PERCEPTIONS OF INDIVIDUAL TAXPAYERS OF DIFFERENT AGE GROUPS ON EQUITY EXCHANGE IN SOUTH AFRICA

by

Ms. B.E. Nyakane
Student Number: u15340075

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Supervisor: Prof. T.L. Steyn

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ABSTRACT

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by

Bronwyn Ellinah Nyakane

SUPERVISOR: Professor. T.L. Steyn

DEPARTMENT: Department of Taxation

DEGREE: MCom (Taxation)

This study concerns the distributional fairness of taxes (horizontal and vertical fairness) and the exchange of equity. This study is mainly directed towards the exchange of equity between taxpayers and government. It is evident from the literature related to tax compliance that perceived ineffectiveness and inadequacy of government service delivery in exchange for taxes imposed on the citizens of a country is an important phenomenon that may negatively impact on the tax compliance of taxpayers. The taxpayer-government exchange relationship is, in essence, nothing more than a contractual relationship between taxpayers and government, and it must be fair to all parties.

Studies in South Africa that focus on the taxpayer-government exchange as a phenomenon are very limited, not only in terms of the number of studies, but also in terms of the scope of the studies. One of the specific problems with existing studies in South Africa is that the age of individual taxpayers is not explored as a demographic variable that may impact on these taxpayers’ perception of the fairness of the equity exchange in South Africa.

The main purpose of this study is to empirically explore the perceptions of individual South African taxpayers of different age groups on the taxpayer-government exchange

relationship. The study falls within the paradigm of interpretivism. It is exploratory in nature, using descriptive statistics as a technique for analysing primary data collected from individual taxpayers in South Africa by means of a web-based questionnaire.

The results of the study indicated that in all age groups, the majority of respondents were of the opinion that ineffective government service delivery increased their tax burden. It emerged that respondents held the same views irrespective of age, and therefore it appears from these results that age as a demographic variable does not significantly impact on individual taxpayers' perceptions of the equity exchange in South Africa. This is in contrast with findings in international studies, where the age difference between respondents emerged as a significant variable that may affect individual taxpayers' perceptions of the taxpayer-government equity exchange in those countries.

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DEFINITION OF KEY TERMS

Table 1: Definition of key terms used in this document

Key term	Definition
Individual taxpayers	Natural persons who are required or obliged to pay tax, whether directly or indirectly.
Taxpayer-government exchange	The contractual relationship between government and taxpayers with regard to their expectations in terms of government service delivery in exchange for taxes (Wenzel, 2003:53)
Government	The group of people with the authority to govern a country or state (Oxford dictionaries.com, n.d.).
Service delivery	The act of providing a service to customers (Cambridgedictionaries.com, n.d.).

LIST OF ABBREVIATIONS AND ACRONYMS

Table 2: Abbreviations and acronyms used in this document

Abbreviation	Meaning
E-tolls	Electronic toll
HSRC	Human Science Research Council
SAPS	South African Police Service
SPSS	Statistical Package for the Social Sciences

CHAPTER 1:
INTRODUCTION

1.1 BACKGROUND

"To the extent that individual taxpayers do what is expected of them in terms of compliance with payment of taxes and cooperate with the government, if taxpayers offer compliance then what does the tax authority offer in return?" (Braithwaite, 2003:271).

The answer to this question is that government provides public goods and services in exchange for taxes paid by taxpayers. This exchange relationship has been labelled by Wenzel (2003:53) as the *taxpayer-government exchange*. If a government of a country encourages fairness and offers effective security, invests in infrastructure and promotes education, the country's economy will more likely progress positively (McClellan, 2003:44). Fjeldstad (2004:2, referring to Levi, 1998, 1997) indicates that the taxpayer-government exchange can be interpreted as a contractual relationship between taxpayers and government. As can be reasonably expected in any other contract, the contract between taxpayers and government must be fair to all parties.

According to Dworak (1980:17), if people do not really know how much they are paying for services, then it becomes difficult for them to evaluate whether or not the services received from government are worth the tax they are paying. Even though most taxpayers are not able to assess the exact value of what they receive from the government in return for taxes paid, it can be argued that they are generally aware of their own terms of trade with the government and others' terms of trade with the government (Richupan in Fjeldstad & Semboja, 2001:2061).

The taxpayer-government exchange is frequently mentioned in studies on taxpayers' perceptions of the fairness of tax. In the literature related to tax compliance, reference is made to three main constructs, namely deterrence measures, tax morals and tax fairness (equity) (Devos, 2014:39). Deterrence measures (for instance penalties, tax rates and tax complexity) are classified under the economic theory of tax compliance. Tax morals and fairness are classified as social and psychological theories. Tax morality theories include; for instance, personal variables such as ethics and culture. Fairness theories, on the other hand, include variables such as distributional fairness and cost of tax compliance (Devos, 2014).

The current study examines the construct of distributional fairness, specifically the exchange of equity. Distributional fairness consists of horizontal fairness, vertical fairness and the exchange of equity (taxpayer-government exchange) (Devos, 2014:39). Horizontal fairness refers to the phenomenon that the tax burden should be distributed equally among taxpayers in similar economic situations and vertical fairness means that the tax burden must be distributed among taxpayers based on their ability to pay the tax (Musgrave & Musgrave, 1980:242-243).

1.2 RATIONALE FOR THE STUDY

The phenomenon of taxpayer-government exchange is not a new subject for discussion and debate. This relationship is frequently mentioned in the literature related to tax compliance and the perceived fairness of the tax burden.

Adam Smith ([1776] 2003:747-875) referred to the requirement that a government has mainly three specific duties towards a country's citizens. The protection against violence and invasion from other independent societies is the first duty and the second duty is to protect members of the community from injustice by other members. The third duty relates to establishing and maintaining public institutions which are too expensive for individuals to provide; for instance, port services and electricity supply services.

The government's provision of public goods and services (or failure to provide them), is frequently used by taxpayers to criticise the performance of a government (Steyn, 2015:166). Taxpayers generally compare what they receive from their government with what they think they should receive (Haywood-Farmer, 1988:19). Hanousek & Palda (2004:237) found that taxpayers are likely to avoid taxes if there is a perception that the services rendered by government do not justify the taxes that they pay.

Slemrod and Bakija (1996:2) indicated that if there is a perception that government is wasting taxes, the taxpayers demand a reduction in the tax burden. Fjeldstad (2004:19) concluded that if Tanzanian taxpayers felt that the return on taxes paid to their government was inadequate, it had a negative influence on their willingness to pay the required taxes and caused distrust in the local government's ability to provide services as expected.

A study conducted in Bahir Dar, Ethiopia, which looked at the determinants of tax compliance behaviour, revealed that among other factors, taxpayers' perception of government spending and the perception of equity and fairness of the tax system significantly affected tax compliance behaviour (Tehulu & Dinberu, 2014: 272). Similarly, in Nigeria, Gberegbe, Idornigie and Nkanbia-Davies (2015: 7-10) found that the perception of the exchange with the government had an influence on personal income tax compliance behaviour of employees of Ken Saro-Wiwa Polytechnic, Bori.

The Human Sciences Research Council (HSRC, 2004) in South Africa found that the perceived decline in public service delivery combined with the high taxes were some of the main factors inducing skilled persons to emigrate. Oberholzer (2007:102) investigated the perceptions of South African individual taxpayers towards tax by exploring their attitude towards tax-related issues. The study revealed that more than half of the respondents (58,46%) believed that a large proportion of taxes was used by the government for meaningless purposes. In addition, the majority of the respondents (87,69%) believed that waste and corruption in government was high.

From a study by Steyn (2015:262) it emerged that all participants were of the opinion that ineffective service delivery by the South African government affected their households' tax burden negatively. In essence, all the participants in one way or another felt that they had to pay personally for services that their tax should have paid for. This supports the findings by Coetzee, Du Preez and Maher (2014:424), who argue that taxpayers in South Africa can reasonably expect the government to render adequate public services in terms of the South African Constitution, failing which taxpayers must be allowed to deduct related private expenditure for income tax purposes. Transparency International (2013) found that 83% of South Africans believed that the South African Police Service (SAPS) was corrupt and not in a position to protect the citizens.

There have been debates in the popular media on the issue of government service delivery; for instance, the resistance to the payment of Gauteng's e-tolls (Jooste, 2015c) and the opposition to the payment of outstanding water and electricity bills due to poor service delivery and maladministration (Jooste, 2015b), the increase in violent public service delivery protests and the increased level of corruption and wasteful expenditure by the government (Jooste, 2015a; Jooste, 2015c). These debates indicate that South African citizens are unhappy with the government's inadequate service delivery and wasteful expenditure and are questioning whether it is fair to be burdened with additional taxes when the government is not fulfilling its end of the bargain.

What is evident from the studies and debates explained above is that the perceptions of individuals on the subject of taxpayer-government exchange are important and a relevant variable that should be considered because they influence the distributional fairness perceptions of taxpayers, which in turn has an impact on the tax compliance of individual taxpayers.

1.3 PROBLEM STATEMENT

Studies in South Africa that focused on the taxpayer-government exchange as a phenomenon are very limited, not only in terms of number but also in terms of their scope.

