchler (2009:31) defines subjective tax knowledge as ordinary taxpayers' understanding of taxation and argues that this concept is vital in understanding a taxpayer's behaviour, since an individual's knowledge and concepts of taxation are central to his or her judgements, evaluations, perceptions of fairness and willingness to be tax compliant. Torgler (2002:683) believes that in an environment of well-educated taxpayers who are confident about their tax knowledge, transparency is vital in ensuring compliance. |

**Table 76: Theme 13: Taxpayers' lack of understanding of timeframes in the tax environment**

<table>
<tr><td colspan="4">This theme is concerned with the fact that taxpayers do not understand the time frames that apply in the tax environment, nor the amount of time spent on their tax affairs</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Timeframes</td></tr>
<tr><td>Taxpayers expect tax practitioners to assist them with a detailed time plan to ensure compliance with different tax types, since they lack a basic understanding of timeframes within the tax environment.<br>This detailed time plan should include<br>• timely deadline reminders;<br>• indications of execution time; and<br>• delivery time of tax services, in order to comply with all submission and payment deadlines.</td><td>Chartered Accountants were concerned that taxpayers fail to understand<br>• the time frames applicable to the tax environment;<br>• the amount of time spent on their tax affairs;<br>• the time constraints and complexities involved in a tax practitioner's turnaround time;<br>• SARS's turnaround time; and<br>• the tax practitioner's response time.</td><td>The Professional Accountants were aware that taxpayers do not understand the time frames applicable to tax processes:<br>• the overall time it takes to provide a tax service;<br>• the time it takes to interact with SARS; and<br>• the time it takes SARS to resolve tax issues or pay out tax credits.<br><br>In addition, they felt that taxpayers assume that the timely submission of tax returns is solely the tax practitioner's responsibility, irrespective of whether or not the taxpayers provide the relevant tax information needed for completing a return within the relevant time frame.</td><td>The other tax practitioners group felt that taxpayers<br>• tend to demand immediate responses to any tax queries they may have;<br>• do not understand that tax practitioners cannot always resolve all tax problems immediately;<br>• do not understand that tax practitioners are dependent on SARS for resolving some tax problems; and<br>• forget that they are not the tax practitioners' only clients.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>• they lack an understanding of time frames within the tax environment; and<br>• they expect tax practitioners to map out a detailed time plan for them so as to ensure compliance with the deadlines for different tax types such as VAT, UIF and provisional tax.<br><br>According to the tax practitioners,<br>• the relevant timeframes in the tax environment are not understood by taxpayers, and this includes<br>o tax practitioner turnaround time;<br>o SARS's turnaround time;<br>o tax practitioners' response time;<br>o the overall time it takes to complete a tax service;<br>o the time it takes to interact with SARS, and<br>o time it take for SARS to resolve issues;<br>• taxpayers assume the timely submission of tax returns is solely the tax practitioners' responsibility, irrespective of whether or not the relevant tax information was provided timeously; and<br>taxpayers believe they are the tax practitioners' only clients and demand immediate responses.</td></tr>
</table>

| Conclusion |
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| Taxpayers' lack of understanding of timeframes within the tax environment has an impact on taxpayers' perceptions of tax services and may create a gap between taxpayers' expectations about a tax service and what tax practitioners' perceptions of the taxpayers' expectations are. It can therefore be deemed a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| **Comparison and reference to the existing literature** |
| **Taxpayers**<br>No references to time frames are available in the literature.<br><br>**Tax practitioners**<br>With reference t to New Zealand, Tan (2008:13) reports that taxpayers indicate that they expect immediate responses to their queries, even if tax practitioners have to respond after hours.<br><br>Referring to the United States, Book (2008:10) indicates that taxpayers engage with tax practitioners because they lack the time to prepare a return on their own. Within the South African context, Coolidge *et al.* (2009:27) report the tax practitioners' claim that numerous taxpayers postpone tax work, and bring their financial tax information to their tax practitioners at the last minute, with the result that the practitioners are incapable of completing all the work in time to adhere to the statutory deadlines. |