Oberholzer (2008:62) found that 79,17% of the respondents in her study were of the opinion that public service delivery by government in South Africa was inadequate and 76% were of the opinion that the government did not provide enough information on how it was using the taxes collected from taxpayers. In addition, all of the respondents were of the opinion that waste and corruption in government were high.

In contrast to these studies conducted in South Africa, Steyn (2015) adopted a case study approach to investigate this phenomenon of taxpayer-government exchange as part of his study. The results of Steyn's (2015:262) study reveal that all the participants in the case study research were of the opinion that ineffective service delivery by government affected the tax burden in South Africa negatively. However, Steyn's (2015) research was limited to only 13 South African households.

The phenomenon of fairness perception related to the taxpayer-government exchange is deemed to be of utmost importance for consideration by fiscal policy-makers, especially in South Africa, where the number of individual taxpayers who contribute to the government's revenue in the form of income taxes is small (Steyn, 2015:15). Fjeldstad (2004:20) suggests that in order to understand tax compliance behaviour better, the concept of fairness in fiscal exchange, i.e. the contractual relationship between taxpayers and the government, needs to be examined more closely.

Jackson and Milliron (in Richardson, 2005:416) carried out a review of tax literature which considered the impact of various demographic variables of individuals' behaviour with regard to tax compliance. Variables such as age, gender, education and occupational status were considered. In terms of the order of importance, the age of the taxpayers represented one of the most important demographic variables considered in the literature. Studies conducted in this area have found that taxpayers who are older are usually more compliant than younger taxpayers (Hanno & Violette, 1996; Tittle, 1980).

The problem is that existing studies in South Africa related to the taxpayer-government exchange did not explore age as a demographic variable, which may possibly influence individual taxpayers' fairness perceptions of the fiscal exchange.

1.4 RESEARCH QUESTION

The research question is what gives direction to a study. The following question directs the current study:

- Is there a difference in perceptions between individual taxpayers of different age groups on the taxpayer-government exchange phenomenon in South Africa?

1.5 RESEARCH OBJECTIVES

The main purpose of this study is to empirically explore the perceptions of individual South African taxpayers of different age groups on the taxpayer-government exchange relationship. This primary research objective is supported by the following secondary research objectives:

- to clarify the theoretical constructs and framework underpinning the research in this study;
- to formulate a research design and methodology to empirically explore the perceptions of individual taxpayers;
- to collect data;
- to analyse the collected data and to discuss the results; and
- to draw conclusions and make recommendations for future research.

1.6 RESEARCH DESIGN AND METHODOLOGY

A research design is a comprehensive plan in which the researcher outlines the approach taken for the collection, measurement and analysis of data based on the research questions of the study (Sekaran & Bougie, 2013:95). The current study is exploratory in nature; therefore a quantitative research methodology was used. The research adopted a web-based survey strategy using a questionnaire as a data collection instrument. The data was analysed using descriptive statistics.

The research begins with the clarification of theoretical constructs underpinning the study using secondary qualitative data from related literature. This is followed by the empirical research, which uses primary data to explore the perceptions of individual taxpayers of various age groups in a real-life context. The data used in the present research originates from primary data collected by Steyn (2015:216).

1.7 IMPORTANCE AND BENEFITS OF THE STUDY

A previous Minister of Finance of South Africa, Mr Nhlanhla Nene, in his 2015 Budget Speech (National Treasury, 2015:3) stated that around 400 tips concerning the budget had been received from South Africans and that these tips highlighted two main areas of concern, namely public service delivery (many people were concerned with public service delivery) and tax matters (where people gave advice on tax matters).

The issue of government service delivery is a concern for South Africans. This can be seen from the debates in the media and the fact that this issue was also raised in parliament. The proposed study is therefore important as it will highlight the current state of the taxpayer-government exchange in South Africa, which needs to be addressed so that taxpayers and the government can jointly contribute to a better economy for South Africans.

Furthermore, it will be beneficial to policy-makers in the government, because even though taxpayers are expected and encouraged to pay the taxes due by them, the advisors will need to put measures in place for the government to ensure that revenue collected from taxpayers is used in a manner that will improve service delivery.

1.8 LIMITATIONS OF THE STUDY

The unit of analysis of the current study is individual taxpayers in South Africa. However, the following limitations are important:

- The study is limited to natural persons in South Africa and does not include corporate entities, trusts, and other similar entities.
- The study recognises that age as a demographic variable is not the only variable that may affect the fairness perceptions of individual taxpayers. However, this is a

limited study and the objective is not to generalise the findings to the whole South African population.

1.9 STRUCTURE OF THE MINI-DISSERTATION

The outcomes of the current study are presented in the format of a mini-dissertation. The structure of the mini-dissertation is explained and summarised below.

1.9.1 Chapter 1: Introduction

Chapter 1 provides an introduction and background to the present research and also sets out the rationale for the study, the research problem, the research question and the research objectives. The research design and methodology are briefly summarised.

1.9.2 Chapter 2: Theoretical constructs

Chapter 2 identifies and defines the theoretical constructs that are relevant to the main and secondary objectives of the study. This chapter analyses the constructs of ‘perceptions’ and ‘taxpayer-government exchange’ and provides clarity on the theoretical framework that underpins the research in this study.

1.9.3 Chapter 3: Research design and methodology

Chapter 3 provides a detailed description of the research design and methodology used in the present study. This chapter commences with an orientation of the research design and proceeds to clarify the research methodology adopted to empirically explore the phenomenon of taxpayer-government exchange. This chapter also clarifies the data collection process.

1.9.4 Chapter 4: Data analysis and discussion

Chapter 4 explains the method for analysing the primary data collected and discusses the results of the data analysis with reference to the main research objective.

1.9.5 Chapter 5: Conclusion

Chapter 5 summarises the findings and conclusions from the other chapters, explains the limitations of the present study and also makes suggestions for future research.

CHAPTER 2:
LITERATURE REVIEW

2.1 INTRODUCTION

The main purpose of this study is to empirically explore the perceptions of individual taxpayers of different age groups on the taxpayer-government exchange in South Africa and the impact it has on their tax burden. The purpose of the present chapter is to investigate the construct of 'perception' and the construct of the 'taxpayer-government exchange', providing clarity on the theoretical framework that underpins the research in this study.

The chapter commences with an analysis of perception as a construct. The chapter then proceeds with the construct of the taxpayer-government exchange, followed by a summary of the theoretical framework that underpins the research and a conclusion.

2.2 THE CONSTRUCT OF PERCEPTION

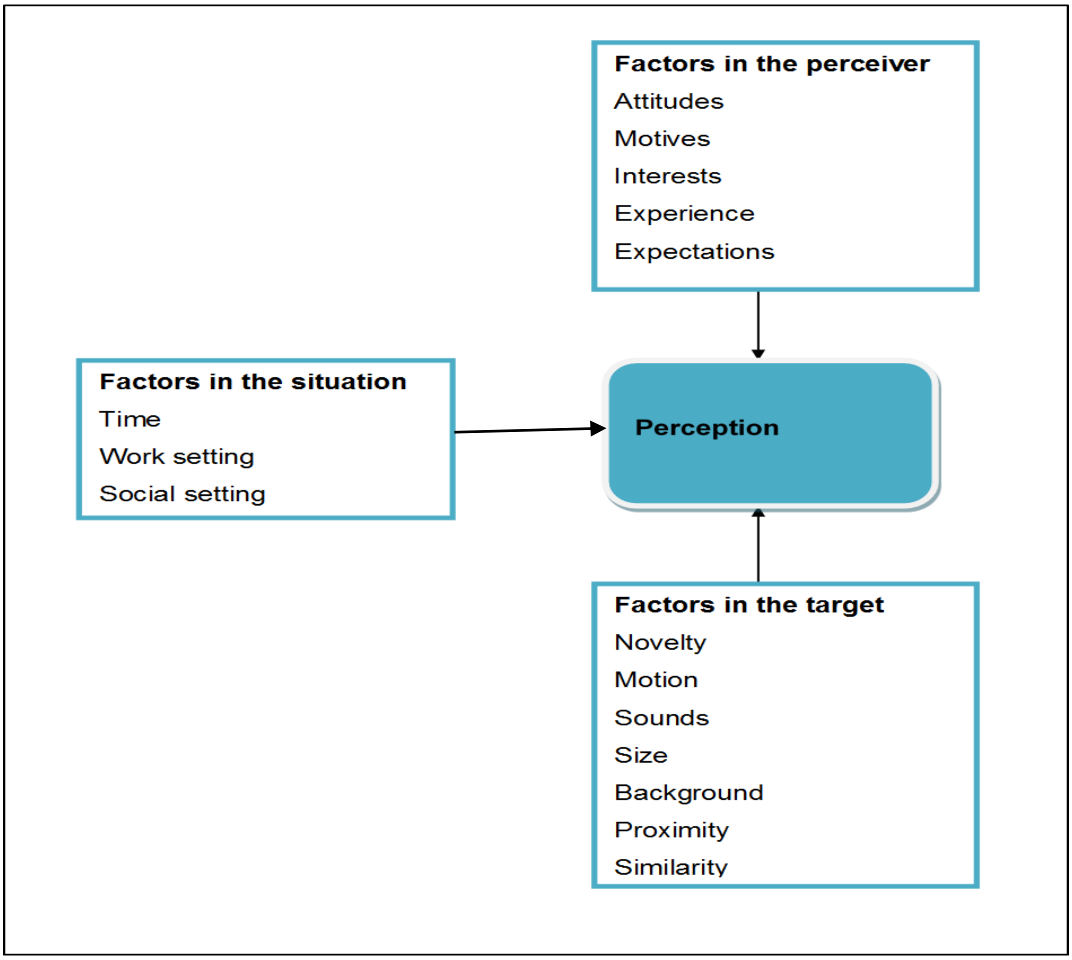
Perception is regarded as a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment. However, what individuals perceive can be substantially different from objective reality. A number of individuals may look at the same thing, yet perceive it differently. This is because there are a number of factors which shape and sometimes distort perception. These factors can reside in the *perceiver*, in the object or *target* being perceived or in the context of the *situation* in which the perception is made (Robbins & Judge, 2013:166-167). These factors are explained briefly below:

- Perceiver. When a person looks at a target and attempts to interpret what he or she sees, the interpretation is greatly influenced by the person's personal characteristics such as attitude, personality, motives, interests, past experiences and expectations.

- Target. Characteristics of the target also affect what a person perceives, and because individuals do not look at targets in isolation, the relationship of a target to its background also influences perception, as does individuals' tendency to group close things and similar things together.
- Situation. The context matters too. The time at which a person sees an object or an event can influence his or her attention, as can location, light, heat or any number of situational factors.

Figure 1 below illustrates the factors that influence perception in individuals (Robbins & Judge, 2013:167).

Figure 1: Factors that influence perception



Source: Robbins & Judge (2013:167)

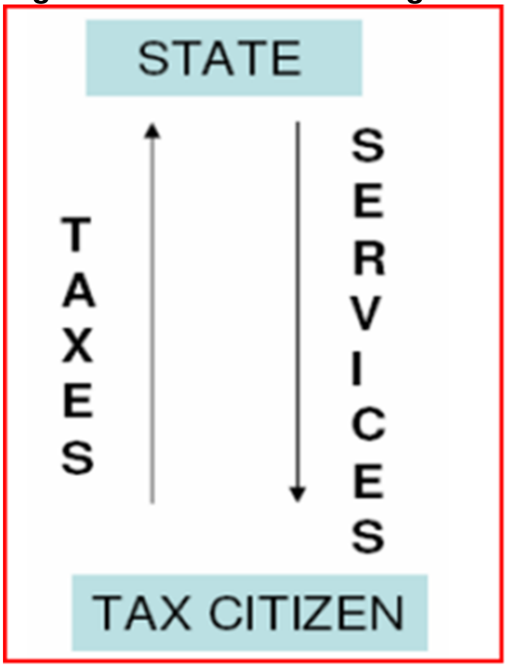
It can be concluded from the figure above that the perceptions that individual taxpayers have with regard to tax (or any other subject) are influenced by a number of factors which ultimately influence their perceptions.

2.3 THE CONSTRUCT OF TAXPAYER-GOVERNMENT EXCHANGE

The taxpayer-government exchange (also referred to as 'fiscal exchange') postulates that the main concern of taxpayers is what they receive in return for paying taxes in the form of services provided by government (D'Arcy, 2011:5). The fiscal exchange theory suggests that the provision of services by government may be a motivation for taxpayers to comply with paying taxes and that governments can increase compliance by providing goods which are preferred by citizens in an efficient and accessible manner or by emphasizing that the payment of taxes is a requirement for receiving services provided by the government (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012:4).

Furthermore, this fiscal contract is regarded as the bedrock of the relationship between the state and its citizens (D'Arcy, 2011:5). The argument about the fiscal exchange theory has received a lot of hypothetical interest and endorsement; however, the empirical evidence is still unclear (D'Arcy, 2011:5). The fiscal exchange theory is depicted below in Figure 2.

Figure 2: Fiscal exchange theory



Source: D'Arcy (2011:5)

It is stated that when it comes to compliance, individuals may be motivated to pay taxes because they value the goods provided by the government. This is because they recognize that the taxes they pay are used to help finance goods and services provided by government, and this also encourages others to make a contribution (Andreoni *et al.,* 1998; Cowell & Gordon, 1988 in Fjeldstad, 2004:2). Therefore, a taxpayer may be viewed as a buyer in the market who exchanges his or her buying power in return for services provided by the government (Fjeldstad, 2004:2).

Although most taxpayers are not able to determine the exact value of what they receive from the government in return for taxes paid, it can be argued that they are generally aware of their own and others' terms of trade with the government. If this is the case, it is reasonable to assume that taxpayers' behaviour is affected by their satisfaction, or dissatisfaction, with the terms of trade with the government (Fjeldstad, 2004:2).

Support for the fiscal exchange theory was found by Ross and Timmons (in D'Arcy, 2011:5) after conducting a large and cross-national statistical analysis on the subject. In a study conducted by Ross (Ross in D'Arcy, 2011:5) focusing on testing taxation to democratic representation, it was found that there was a considerable relationship between the ratio of tax to spending and democratic representation, which suggested that citizens use a cost-benefit analysis when they evaluate the government.

Timmons argues that those who pay the government in the form of taxes receive most of its benefits and that when the poor pay more (in the form of regressive taxes), the government focuses on providing basic services. When the rich pay taxes by means of progressive taxation, the government gives precedence to the protection of property rights (Timmons in D'Arcy, 2011:5). In another study using data from a survey conducted by Fjeldstad in South Africa, it was found that there was no clear relationship between fiscal exchange and compliance (Fjeldstad in D'Arcy, 2011:5).

According to D'Arcy (2011: 6), "[o]ne of the reasons why the evidence remains mixed may stem from the simplification inherent in its framework and in particular the reduction of taxation and state-society relations to a one-dimensional model." Using this approach, the citizen enters into a contract with the state for the provision of services and pays taxes in return for the services. In essence, taxation is perceived as a market-type of exchange between two actors who engage in a public domain (D'Arcy, 2011:6).

This notion misses the critical point about taxation in the sense that taxation is the conversion of private wealth from a public resource. By its nature, the exchange between the government and citizens goes beyond a two-actor exchange; it also involves the relationship between citizens as a collective. Although every citizen will to some extent benefit from the provision of public services which their taxes have paid for, they are also aware that some of those taxes will be spent on their fellow citizens. Therefore, the decision whether to pay or not to pay taxes centres on how the citizen relates to compatriots (D'Arcy, 2011:6).

In evaluating the taxpayer-government exchange relationship, taxpayers can evaluate the fairness of the relationship at a societal level by considering their satisfaction with the government's use of revenue. The use of revenue by government could be evaluated by investigating taxpayers' perceptions on how efficiently the government spends the funds for the benefit of taxpayers (Wenzel, 2003:53).

D'Arcy (2011:6) highlights that although the fiscal contract hypothesis is well established theoretically, it has yet to receive empirical corroboration.

2.4 PERCEPTIONS OF TAXPAYER-GOVERNMENT EXCHANGE IN SOUTH AFRICA

South Africa is a constitutional democracy with a three-tier system of government. The three levels of government consist of national, provincial and local government, which have different mandates. Although the three spheres of government are independent, the Constitution requires that they work together in serving the country (South African Government, n.d.).

The government has a responsibility towards its citizens, and this responsibility includes making policies and laws about the rights and responsibilities of citizens, the delivery of government services and collecting revenue in the form of taxes to be used in the provision of services and infrastructure that improve the lives of all the people in South Africa (Education & training unit for democracy and development, n.d.).

The importance of understanding how taxpayers perceive the tax burden has been highlighted by Brennan and Buchanan (1980:225), who assert that public economists are mainly concerned with giving advice to government decision-makers on how the government should tax its citizens and use its authority to levy tax. They are of the opinion that it is important to introduce models that also take into account those who bear the burden of taxation, in other words, those who are potentially subjected to government's powers of fiscal exaction (the taxpayers), an aspect often neglected by public economists.

"Taxes are used to a large extent to fund the traditional function[1] of government. Taxpayers are therefore within their rights to expect government to render certain public goods and services in terms of this traditional function. If taxpayers have a perception that their government is not rendering these expected services as expected, this will have an impact on how they perceive the tax burden. An example that clearly illustrates this is where a government does not use the allocated taxes to provide effective police services for protection. Citizens who believe that government is not protecting them may then pay private security companies for protection and interpret this payment as part of the tax burden. These 'perceived taxes' paid by the taxpayer will have a direct impact on the perceptions of taxpayers of the tax burden in a country." (Steyn 2015:234).

Oberholzer's (2007) study of the perception of individuals in South Africa gave an understanding of how individual taxpayers perceive tax. The outcomes of her study affirm that taxpayers' views have an impact on their attitude towards tax. Although the study did not go further to explore taxpayers' perceptions of how the ineffective use of taxes by government was impacting on their tax burden, the fact of the matter is that taxpayers perceive that the government is ineffective in the delivery of its services.