**Table 77: Theme 14: Taxpayers transferring their responsibility**

<table>
<tr><td colspan="4">This theme describes the problem that, although taxpayers are ultimately responsible for the payment of taxes and for the information provided, they take no responsibility for the process and tend to shift all responsibility to tax practitioners</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Taxpayers’ shifting their responsibilities</td></tr>
<tr><td>Taxpayers indicated that tax practitioners dealing with their tax affairs have a professional responsibility towards them which includes being up to date with the taxpayers’ personal finances in order to provide correct tax services and advice.</td><td>The Chartered Accountants said that, although taxpayers are ultimately responsible for the payment of taxes and for the information provided, they<br>• take no responsibility for the process;<br>• tend to shift all responsibility to the tax practitioner; and<br>• perceive it to be the tax practitioners’ duty to reduce their tax liability.</td><td>The Professional Accountants’ group indicated that taxpayers<br>• do not take ownership of their tax affairs and tend to shift the blame to tax practitioners in instances when tax issues arise;<br>• believe that after they appoint a tax practitioner, SARS is the tax practitioners’ problem and that they as taxpayers have no responsibility towards SARS;<br>• taxpayers do not understand tax risks and the consequences of non-compliance; and<br>• taxpayers assume that the timely submission of tax returns is solely the tax practitioners’ responsibility, irrespective of whether or not the taxpayers provide the relevant tax information needed to complete the return on time.</td><td>The other tax practitioner group agreed that taxpayers’ hold the perception that<br>• when tax practitioners are paid for a tax service, they must solve all tax problems, not only ones they have actually been paid to deal with;<br>• once they have paid a tax practitioner to deal with their tax problems, the taxpayers have no further responsibility towards SARS; and<br>• they face no risk of falling foul of SARS.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">According to the taxpayers,<br>(although they do not say and directly that they want to transfer their tax responsibilities to their tax practitioners), they believe that tax practitioners have a professional responsibility to<br>• act with integrity;<br>• ensure correctness in their tax work; and<br>• be up to date with the taxpayer’s personal finances in order to resolve tax issues effectively.<br><br>According to the tax practitioners,<br>• although taxpayers are responsible for keeping proper records, providing accurate information and paying the necessary taxes, they tend to shift all responsibility onto the tax practitioner;<br>• taxpayers place the onus for reducing the amount of tax payable on tax practitioners;<br>• some taxpayers even hold it against the tax practitioner when tax issues arise, as if it was their fault by not making full and honest disclosure, and they expect the tax practitioner to take responsibility for resolving such problems;<br>• taxpayers also blame tax practitioners for all SARS’s internal shortfalls or problems;<br>• taxpayers do not take ownership of their tax affairs;</td></tr>
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| • even when taxpayers do not provide the relevant tax information or are late in doing so, if there are any penalties or problems, they blame the tax practitioner;<br>• taxpayers do not understand the risks and consequences of non-compliance; and<br>• taxpayers feel that when they pay the tax practitioner to deal with their tax problems, they have no further responsibility and face no risk of falling foul of SARS. |
| Conclusion |
| The fact that taxpayers transfer responsibility to tax practitioners may lead to different expectations and perceived expectations regarding tax services amongst taxpayers and tax practitioners, and it is therefore a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context. |
| Comparison and reference to the existing literature |
| Taxpayers<br>No applicable literature could be obtained.<br><br>Tax practitioners<br>Just over half of the taxpayers in Tan's (2008) New Zealand study, indicated that their tax practitioners have to deal with and sort out their tax matters and should not bother them too much. This is an indication that taxpayers avoid taking responsibility for their tax matters. Further, taxpayers want their tax practitioners to reduce their tax liability by minimizing their tax liability and saving them money (Choong *et al* ., 2008:17; Stephenson, 2006:39; Tan, 2008:16). This tendency to shift responsibility depends on the amount of risk that the taxpayer is willing to take (Tan, 2008:16). |