[1] The traditional function refers to the satisfaction of the public's need for certain goods and services. These goods and services must be paid for from the revenue of government and must be supplied free of direct charge to the user. The cost of these public goods and services must be covered by the taxes imposed by a government on the citizens or the country (Musgrave, 1959:12 -13).

2.5 THEORETICAL FRAMEWORK

Kirchler (2007:31) states that taxpayers' judgement, evaluation, perception of fairness and their willingness to comply with tax legislation are all affected by their subjective perceptions. Hence, it is very important to explore these subjective perceptions of individual taxpayers that may affect the manifestations of their tax behaviour (Kirchler, 2007:31).

Notwithstanding the inconsistent findings of various researchers, it is widely acknowledged that demographic variables such as age, gender, marital status, education, culture and occupation have an impact on fairness perceptions, which ultimately affect tax compliance (Devos, 2008:6). The present study focuses on age as a demographic variable, exploring the relationship between age and perceptions around the taxpayer-government exchange in South Africa.

2.5.1 AGE AS A DEMOGRAPHIC VARIABLE

Studies which were conducted in the area of tax compliance where age was considered as a demographic variable have found that taxpayers who were older are normally more compliant than younger taxpayers (e.g. Hanno & Violette, 1996; Tittle, 1980; Richardson and Sawyer in Devos, 2008:10). For instance, Tittle (1980) found that younger taxpayers were prone to taking risks, were less sensitive to penalties and also reflected the social and psychological differences related to the period in which they were raised.

However, there have also been a considerable number of studies that have found that there was no relationship when age was considered as a demographic variable (Devos, 2008:10). Richardson and Sawyer (in Devos, 2008:10) proposed four possible explanations for the inconsistent findings. To begin with, the significance of age as a variable does not cover all taxpayers. It was discovered that there is no single definition of taxpayer non-compliance throughout most of the tax compliance research conducted. When age is considered in conjunction with a number of other variables, its impact on taxpayers' compliance is diluted. Finally, the interaction of age with other compliance variables could be challenging. Therefore, there is a need to control the impact of age as a demographic variable in the analysis of a study (Devos, 2008:10-11).

2.5.2 TAXPAYER-GOVERNMENT EXCHANGE AS A VARIABLE

In one of the recommendations for further research, Fjeldstad (2004:20) suggested that in order to understand tax compliance behaviour better, the concept of fairness in fiscal exchange, i.e. the contractual relationship between taxpayers and the government, must be examined more thoroughly.

The taxpayer-government exchange has been used as a variable as it speaks to individual taxpayers' perceptions of taxation and how the variable may have an impact on their tax burden. In addition, if taxpayers have a perception that ineffective government service delivery affects their tax burden; it may influence their willingness to comply with the tax legislation. Fjeldstad (2004:19) concluded that if Tanzanian taxpayers felt that the return on taxes paid to their government was inadequate, it had a negative influence on their willingness to pay the required taxes and caused distrust in the local government's ability to provide services as expected.

Studies which considered the aspect of taxpayer-government exchange found that taxpayers were prone to avoid taxes if there was a perception that the services rendered by government did not justify the taxes they paid (Hanousek & Palda, 2004:237). In addition, where there is a perception that government is wasting taxes, taxpayers demand a reduction in the tax burden (Slemrod and Bakija, 1996:2).

2.6 CONCLUSION

This chapter discussed the theoretical constructs of perception and taxpayer-government exchange. It was found that there are different demographic variables which have an impact on the perceptions of individuals. Such variables should be considered when exploring perception. Studies conducted in South Africa explored perceptions of taxpayers, but not the taxpayer-government exchange.

There is a contractual relationship between taxpayers and the government, and where taxpayers perceive that the quality of the services provided by government does not justify the amount of taxes paid; taxpayers try to avoid paying taxes. The theory of the contractual relationship between taxpayers and government is often mentioned in the literature which deals with taxpayers and tax compliance, and it is generally recommended that in order to evaluate the taxpayer-government exchange, the perceptions of taxpayers should be considered.

Perceptions are influenced by a number of factors. The current study aims to explore this phenomenon of taxpayer-government exchange on individual taxpayers from different age groups and how they perceive the impact of ineffective government service delivery on their tax burden.

The following chapter discusses the research design and methodology adopted in the study to explore individual taxpayers' perceptions on the taxpayer-government exchange and its impact on their tax burden in South Africa.

CHAPTER 3:
RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The primary research objective of this study is to explore the perceptions of individual South African taxpayers of different age groups on the taxpayer-government exchange and the impact thereof on their tax burden. In Chapter 2 the theoretical constructs underpinning this study are clarified. This chapter explains the research design and methodology adopted to this end.

This chapter starts with the orientation of the research design. The chapter then proceeds to clarify the research methodology adopted in the study, followed by an explanation of the data collection process.

3.2 RESEARCH DESIGN

A research design is a comprehensive plan in which the researcher outlines the approach taken for the collection, measurement and analysis of data based on the research questions of the study (Sekaran & Bougie, 2013:95). The research design is the blueprint of how the study can best answer the research question (Saunders, Lewis & Thornhill, 2012:136). The following section gives a succinct orientation of the research design of the study, the clarification of the elements of philosophy (style of thinking), the nature, reasoning and time horizon of the study, the unit of analysis and the sources and types of data.

3.2.1 PHILOSOPHY

Philosophy is how one views and understands reality based on the world around us (Sekaran & Bougie, 2013:28). According to Sekaran and Bougie (2013:28), the most important perspectives for contemporary studies in business are positivism, constructionism, critical realism, interpretivism and pragmatism.

Researchers applying the paradigm of positivism believe that there is an objective truth out there that can be measured objectively, independent of humanity. This is generally the natural scientists' style of thinking, and their objectives are to uncover the truth by collecting data from an observable reality which can be predicted and controlled. They analyse this data for causal relationships through manipulation and observation aiming to generalise the results. Researchers in the paradigm of critical realism also believe that there is an objective truth, but that this truth cannot be objectively measured as it is underpinned by human emotions, hence making it impossible to reach. They believe that researchers are inherently biased (Sekaran & Bougie, 2013:29).

Researchers in the interpretivism paradigm believe that research should be conducted to understand the world as it is from the perspective of people. The data which is used by these researchers is subjective in nature and the aim is not to generalise the findings, but rather to understand the phenomenon in depth. The pragmatist's style of thinking focuses on a practical approach which is depended on the research question, and the data used may originate from both an objective observable phenomena and from a subjective point of view. The results from this kind of research should always be viewed as provisional truth that changes over time (Sekaran & Bougie, 2013:29-30).

The current study falls within the ambit of interpretivism. This implies that the researcher seeks to explore the perceptions of individual taxpayers as they are, of different age groups, males and females, and where they reside in order to gain an understanding of how they perceive the taxpayer-government relationship.

3.2.2 NATURE OF THE STUDY

The main types of research studies can be classified as exploratory studies, descriptive studies and causal studies. Exploratory studies normally aim to contribute to the development or expansion of theoretical frameworks. Descriptive studies are directed towards describing the characteristics of persons, events or situations, and causal studies focus on delineating one or more variables that are causing the problem (Saunders, Lewis & Thornhill, 2012:117-120).

The present study is exploratory in nature and the aim is rather to encourage further research and debate on the topic in future.

3.2.3 REASONING

The reasoning processes that can be adopted in a study are deductive reasoning, inductive reasoning or abductive reasoning (Sekaran & Bougie, 2013:26). Deductive reasoning moves from the theory to the data; in essence, it is the application of theory to a specific case. Inductive reasoning moves from the data to the theory, essentially building from the theory to arrive at a general conclusion. Abductive reasoning is a combination of deductive and inductive reasoning (Saunders *et al.,* 2012:144).

The current study aims to explore the difference that age as a demographic variable may have on the perceptions of individual taxpayers in different age groups. Hence, the research follows an inductive reasoning approach to explore the phenomenon of tax fairness perceptions. The inductive reasoning approach implies that the researcher uses the data obtained from the survey to analyse the results and from the data analysed, a conclusion is drawn.

3.2.4 TIME HORIZON

Research can be conducted over a long period of time, which is referred to as longitudinal study, or it can be conducted at a specific moment in time, which is referred to as a cross-sectional study (Sekaran & Bougie, 2013:106-107). The current study is cross-sectional, as the data was collected only once at a specific moment in time and not over a long period.

3.2.5 UNIT OF ANALYSIS

The unit of analysis is essentially the what, or who, that will be investigated; for instance, individuals, households, plants, weather patterns, groups and companies (Sekaran & Bougie, 2013:104-105). The unit of analysis in the current study is the individual as a taxpayer in South Africa.

3.2.6 SOURCES AND TYPES OF DATA

The current study initially uses secondary qualitative data from related literature to clarify the theoretical framework that underpins the empirical research. The empirical research collects primary data to explore the perceptions of individual taxpayers from various age groups in a real-life context. The data used in the present research originates from primary data collected by Steyn (2015:216) and is mainly quantitative.