**Table 78: Theme 15: Taxpayers' expectations of a personal relationship with their tax practitioners**

<table>
<tr><th colspan="4">This theme describes taxpayers' expectation of having a personal relationship with their tax practitioner(s)</th></tr>
<tr><th>Focus Group 1: Taxpayers</th><th>Focus Group 2: Chartered Accountants</th><th>Focus Group 3: Professional Accountants</th><th>Focus Group 4: Other Tax Practitioners</th></tr>
<tr><th colspan="4">Taxpayers' expectations of a personal relationship with their tax practitioner</th></tr>
<tr><td>In the taxpayers' opinion there is a lack of personal interaction between them and tax practitioners:<br>• they want tax practitioners to be readily available for consultation;<br>• the relationship between taxpayers and tax practitioners is influenced by the tax practitioners' personalities;<br>• they want regular personal conversation with their tax professional, as well as<br>• continuity regarding the individual tax practitioner who deals with the taxpayer's file and tax affairs.</td><td>The Chartered Accountants highlighted the taxpayers' expectation of having a personal relationship with their tax practitioner(s) and expectation of continuity regarding the person responsible for their tax affairs, something that is not always possible in a bigger tax practice.</td><td>No responses related to this theme were recorded.</td><td>In the other tax practitioners' opinion, the relationship between taxpayers and tax practitioners is influenced by<br>• how honest taxpayers are;<br>• how much communication takes place between taxpayers and their tax practitioners;<br>• whether different partners in the tax practitioner's firm deal with the taxpayer's affairs or provide them with different opinions on their tax matters; and<br>• how quickly tax practitioners react to taxpayers' tax queries.</td></tr>
<tr><th colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</th></tr>
<tr><td colspan="4">According to the taxpayers,<br>• a lack of interaction between taxpayers and tax practitioners exists;<br>• tax practitioners need to be readily available;<br>• taxpayers expect the continuity of always dealing with the same tax practitioner;<br>• taxpayers expect practitioners to have an agreeable personality; and<br>• tax practitioners should hold regular personal conversations with them regarding their tax affairs.<br><br>According to the tax practitioners,<br>• taxpayers may expect to have a personal relationship with the tax practitioner;<br>• taxpayers want to be assured of continuity with the same tax practitioner;<br>• tax practitioners cannot always ensure continuity;<br>• honesty of taxpayers influences the relationship between them and the tax practitioner; and<br>• taxpayers demand immediate responses on their tax matters.</td></tr>
<tr><th colspan="4">Conclusion</th></tr>
<tr><td colspan="4">Taxpayers' expectations of a personal relationship with their tax practitioner may differ from tax practitioners' perceptions about this personal relationship and may lead to the creation of an expectation gap between the two. Thus it can be regarded as a factor that contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
</table>

| Comparison and reference to the existing literature |
|---|
| Taxpayers<br>According to Myers and Morris (1998:40-41), in the United States, taxpayers want to have a personal and interactive relationship with their tax practitioner or the person handling their affairs, as well as satisfactory communication between them. Tan (2008:13) reports that the taxpayers in New Zealand, indicated that they expect immediate responses to their queries even if tax practitioners have to respond after hours. Taxpayers want to know who is handling their tax affairs, as tax information is sensitive and private information (Myers & Morris, 1998:41).<br><br>Tax practitioners<br>Taxpayers want to know who is handling their tax affairs, as tax information is sensitive and private information, but it is not always possible for the same partner to attend to all the tax matters relating to a client and they sometimes have to give some of the work to an accountant to handle the tax matters (Myers & Morris, 1998:41). |

**Table 79: Theme 16: Taxpayers' expectations of fees charged by tax practitioners**

| This theme describes taxpayers' expectation of paying the lowest fee possible, yet not understanding/not wanting to understand the principle of cost versus benefit or fees versus value | | | |
|---|---|---|---|
| Focus Group 1: Taxpayers | Focus Group 2: Chartered Accountants | Focus Group 3: Professional Accountants | Focus Group 4: Other Tax Practitioners |
| Taxpayers' expectations of fees charged by tax practitioners | | | |
| Taxpayers reasoned that when it comes to fees<br>• they expect value for money;<br>• they expect to be able to assess the value they receive for the tax services rendered to them;<br>• they expect to be able to compare it to the cost or fees they pay for these services;<br>• they want to do this in order to receive maximum benefit in terms of cost; but<br>• a lack of transparency exists regarding the costs/fees charged by tax practitioners for the tax services rendered, and due to this they cannot determine the cost of fees charged for particular services, such as e-mail queries and phone calls, in advance. | This group argued that<br>• taxpayers want to pay the lowest fee possible, but do not understand and neither want to understand the principle of cost versus benefit or fees versus value;<br>• a fear of high fees causes taxpayers to limit the scope of work to material issues to save costs, but if problems arise with non-material issues, taxpayers believe tax practitioners are responsible for these problems and expect them to deal with the problems without additional fees;<br>• in some instances, taxpayers' fears of high fees result in their performing some tax work themselves, since they think this will lower their tax service costs, but where they lack the necessary tax skills they can end up paying more since their tax practitioners have to sort out problems relating to their work; and<br>• taxpayers assume that paying for their annual tax returns to be completed, entitles them to free tax advice on all other tax-related matters such as rectifying errors made by SARS. | This group reasoned that taxpayers<br>• should be better educated on the amount of time it takes to perform tax work and its relationship with fees charged;<br>• want to pay the minimum fee for the maximum service; and<br>• tend to determine the value of the fee charged for a tax service by comparing it to the amount of tax they have to pay SARS. | The other tax practitioners indicated that taxpayers<br>• differ from tax practitioners in their ideas of exactly what the scope of the services are that their fees entitle them to; and<br>• have a different understanding of what value entails or what constitutes a value-added tax service as explained in Theme 2. |
| Emerging perceptions on the expectation gap between taxpayers and their tax practitioners | | | |
| According to the taxpayers,<br>• they should receive the maximum benefit for the fees they pay tax practitioners;<br>• they would like to be able to assess the value of the tax services provided; and<br>• they wish to estimate costs beforehand and therefore expect tax practitioners to disclose all charges up front, including their fees for services such as e-mail queries and telephone calls.<br><br>According to the tax practitioners, | | | |

- taxpayers expect to pay tax practitioners as low a fee as possible with no regard for the principle of cost versus benefit;
- tax practitioners want to charge fees that are a true reflection of their value to the client;
- taxpayers assume that paying for their annual tax return to be completed entitles them to free tax advice on all other tax-related matters;
- taxpayers who do some tax work on their own expect this to reduce the amount payable to the tax practitioner; however, their lack of tax knowledge may actually increase the amount payable since the tax practitioner has to spend extra time rectifying the taxpayer's faulty work;
- taxpayers may ask tax practitioners to limit the scope of their work to material issues in order to save costs; however, when problems arise with non-material issues, they believe the tax practitioners are responsible for them and expect the practitioners to deal with the problem;
- taxpayers weigh the cost of the service against the amount of tax it saves them; and
- taxpayers may differ from tax practitioners in their idea of exactly what scope of services their fees entitle them to.

**Conclusion**

It appears from the emerging perceptions that there is a difference between taxpayers' expectations regarding fees charged for tax service provided to them and the tax practitioners' perceptions of those fee expectations. Therefore fees can create a possible expectation gap between the two parties and therefore contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.

**Comparison and reference to the existing literature**

Taxpayers

Taxpayers may only receive an estimate of fees when taking their tax information to the tax practitioner and no actual breakdown of the costs is given to the taxpayer (Myers & Morris, 1998:42).

Tax practitioners

Within the South African context, Venter and De Clercq (2007:146) found that small business taxpayers blamed their need to outsource their tax responsibilities on a lack of skilled tax personnel, as well as a lack of the time required to manage tax functions within their business. Thus a saving of costs was not regarded as a significant motivation for outsourcing tax responsibilities and therefore provides evidence that contradicts the opinion expressed by the tax practitioners' in the current study. Coolidge *et al.* (2009:13) also confirm that the cost of the services provided by tax practitioners is not the main reason for avoiding using a tax practitioner. Coolidge *et al.* (2009:26) also suggest that "partial outsourcing" involves a substantial amount of duplicated work; hence, many tax practitioners have indicated that practitioners have to verify the quality of the work done by the taxpayers before the tax returns can be finalized. Due to taxpayers' lack of knowledge, in these instances, tax practitioners regularly have to go back and rectify errors, resulting in a duplication of tasks. Conversely, it is also probable that partial outsourcing may appear more expensive than in-house tax compliance work "after the fact" if entities resort to tax practitioners only after they have started to encounter tax problems.