3.3 RESEARCH METHODOLOGY

The main purpose of the present research is to explore the phenomenon of taxpayer-government exchange using quantitative research to explore age as a demographic variable on the perceptions of individual taxpayers. The research aims to contribute to the development of theory, providing future quantitative researchers with additional theory that can be used to explore this phenomenon on a broader basis.

The research adopted a web-based survey as the strategy, using a questionnaire as the data collection instrument. This research method is explained in the following sections.

3.3.1 Web-based survey as research strategy

Web-based techniques involve, *inter alia*, sending invitations via electronic media to prospective participants to go online and complete an electronic questionnaire (Daniel, 2011:191). Electronic questionnaires are distributed using online software that can also be used to collect the responses and analyse the data from the questionnaires.

Some of the limitations of web-based surveys are that not every person has access to the facility, so the method may not work with all populations. Even if people have access to the facility, not all prospective respondents are equally computer literate and may not feel comfortable using the facility to respond. The decision not to respond is likely to be made more quickly because the respondents respond at their own convenience, so there must be a willingness to complete the survey (Sekaran & Bougie, 2013:147-148).

Some of the benefits of using electronic questionnaires are that a wide geographical area can be covered, they are easy to design and administer and they are cost effective (Sekaran & Bougie, 2013:147-148).

3.3.2 Questionnaires as data collection instrument

The survey was conducted using self-administered questionnaires with standard questions as a data collection instrument.

3.3.3 Design of standard questions

The question design normally differentiates between questions looking to find out what people know (facts), what people do (behaviour) and what people think or feel (beliefs or attitudes) (Robson, 1993:228).

A set of questions may contain open-ended and/or close-ended questions. Open-ended questions allow respondents to express their views spontaneously, without any real influence by the researcher or without any restrictions, to a set of alternatives presented by the researcher. Close-ended questions confine respondents to a set of alternatives suggested by the researcher, and this may create bias (Foddy, 1994:127-128). The current study adopts the use of close-ended questions.

The questionnaire for the study was developed by taking into account previous related studies. The sections below describe the individual questions which were included in the questionnaire and refer to the literature that supports the inclusion of each of questions in the questionnaire.

3.3.3.1 Questionnaire

Questions 1-3 dealt with the demographic data of the respondents. Question 1 asked participants to indicate their age, question 2 asked them to indicate their gender and question 3 asked them to indicate in which province their household is situated. These questions were adopted from the questions used by Steyn (2015).

Question 4 of the questionnaire explores the perceptions of individual taxpayers related to the taxpayer-government exchange. Respondents were asked to indicate whether in their opinion the tax burden was affected by ineffective public service delivery by government. This type of question was used by Steyn (2015:258) to explore the perceptions related to the taxpayer-government exchange in South Africa.

3.3.3.2 Piloting the questionnaire

The interview questions in the present research were piloted by distributing the questionnaire to lecturers in the Department of Taxation at the University of Pretoria. The reason for selecting these people to participate was that all of them are not just individual taxpayers, but also academics who know the tax discipline. This provided an opportunity to obtain feedback on the questionnaire both from an academic perspective and from a taxpayer’s perspective.

3.4 COLLECTION OF DATA

The purpose of the current study is not to generalise the results, but to explore the tax perceptions of individuals as taxpayers on the taxpayer-government exchange in South Africa and to build on the existing theoretical constructs. The unit of analysis, specifically individuals as taxpayers in South Africa, is potentially enormous because any individual person who pays tax in any set-up falls within the ambit of this definition. Thus the current study adopted a chain referral sampling technique to reach prospective respondents.

The chain referral sampling technique is based on the concept of snowball sampling as explained by Daniel (2011:111). Snowball sampling is a sampling technique where research participants are asked to recruit other participants who form part of the targeted population group to voluntarily participate in the study.

The initial step is to identify potential participants that form part of the targeted population; then the potential participants are asked to recruit others. This process continues until an adequate sample size is reached. One of the weaknesses of snowball sampling is that the sample obtained may contain similar subjects, which may result in less variability of the sample. On the other hand, the technique helps the researcher to reach members of the population that would not be reached in the absence of this technique (Daniel, 2011:191).

3.5 CONCLUSION

The purpose of this chapter was to explain the research design and strategy used in conducting the current study. The chapter also explained the data collection technique used to reach potential respondents. The chain referral technique was effective, as out of the sample of 602 respondents there were very few respondents whose feedback could not be used because their data was considered invalid for the purposes of testing results. Piloting questionnaires beforehand ensured that any weaknesses in the design of the questions were addressed and that the questions asked could be easily understood by participants. Furthermore, sending questionnaires electronically was an effective method to obtain data. Through this method, participants were able to answer the relevant questions, which enabled the researcher to analyse the results of the data relevant to the research questions of the study.

The following chapter presents a comprehensive analysis of the data collected and discusses the results.

CHAPTER 4:
DATA ANALYSIS

4.1 INTRODUCTION

The purpose of this study was to explore the perceptions of individual taxpayers in South Africa from different age groups on the taxpayer-government exchange and the impact it has on their tax burden. This was achieved by reviewing available literature and analysing primary data obtained from the study conducted by Steyn (2015).

This chapter discusses the data analysis technique adopted and present the results of the analysis of the data collected.

4.2 ORIENTATION OF THE DATA ANALYSIS TECHNIQUE

This study adopted descriptive analysis as the data analysis technique. Descriptive statistics is a method used to describe the data of the study and provide summaries of the sample and the measures used. It includes numbers, tables, charts and graphs to describe and summarise the data. Furthermore, descriptive statistics is most often used to examine the location, variability, symmetry and peakedness of data and to present quantitative descriptions. This technique is recommended when the objective is to describe and discuss a data set more generally and conveniently and it is usually used in reports which contain a significant amount of qualitative or quantitative data (Texas State Auditor's Office, n.d:1-3).

As the nature of the study is quantitative, descriptive statistics was a suitable method to analyse the data. Some of the advantages of using descriptive analysis are that it is much easier to work with and interpret and helps to examine the reliability of the data set (Texas State Auditor's Office, n.d:1-3).

The data analysis was done by making use of a software package called SPSS. This is a well-known program in academic and business circles and the most widely used program of its type. It is a versatile package that allows many different types of analysis, data alterations and forms of output (Arkkelin, 2014:2). Descriptive statistics is one of the analyses that can be generated using SPSS (Arkkelin, 2014:77).

The program is powerful and user-friendly and is used for the manipulation and statistical analysis of data. In addition, the program is particularly useful for researchers in the social and behavioural sciences fields as it is able to analyse extensively both data from a single variable and data from more than one variable (Landau & Everitt, 2004).

4.3 PRESENTATION OF RESULTS AND DISCUSSION

This section presents data analysed using descriptive statistics. The results are based on responses received from the questionnaires distributed to the participants. The questionnaire asked participants to indicate their age, gender and the province in which their household is situated. In addition, the participants were asked to indicate their opinions on ineffective government service delivery and its impact on their tax burden. The demographics of the respondents are discussed first, followed by the discussion of the results on the taxpayer-government exchange.

4.3.1 Demographic statistics

Questions 1-3 dealt with the demographic data of the respondents related to their age, gender, and the province in which they live in South Africa. The results of these questions are presented in the following sections.

4.3.1.1 Age groups of the respondents

Question 1 asked participants to indicate their age. Table 3 below provides the frequency statistics related to the age of the respondents.