**Table 80: Theme 17: Taxpayers' fear of SARS**

<table>
<tr><td colspan="4">This theme is strongly associated with the fact that many taxpayers are afraid of SARS</td></tr>
<tr><td>Focus Group 1: Taxpayers</td><td>Focus Group 2: Chartered Accountants</td><td>Focus Group 3: Professional Accountants</td><td>Focus Group 4: Other Tax Practitioners</td></tr>
<tr><td colspan="4">Taxpayers' fear of SARS</td></tr>
<tr><td>No responses related to this theme were recorded.</td><td>The Chartered Accountants indicated that many taxpayers areafraid of SARS, so their main objective is to stay out of trouble with SARS and not to be punished.</td><td>The Professional Accountants also suggested that taxpayers fear SARS and perceive SARS as unfair; therefore taxpayers do not want to deal with SARS themselves.</td><td>No responses related to this theme were recorded.</td></tr>
<tr><td colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</td></tr>
<tr><td colspan="4">The taxpayers did not comment on anything related to this theme.<br><br>According to the tax practitioners,<br>• taxpayers fear SARS;<br>• the fear of falling foul of SARS results in some taxpayers' questioning valid tax advice from the tax practitioner and foregoing benefits to which they are entitled to;<br>• taxpayers rely on a tax practitioner because they are afraid of dealing directly with SARS; and<br>• taxpayers believe SARS to be unfair.</td></tr>
<tr><td colspan="4">Conclusion</td></tr>
<tr><td colspan="4">Taxpayers' fear of SARS influences their expectations of the tax service that is provided to them and the service the tax practitioners may have in mind. This may contribute to the expectations gap between taxpayers and tax practitioners.</td></tr>
<tr><td colspan="4">Comparison and reference to the existing literature</td></tr>
<tr><td colspan="4">Taxpayers<br>No reference was found in the academic literature to fear of SARS on the part of taxpayers.<br><br>Tax practitioners<br>Taxpayers are afraid of the collecting agent, SARS, and want to avoid any contact with them and want the tax practitioner to protect them from SARS (Stephenson, 2006:39).<br><br>Within the United States, Book (2008:10) also indicates that taxpayers engage with tax practitioners since they fear an audit on their return by the revenue authorities. A taxpayer's stance towards the tax office and taxes are negatively influenced by invasive audits and unreasonable penalties (Spicer & Lundstedt, 1976:305; Strümpel, 1969:22).</td></tr>
</table>