Table 3: Frequency statistics – age of the respondents

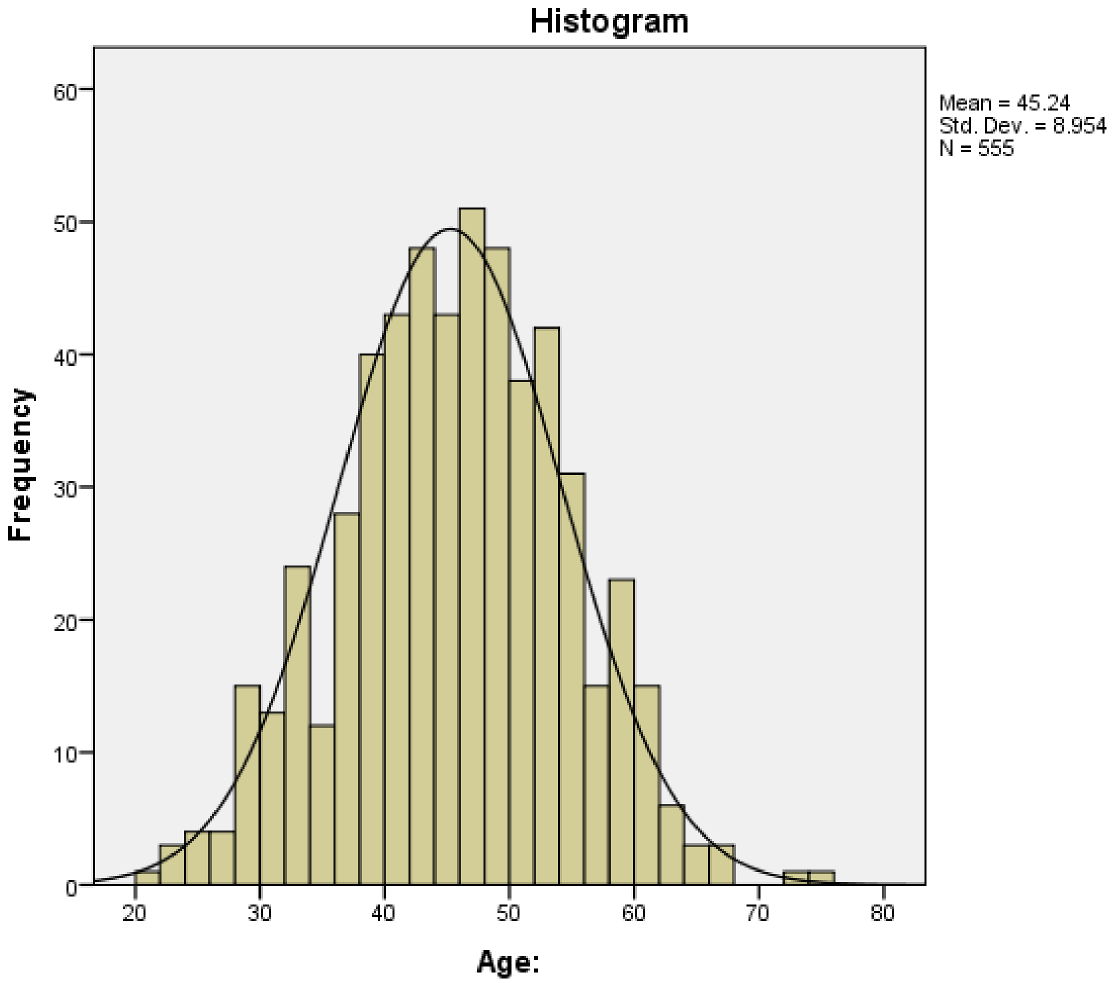
N	Valid	555
	Missing	47
Median		45,56[a]
Mode		47
Minimum		21
Maximum		74

a. Calculated from grouped data.

There were 602 responses to question 1. Of these 555 were valid responses and 47 incomplete responses. This means that on the question of age 92,2% of the responses were valid.

The mean of the 555 valid responses is 45,56 years, with a minimum of 21 years and a maximum of 74 years. The mode of the respondents is 47 years. Figure 3 below provides a histogram that graphically illustrates these statistics.

Figure 3: Distribution of the age of respondents



For the purposes of this analysis, the ages of the respondents were combined into different age groups that were generated by SPSS around the mean and the standard deviation. Table 4 below provides an overview of the age groups.

Table 4: Frequency statistics – overview of the age groups

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<= 36	86	14,3	15,5	15,5
	37 - 45	192	31,9	34,6	50,1
	46 - 54	197	32,7	35,5	85,6
	55+	80	13,3	14,4	100,0
	Total	555	92,2	100,0	
Missing	System	47	7,8		
Total		602	100,0		

The respondents were divided into four age groups, namely 36 years old and below, between the ages of 37 and 45 years, between the ages of 46 and 54 years and 55 years old and above.

As 7,8% of the respondents were invalid, 92,2% of valid responses comprised 15,5% of respondents who were 36 years old and below, 34,6% of respondents who were between the ages of 37 and 45 years, 35,5% of respondents who were between the ages of 46 and 54 years and 14,4% of respondents who were 55 years old and above.

4.3.1.2 Gender of the respondents

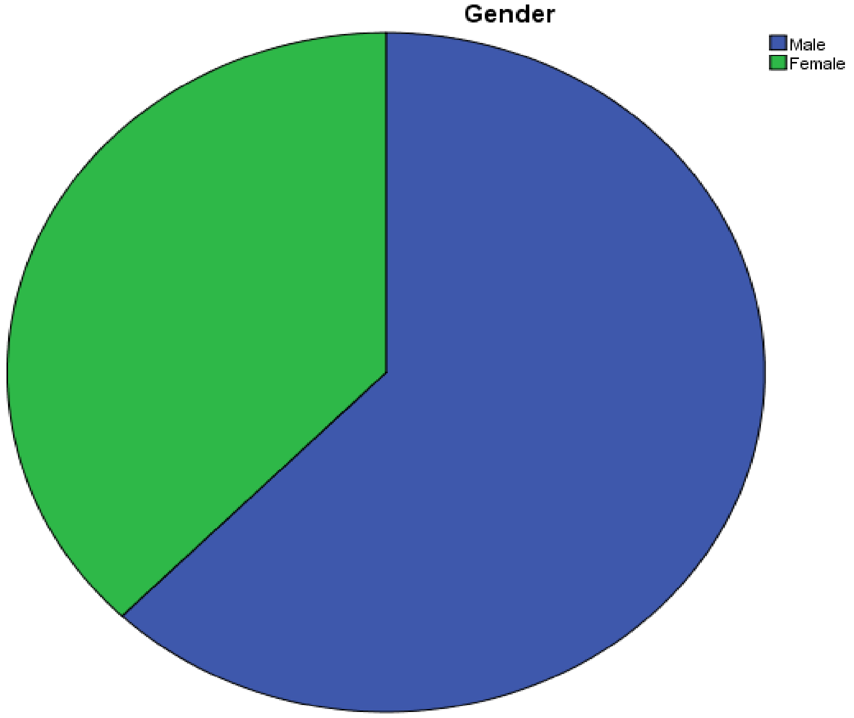
Question 2 asked participants to indicate their gender. Table 5 below indicates the frequency statistics of the gender of the respondents.

Table 5: Frequency statistics – gender of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	345	57,3	62,3	62,3
	Female	209	34,7	37,7	100,0
	Total	554	92,0	100,0	
Missing	System	48	8,0		
Total		602	100,0		

Similarly to responses related to age, there were 602 responses to question 2. Of these there were 554 valid responses comprising 345 male respondents and 209 female respondents. Overall, 92% of the responses were valid, of which 62,3% were male respondents and 37,7% female. The responses which were invalid totalled 8%. Figure 4 below illustrates the composition of the gender of valid respondents in the form of a pie chart.

Figure 4: Gender composition of the respondents



4.3.1.3 <u>Provinces where the respondents reside</u>

Question 3 asked participants to indicate the province in which they live in South Africa. Table 6 below provides an overview of the geographic distribution of the respondents.

Table 6: Respondents' residence by province

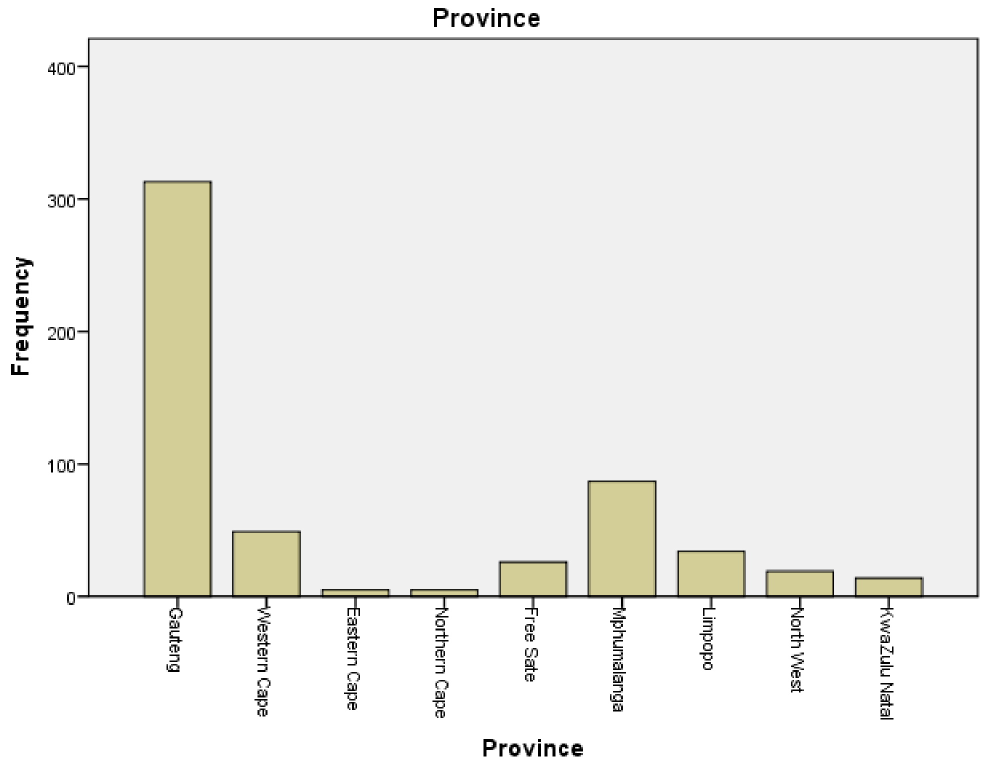
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Gauteng	313	52,0	56,7	56,7
	Western Cape	49	8,1	8,9	65,6
	Eastern Cape	5	0,8	0,9	66,5
	Northern Cape	5	0,8	0,9	67,4
	Free Sate	26	4,3	4,7	72,1
	Mpumalanga	87	14,5	15,8	87,9
	Limpopo	34	5,6	6,2	94,0
	North West	19	3,2	3,4	97,5
	KwaZulu-Natal	14	2,3	2,5	100,0
	Total	552	91,7	100,0	
Missing	System	50	8,3		
Total		602	100,0		

There were 602 responses to question 3. Of these 552 were valid responses and 50 incomplete. This means for this question, 91,7% of the responses were valid.

Of the valid responses and in terms of the location of the households of the respondents, the largest fraction of the respondents (56,7%) had their households in Gauteng. The second largest fraction of the respondents (15,8%) had their households in Mpumalanga, 8,9% of respondents had their households in the Western Cape, 6,2% had their households in Limpopo and 4,7% had their households in the Free State.

The respondents with households situated in North West amounted to 3,4%, while 2,5% of the respondents had their households situated in KwaZulu-Natal. The smallest fraction of respondents (0,9% in each case) had their households in the Eastern Cape and the Northern Cape. Figure 5 below is a graphical illustration of the composition of the respondents by province.

Figure 5: Composition of respondents by province



4.3.2 Taxpayer-government exchange

To understand the perceptions of individual taxpayers on the taxpayer-government exchange, question 4 asked the participants to indicate their opinion as to whether ineffective government service delivery had an impact on the tax burden. Table 7 below provides a synopsis of the respondents' perceptions of ineffective government service delivery and its impact on their tax burden.

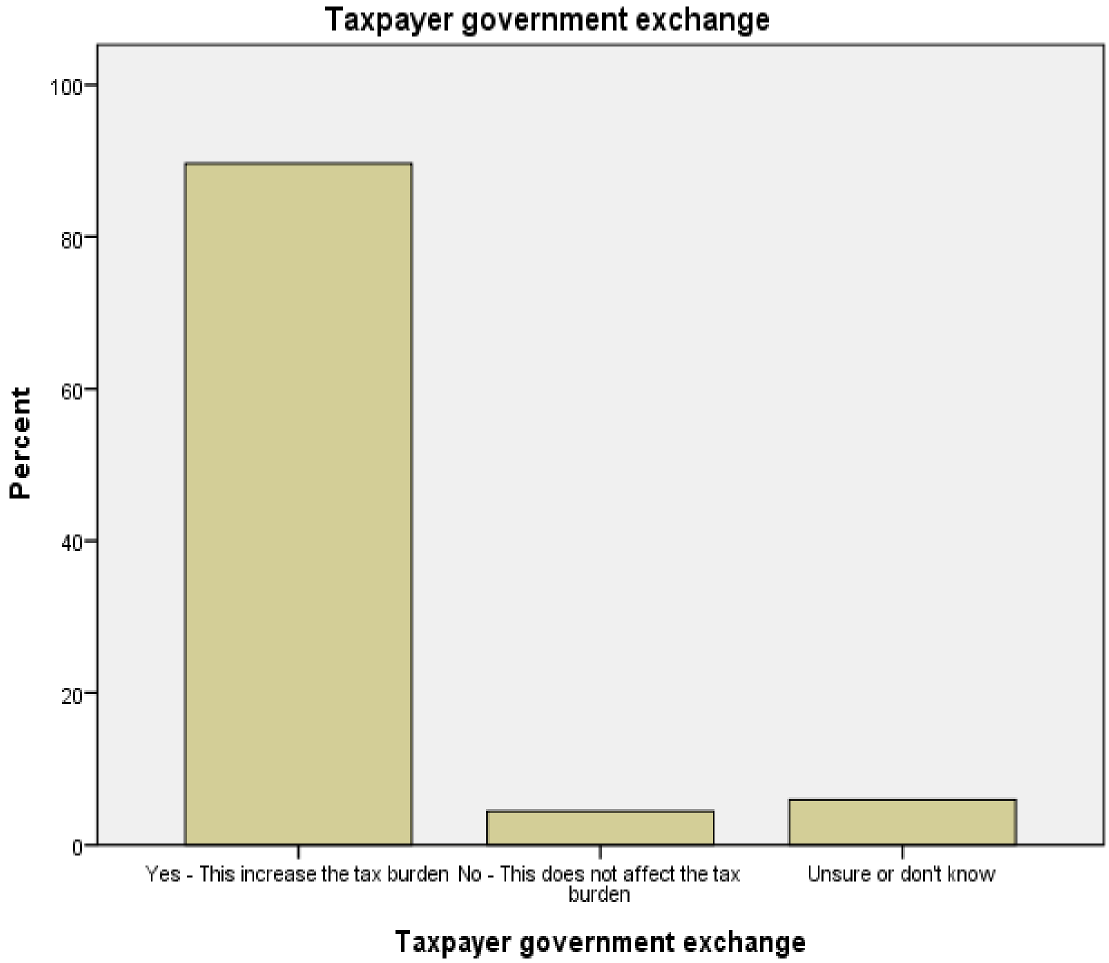
Table 7: Respondents' perceptions of taxpayer-government exchange

Taxpayer government exchange

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes - This increase the tax burden	407	67,6	89,6	89,6
	No - This does not affect the tax burden	20	3,3	4,4	94,1
	Unsure or don't know	27	4,5	5,9	100,0
	Total	454	75,4	100,0	
Missing	System	148	24,6		
Total		602	100,0		

There were 602 responses to question 4. Of these 454 were valid responses and 148 incomplete responses. This means that for the question concerning the perception of the respondents on taxpayer-government exchange, 75,4% were valid responses and 24,6% invalid. Figure 6 below provides a graphical illustration of the respondents' perceptions of taxpayer-government exchange.

Figure 6: Perceptions of taxpayer-government exchange



The largest fraction of the respondents (89,6%) was of the opinion that ineffective government service delivery increases their tax burden. The smallest fraction of the respondents (4,4%) was of the opinion that ineffective government service delivery did not affect their tax burden, while 5,9% of the respondents were unsure or did not know whether ineffective government affected their tax burden.

From the results above it is possible to conclude that the majority of the respondents were of the opinion that ineffective government service delivery increased their tax burden.

The main purpose of this study is to explore age as a variable on perceptions related to the taxpayer-government exchange. Nevertheless, the following sub-sections provide a summarised overview of the perceptions by gender.

Table 8 shows a summary of respondents and Table 9 below illustrates the perceptions of respondents on the taxpayer-government exchange by gender.

Table 8: Summary of respondents on taxpayer-government exchange by gender

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Gender * Taxpayer government exchange	452	75,1%	150	24,9%	602	100,0%

There were 602 responses, of which 452 (75,1%) were valid and 150 (24,9%) were invalid responses. Table 9 below provides a detailed analysis of the perception of the respondents on taxpayer-government exchange by gender.

Table 9: Respondents' perceptions on taxpayer-government exchange by gender

Gender * Taxpayer government exchange

			Taxpayer government exchange			
			Yes - This increase the tax burden	No - This does not affect the tax burden	Unsure or don't know	Total
Gender	Male	Count	271	14	13	298
		% within gender	90,9%	4,7%	4,4%	100,0%
	Female	Count	134	6	14	154
		% within gender	87,0%	3,9%	9,1%	100,0%
Total		Count	405	20	27	452
		% within gender	89,6%	4,4%	6,0%	100,0%

The largest fraction of the male respondents (90,9%) was of the opinion that ineffective government service delivery increased their tax burden, while 4,7% were of the opinion that it did not affect their tax burden and 4,4% were unsure or did not know.

The largest fraction of female respondents (87,0%) was of the opinion that ineffective government service delivery increased their tax burden, 3,9% were of the opinion that it did not and 9,1% were unsure or did not know.

The following sections present the results of question 4 in terms of the main demographic variable under consideration in this study, namely age.

4.3.3 Perceptions by age group

With regard to the perceptions of respondents by age group, Table 10 shows a summary of the respondents and Table 11 shows the proportion of respondents by age group who provided an opinion on the taxpayer-government exchange.

Table 10: Summary of respondents on taxpayer-government exchange by age group

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Taxpayer government exchange * Age: (Binned)	453	75,2%	149	24,8%	602	100,0%

There were 602 responses, of which 453 (75,2%) were valid and 149 (24,8%) were invalid responses. Table 11 below provides a detailed analysis of the perceptions of the respondents on taxpayer-government exchange by age group.

Table 11: Perceptions on taxpayer-government exchange by age group

		Age: (Binned)			
		<= 36	37 - 45	46 - 54	55+
Taxpayer government exchange	Yes - This increase the tax burden	58	148	146	54
	No - This does not affect the tax burden	3	7	7	3
	Unsure or don't know	5	11	7	4
Total		66	166	160	61

Of the 75,2% of valid responses, the perceptions of the respondents by age groups on taxpayer-government exchange are as follows:

4.3.3.1 36 years old and below

The largest fraction of the respondents (87,9%) was of the opinion that ineffective government service delivery increased their tax burden. The smallest fraction of the respondents (4,5%) was of the opinion that ineffective government service delivery did not affect their tax burden, while 7,6% of the respondents were unsure or did not know.