**Table 81: Theme 18: Taxpayers' resistance to paying tax**

<table>
<tr><th colspan="4">This theme relates to taxpayers resistance to paying tax</th></tr>
<tr><th>Focus Group 1: Taxpayers</th><th>Focus Group 2: Chartered Accountants</th><th>Focus Group 3: Professional Accountants</th><th>Focus Group 4: Other Tax Practitioners</th></tr>
<tr><th colspan="4">Taxpayers' resistance to pay tax</th></tr>
<tr>
<td>No responses related to this theme were recorded.</td>
<td>According to the Chartered Accountants, taxpayers<br>• resist paying tax as a consequence of a "why should I pay more tax" culture;<br>• resent paying tax because they believe that government funds are mismanaged; and<br>• resist paying tax because of taxpayers' cash flow situation, which is weakened when they have to pay tax.</td>
<td>The Professional Accountants believe that taxpayers<br>• think that a high quality tax service is more about paying less tax than it is about dealing with their tax affairs promptly, accurately, fairly and professionally;<br>• see tax services as an unwanted and negative cost, especially when they have to pay tax as well; and<br>• have an attitude of not wanting to pay tax or paying the smallest amount of tax possible.</td>
<td>According to the other tax practitioner group, taxpayers<br>• expect tax practitioners to save them money in terms of taxes to be paid since they want to pay as little tax as possible; and<br>• deem tax practitioners to be miracle workers to whom a fee is paid, guaranteeing that their clients do not have to pay tax.</td>
</tr>
<tr><th colspan="4">Emerging perceptions on the expectation gap between taxpayers and their tax practitioners</th></tr>
<tr><td colspan="4">The taxpayers did not comment on anything related to this theme.<br><br>According to the tax practitioners,<br>• there is possible resistance to paying tax amongst taxpayers;<br>• some taxpayers, particularly those who are short of funds, justify their resistance to paying tax on the grounds that taxpayers' money is mismanaged by the government;<br>• taxpayers view a quality tax service as being more about paying little or no tax than about having their tax affairs handled promptly and professionally; and<br>• taxpayers see the tax practitioner as able to work miracles in reducing the amount of tax they have to pay.</td></tr>
<tr><th colspan="4">Conclusion</th></tr>
<tr><td colspan="4">Taxpayers' resistance to paying tax may lead them to have different expectations regarding a tax service than the tax practitioners' perceptions of those expectations, resulting in a possible expectation gap. Taxpayers' resistance to pay tax can therefore be considered a factor or issue that creates or contributes to the expectation gap between taxpayers and their tax practitioners in the South African context.</td></tr>
<tr><th colspan="4">Comparison and reference to the existing literature</th></tr>
<tr><td colspan="4">Taxpayers<br>Various studies have shown that taxpayers have the objective of minimizing the tax liability (Aitken & Bonneville, 1980:24; Collins et al., 1990:18; Lubbe & Nienaber, 2012:705; Tan, 2006:15)<br><br>Tax practitioners<br>Within the New Zealand context, Tan (2008:16) found that taxpayers want their tax practitioners to minimize the amount of tax payable to the collecting agent.<br><br>Torgler (2005a:531) found that taxpayers in Latin America, are willing to pay tax if they are certain that government will use the tax to the country's benefit, whereas if they feel that government is wasting the taxpayers' money and stealing it to benefit themselves and not the country, taxpayers are more likely to try to evade tax. Within the South African context, Fjeldstad (2004:562) also gathered evidence that compliance was positively related to taxpayers' perception that the State acted in the taxpayers' best interests and applied tax funds to provide expected services.</td></tr>
</table>

Studies conducted in Austria (Kirchler, 1998:131) and Italy (Berti & Kirchler, 2001:607) revealed that, although most participants acknowledged the necessity of contributing to the State coffers, they still held negative attitudes towards taxes. Taxpayers perceive tax to be a limitation on their autonomy to invest personal funds or payments made without a decent return and/or recurring requests by governments to make up for the deficits in the legislator's budget as a result of mismanagement.

However, within the United States research has indicated that payment status generally has little or no influence on tax practitioners' recommendations; they did, however, find that there was significant interaction between experience, payment status and tax savings (Sanders & Wyndelts, 1989:41). Schisler (1994:124, 1995:76) reports similar findings, but the results reveal a significant interaction between withholding status and client risk attitude. With reference to South Africa, Killian and Doyle (2004:178) report that the year-end payment status of clients did not affect the approach in preparing returns. It appears from these studies that year-end status alone plays a minor role in tax practitioners' behaviour and perceptions.