4.3.3.2 Between the ages of 37 and 45 years

The largest fraction of the respondents (89,2%) was of the opinion that ineffective government service delivery increased their tax burden. The smallest fraction of the respondents (4,2%) was of the opinion that ineffective government service delivery did not affect their tax burden, while 6,6% of the respondents were unsure or did not know.

4.3.3.3 Between the ages of 46 and 54 years

The largest fraction of the respondents (91,2%) was of the opinion that ineffective government service delivery increased their tax burden. The smallest fraction of the respondents (4,4%) was of the opinion that ineffective government service delivery did not affect their tax burden. Similarly, 4,4% of the respondents were unsure or did not know whether ineffective government affected their tax burden.

4.3.3.4 55 years old and above

The largest fraction of the respondents (88,5%) was of the opinion that ineffective government service delivery increased their tax burden. The smallest fraction of the respondents (4,9%) was of the opinion that ineffective government service delivery did not affect their tax burden, while 6,6% were unsure or did not know.

4.3.3.5 Summarised conclusion

The results revealed that the respondents held the same views, irrespective of age, on the taxpayer-government exchange and its impact on their tax burden.

However, there are differences in perceptions when gender and the place of residence are examined. This conclusion about age as a demographic variable is in contrast with findings in studies where age was considered as a demographic variable because the studies found that there was a difference in behaviour between older taxpayers and younger taxpayers with regard to tax compliance.

4.4 CONCLUSION

The purpose of the chapter was to analyse the data collected using the descriptive statistics technique.

The chapter presented the demographic statistics of the respondents which included age, gender and the location of their households in South Africa. In addition, the findings of the perception of the respondents with regard to the taxpayer-government exchange and its impact on their tax burden were discussed.

The final chapter summarises significant findings and conclusions of the study. In addition, limitations of the study are discussed which may possibly be addressed in future research.

CHAPTER 5:
CONCLUSION

5.1 INTRODUCTION

The government has a responsibility towards its citizens, and this responsibility includes making policies and laws about the rights and responsibilities of citizens, the delivery of government services and the collection of revenue in the form of taxes to be used in the provision of services and infrastructure that improve the lives of all the people in South Africa (Education & training unit for democracy and development, n.d.).

The phenomenon of taxpayer-government exchange is not a new subject of discussion and debate; it is frequently found in literature related to tax compliance and the perceived fairness of the tax burden.

The existing studies in South Africa related to the taxpayer-government exchange did not explore age as a demographic variable that may influence individual taxpayers' perceptions of the fairness of the fiscal exchange.

The primary objective of the study was to explore the perceptions of individual taxpayers of different ages with regard to the taxpayer-government exchange in South Africa. This was supported by secondary objectives relating to the clarification of the theoretical constructs and the description of the framework supporting the study. This was completed through the analysis of primary data obtained from a study conducted by Steyn (2015).

This chapter summarises findings of the study in order to present the conclusions in accordance with the primary objective of the study.

5.2 SUMMARY AND CONCLUSIONS

The analysis of the data indicates that the majority of older taxpayers were of the opinion that ineffective government service delivery increased their tax burden. As, the majority of younger taxpayers shared this opinion, it can be concluded that taxpayers in South Africa, regardless of age, are of the opinion that ineffective government service delivery increases their tax burden.

In all the different age groups, the majority of the respondents were of the opinion that ineffective government service delivery increases their tax burden. Similarly, in all the different age groups, the smallest fraction of the respondents was of the opinion that ineffective government service delivery did not affect their tax burden. Interestingly, in all age groups the number of respondents who were unsure or did not know whether ineffective government affected their tax burden was greater than the number of respondents who were of the opinion that ineffective government service delivery did not affect their tax burden.

Although the respondents between the ages of 46 and 54 years had an equal number of respondents who were of the opinion that ineffective government service delivery did not affect their tax burden and respondents who were unsure or did not know whether ineffective government affected their tax burden, this does not change the fact that these views were still the least in this age group.

Although there were more male respondents than female respondents, both genders had the largest proportion of respondents who were of the opinion that ineffective government service delivery increased their tax burden. Interestingly, there was a noticeable difference between female and male respondents who were unsure or did not know whether ineffective government service delivery had an impact on their tax burden. There was a higher percentage of females who were unsure or did not know whether ineffective government service delivery had an impact on their tax burden than there were in the male group.

The majority of the respondents had their households in Gauteng and Mpumalanga and the minority of the respondents had their households situated in the Eastern Cape and the Northern Cape. In all nine provinces, the largest fraction of the respondents was of the opinion that that ineffective government service delivery increased their tax burden.

5.3 LIMITATIONS OF THE STUDY

The outcome of the perceptions of individual taxpayers from the current study cannot be generalised to the entire population of South Africa, as the study was only limited to a sample of individuals who participated in the study. The purpose of the study was to highlight, in a sample, the perceptions of individuals on the taxpayer-government exchange. One limitation of the study was that little research has been conducted on the taxpayer-government exchange. In addition, this literature is in most cases discussed in the literature related to tax compliance and perceived fairness on the tax burden.

5.4 FUTURE RESEARCH

The current study explored the perceptions of individual taxpayers on the taxpayer-government exchange, its impact on their tax burden and age as a demographic variable. Further research may possibility be conducted on other demographic variables, such as culture or education, and explore whether such variables have an impact on the taxpayer-government exchange in South Africa or even in other countries.

5.5 CONCLUDING REMARKS

The issue of government service delivery is a concern for individual taxpayers in South Africa, and this can be seen in the debates in the media and the fact that this issue was also raised in parliament in 2015.

The taxpayer-government exchange (also referred to as the fiscal exchange theory) postulates that the main concern for taxpayers is what they receive in return for paying taxes in the form of services provided by government (D’Arcy, 2011:5). It is also interpreted as a contractual relationship between taxpayers and government. Individual taxpayers expect that when they pay their taxes, the government will use the revenue collected to provide services to the citizens. The outcome of this study is that the majority of individual taxpayers, whether male or female and whatever their age group, are of the opinion that ineffective government service delivery increases their tax burden. If individual taxpayers have this perception, then their tax compliance is likely to suffer.

The findings of the current study build on the study conducted by Oberholzer (2007), which explored the perceptions of individual taxpayers and found that the majority of the respondents were of the opinion that a large proportion of taxes was used by the government for meaningless purposes and that waste and corruption in government were high. Furthermore, this study concludes that where taxpayers perceive that the government is ineffective in its service delivery, they feel that this increases their tax burden.

“A government should aim to create a culture which is conducive to the payment of taxes” (Friedman in Oberholzer, 2007:246).

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APPENDIX A

DATA-COLLECTION INSTRUMENT

Questionnaire

1 Please indicate your age (in years).

2 Please indicate your gender:

Male	1
Female	2

3 Please indicate the province in South Africa where your household is situated.

Province:	

4 If goods and services that government provides to the general public (making use of tax money) are not provided or rendered effectively by government, does this in your opinion increase the tax burden of your household?

(These goods and services include, police services, road infrastructure, rail infrastructure, public transport, health services, education, and social assistance in the form of State pensions and other grants).

Yes – the effect is an increase in the tax burden	1
No – it does not affect the tax burden	2
Unsure or don't know	3

APPENDIX B:
DECLARATION OF PLAGIARISM

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES AND FACULTY OF LAW

Declaration Regarding Plagiarism

The Faculties of Economic and Management Sciences and Law emphasises integrity and ethical behaviour with regard to the preparation of all written assignments.

Although the lecturer will provide you with information regarding reference techniques, as well as ways to avoid plagiarism, you also have a responsibility to fulfil in this regard. Should you at any time feel unsure about the requirements, you must consult the lecturer concerned before submitting an assignment.

You are guilty of plagiarism when you extract information from a book, article, web page or any other information source without acknowledging the source and pretend that it is your own work. This does not only apply to cases where you quote the source directly, but also when you present someone else's work in a somewhat amended (paraphrased) format or when you use someone else's arguments or ideas without the necessary acknowledgement. You are also guilty of plagiarism if you copy and paste information directly from an electronic source (e.g., a web site, e-mail message, electronic journal article, or CD-ROM) without paraphrasing it or placing it in quotation marks, even if you acknowledge the source.

You are not allowed to submit another student's previous work as your own. You are furthermore not allowed to let anyone copy or use your work with the intention of presenting it as his/her own.

Students who are guilty of plagiarism will forfeit all credits for the work concerned. In addition, the matter will be referred to the Committee for Discipline (Students) for a ruling. Plagiarism is considered a serious violation of the University's regulations and may lead to your suspension from the University. The University's policy regarding plagiarism is available on the Internet at *http://www.library.up.ac.za/plagiarism/index.htm.*

The following declaration must accompany **all** written work that is submitted for evaluation. No written work will be accepted unless the declaration has been completed and is included in the particular assignment.

I (full names & surname):	Bronwyn Ellinah Nyakane
Student number:	U15340075

Declare the following:

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.
3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. I did not allow and will not allow anyone to copy my work with the intention of presenting it as his/her own work.

Signature

Date