# ANNEXURE G

## LIST OF GRIEVANCES THAT THE TAX PRACTITIONERS EXPERIENCE WITH SARS

| PRACTITIONERS ISSUES LIST | | | |
|---|---|---|---|
| This issues list represents the most frequently asked questions and issues raised by practitioners, and is aimed at providing feedback in respect of progress made on the issues raised. Remember to check back regularly for updates on these and other issues. This list was last updated on 18 August 2009 | | | |
| **Communicating with practitioners** | | | |
| | Issue | Status | Last updated |
| Survey | Understanding practitioners' needs and experiences | Survey completed on 17 June 2009. Results will be discussed at the quarterly meeting. | 03-Aug-09 |
| **Opportunities for practitioners to provide input and comments** | | | |
| | Issue | Status | Last updated |
| Compliance of tax practitioners | The Unit has begun an investigation into Practitioners that are liable in their personal capacity to SARS. | Enforcement has begun a campaign engaging with Practitioners who have returns outstanding and debt due in their personal capacity. | 03-Aug-09 |
| Regulation of Tax Practitioners' bill | Update required | The Practitioner Unit will provide feedback on the final submission made. | 06-Aug-09 |
| **eFiling** | | | |
| | Issue | Status | Last updated |
| IT34 on eFiling | SARS has issued a new Statement Of Account and Notice of Assessment. Feedback is required from tax practitioners. | Bodies to give feedback to the Practitioner Unit by 31 August 2009. | 06-Aug-09 |
| Synchronisation between EasyFile and eFiling | Details that reflect on eFiling are not carried over to EasyFile. Examples have been forwarded to SARS for investigation. | Confirmation is required as to whether this applies to PAYE or IT. Also what details are not synchronised. | 03-Aug-09 |
| **Income Tax** | | | |
| | Issue | Status | Last updated |
| Objections | The turnaround time on objects/ request for correction of assessments is too long, some of them are still experiencing unresolved problems from the 2007 tax year. | Matter will be placed on Enforcement meeting agenda. | 18-Aug-09 |
| IT14's | SARS has stopped issuing IT14's to non-eFilers. Taxpayers are having difficulties in submitting manual returns. | A clearer understanding of what exactly are the problems that are being experienced by taxpayers needs to be determined. SARS will then investigate. | 04-Aug-09 |
| IT14's | IT14's do not have the facility for farmer's information and details. | This was done prior to 1999 and this information should be part of the financial information. An IT48 will not be issued. | 04-Aug-09 |
| IT14's | Lack of supporting documentation to be submitted with the tax return could cause prescription issues by way of non-disclosure. | Noted. As part of the assessment and audit process, SARS could request supporting docs. Existing processes to mitigate risk will be followed. | 04-Aug-09 |
| IT14's | Corporate taxpayers need to have the same functionality as individuals to make corrections on the return via eFiling, instead of | Noted. This issue will be discussed for the 2010 initiatives. | 04-Aug-09 |

| | | | |
|---|---|---|---|
| | the conventional objection/appeal route. | | |
| IRP6 | There has been a delay in issuing IRP6's for the period 2010/01. Many practitioners have still not received all their clients' returns. | All manual returns were posted on 21 June 2009. eFiling returns were loaded from 21 July 2009. Returns were only posted to taxpayers who met the ffg criteria: 1. Submitted IRP6's in the last 48 months.2. Submitted prov tax payments over the last 48 months.3. Provisional taxpayers registered for the first time. | 04-Aug-09 |
| Dormant tax returns | 1. Are taxpayers required to submit nil returns? This issue is imperative in light of s75B penalties.2. There are examples where a CC was regarded as dormant by SARS but the 2008 return was there for submission. | 1. Will get feedback from legal.2. Examples required investigating if the existing process are not followed. | 04-Aug-09 |
| Change in year end | The correct procedure to change a year end is requested. Where should a tax return be routed where there is a change in year end? Should one/two returns be submitted for periods extending beyond 12 months? | A letter needs to be submitted stating the new financial year and the reason for the change. A certified copy of a CK2 or CM2 also needs to be handed in. 2 returns should be submitted. Will get feedback on how to deal with the IRP6 submission. | 04-Aug-09 |
| VAT | | | |
| | Issue | Status | Last updated |
| Vat refunds | Delay in receiving VAT refunds | Please send examples. A meeting between enforcement and practitioners has been arranged by the TPU. | 18-Aug-09 |
| VAT Registration Process | Offices lack uniformity in dealing with applications, i.e. different documents is required at different offices. | Discussions have taken place internally, considering the submission made by practitioners. A document has been circulated to branch office staff, which will be made available to practitioners. | 03-Aug-09 |
| VAT Registration Process | Turnaround time is too long for the processing of applications. Some practitioners have stopped taking on clients who want to be registered for VAT. | Refer all delayed applications (those not processed after 22 working days) to Mr N J Makwakwa via his PA (Ms Nqabakazi Nxenye). E-mail to nnxenye@sars.gov.za | 06-Aug-09 |
| Vendors under R20,000 | Vendors are still being deregistered. The following issue arises:1. Request made for initial registration information which was already provided upon registration.2. Once reactivated there are penalty and interest implications.3. Supporting documents have been sent to SARS asking not to be deregistered, but vendors have not received any response from SARS as yet. | Follow the process as dictated in the letter. i.e. you must physically go to the branch office where an interview will be conducted. | 04-Aug-09 |
| VAT and Diesel rebates | SARS deals with the VAT and Diesel rebates separately. On the VAT system penalties and interest is charged on the underpayment of VAT, even though the taxpayer paid over the net amount reflected on the return. | Can you please provide an example which will allow Business Systems to investigate? (Only occurs on eFiling) | 06-Aug-09 |
| Presumptive Tax | What is the position where a vendor applied to be in the presumptive tax regime and has applied to be deregistered for VAT, but has not received confirmation from SARS? | SARS will confirm deregistration in a letter to be sent to applicant. Until then VAT should be charged and paid over to SARS. | 06-Aug-09 |

| Payments | | | |
|---|---|---|---|
| | Issue | Status | Last updated |
| Debts older than 5 years | SARS response to professional bodies regarding the writing off of debt that is older than 5 years. | Awaiting comment. The Unit will facilitate a meeting with Enforcement and the stakeholders to address this and other concerns. | 18-Aug-09 |
| Banking Accounts | Taxpayers with joint accounts are unable to receive tax refunds. Not all offices are aware of the exception policy that exists. | We will issue a notice to ensure all SARS offices are aligned with this issue. | 04-Aug-09 |
| Banking Accounts | Banking details have become mandatory when submitting via eFiling. However many taxpayers, e.g. dormant companies, do not have bank accounts. | We are aware of this issue and there are discussions in the process. | 04-Aug-09 |
| **Other business areas** | | | |
| | Issue | Status | Last updated |
| Amnesty | Complaints received about Amnesty being declined for reasons which are believed to be valid. | Examples have been received, and dealt with by the Amnesty Unit. However applications are being declined for the ffg reason:1. Gross income for the 2006 yr. of assessment is greater than R10 million2. Members or shareholders of a company or CC were not natural persons as defined. 3. Beneficiaries of Trusts are not natural persons as defined.4. If the Company was liquidated or in sequestration prior to date of application.5. If the taxpayer under enforcement action prior to his application.6. Full disclosure was not made.7. Failure to pay the levy.8. No supporting documents were submitted, or the 2006 tax return was not submitted. An unsigned return is considered as not submitted. | 03-Aug-09 |
| Amnesty Contact number | 0860 12 12 20 is not answered and diverts to a number which will not take a message. | Contact Centre is looking at a solution. Feedback will be given by the end of the week. | 04-Aug-09 |
| Contact Centres | Practitioners are continuously experiencing problems in getting through to the contact centres. | A range of solutions have been put in place to counter the many frustrations that have been experienced. These include:1. Increasing capacity by 50%.2. Agents are undergoing comprehensive tax training with an emphasis on the practical application of tax.3. Improvement in email response handling. | 03-Aug-09 |
| Expatriates | Various issues have arisen around the taxation and administration of Expatriates. | SARS has recently set up an Expatriate Unit. An introductory meeting will be held. | 03-Aug-09 |
| Enforcement | 1. Taxpayers continue receiving 7 day letters from Enforcement.2. Telephone audits continue to take place, and nothing in writing is received.3. Repeated VAT audits on exporters, who will always be in a refund situation. | The Unit will facilitate a meeting with Enforcement and the stakeholders to address this and other concerns. | 03-Aug-09 |