TAX IMPLICATIONS OF INCOME AND BENEFITS RECEIVED BY SOCIAL MEDIA CONTENT CREATORS

by

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KEYWORDS, ABBREVIATIONS AND ACRONYMS

Keywords: Digital economy, tax on social media, digital taxes, social media, tax
awareness, gross income

Table 1: Abbreviations and acronyms used in this document

Abbreviation	Meaning
BEPS	Base Erosion and Profit Shifting
BIR	Bureau of Internal Revenue
EC	European Commission
EU	European Union
e-WOM	Electronic Word-Of-Mouth
IRS	Internal Revenue Service
ITA	Income Tax Act, No. 58 of 1962

OECD	Organisation for Economic Co-operation and Development
RMC	Revenue Memorandum Circular
SARS	South African Revenue Service
UGC	User-Generated Content
UK	United Kingdom
US	United States
YPP	YouTube Partner Programme

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CHAPTER 1: INTRODUCTION

1.1 BACKGROUND AND RATIONALE FOR THE STUDY

Social media ranks as one of the most important internet applications, as the number of platforms and active users are increasing exponentially (Aichner, Grünfelder, Maurer & Jegeni, 2021). Globally, social media has grown to not only be used by individuals but by companies utilising these platforms to gain a competitive advantage in marketing and sales (Aichner *et al*., 2021; Schivinski, Brzozowska-Woś, Stansbury, Satel, Montag & Pontes, 2020).

Instagram, YouTube, Twitter, Facebook, and LinkedIn are only a few popular social media platforms currently booming on the internet (Schivinski *et al*., 2020). The digital economy, of which social media is a primary contributor, refers to an economy that is based on digital computing technologies but is often perceived as conducting business through markets based on the internet (Oppong-Tawiah, 2020:10).

The Covid-19 pandemic, lockdown restrictions, and work-from-home mandates significantly increased social media usage and reliance (Prihatiningtias & Karo, 2021:138; Siddhartha & Michal, 2017). A direct result of the increased usage is that social media content creators have seen an increased demand for their work, which inevitably led to an increase in their income, some of whom earned millions from posting content online (Dizon, Lo & Yatco, 2020).

At age seven (in 2018), child vlogger Ryan Kaji of Ryan's World reached over 19 million viewers on YouTube. In 2020, with approximately 41.7 million subscribers and estimated pre-tax earnings of $29.5 million (ZAR 451.6 million[1]), Ryan Kaji was considered to be the highest-paid YouTube star (Berg & Brown, 2020; De Veirman, Hudders & Nelson, 2019:1).

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[1] All currency conversions in this dissertation were based on an average exchange rate as explained and provided in Annexure C.

Given that income earned by content creators can be substantial, Dizon *et al.* (2020) argue that laws and regulations do not expressly cover the earnings from online activities. This issue leaves tax authorities with a system that is open to abuse and tax evasion.

An example of a social media content creator evading taxes is Chinese live streamer Viya, who was fined CNY 1.34 billion (ZAR 3.19 billion) in back taxes, late fees, and fines after concealing the personal income she earned from advertising goods on behalf of retailers (Shen, 2021; Liu, 2021; Yu & Baptista, 2021). According to these popular media sources, this incident prompted the Chinese tax authorities to clamp down on the e-commerce sector and implement more stringent rules on celebrities and live streamers earning income in this manner.

Cases of tax evasion amongst social media influencers are becoming more frequent. Swedish tax authorities fined millionaire YouTube gamer PewDiePie £9 000 (ZAR 180 900) for excluding profits he earned from his production company from his 2013 tax return (Rafly, 2021). In 2021, PewDiePie came under scrutiny again when he reportedly planned to migrate the operations of his company based in the United Kingdom (UK), PewDie UK Ltd, to Cyprus (Jain, 2021; Stokel-Walker, 2021). This was considered to be a mechanism to evade taxes as the corporate tax rate in Cyprus is 12.5% compared to 19% in the UK (Rafly, 2021).

As with Cyprus, Andorra has also noted an influx of French and Spanish YouTubers and eGamers since 2017. Andorra has traditionally been seen as a tax haven since the corporate tax and the maximum personal income tax rate is 10%, and there is neither an inheritance or real estate tax (Fonrouge, 2021). In contrast, the personal income tax rate can go up to a maximum of 45% in France and 47% in Spain (PWC, 2022). Although lower tax rates are more attractive, YouTubers and the Andorran Economy Minister argued that it is only one of the many benefits of moving to Andorra (Fonrouge, 2021; Andorra Solutions, 2021).

The Spanish tax authorities reacted to the migration of certain celebrities by announcing that they would use software programs and detailed data analysis to track wealthy individuals who have relocated to reduce or evade taxes (Dunham, 2021). The list of celebrities who emigrated included Spain's most popular gamers and YouTubers, such as aLexBY11, Willyrex, Vegetta, The Grefg, Lolito, El Rubius, and Staxx (Pelaez-Fernandez, 2021;

Wilkinson, 2021). As is evident from the aforementioned, tax evasion is becoming an ever-increasing problem.

Tax authorities of other countries have also had to review mechanisms on how to deal with potential tax evasion in the same way Spain did. In India, the influencer market is worth $120 million (ZAR 1.84 billion). As per the Oxford Economics report (2022), YouTube content creators alone contributed Rs 6 800 crore[2] (ZAR 13.6 trillion) to the Indian economy in 2020. As such, from 1 July 2022, the Central Board of Direct Taxes implemented a tax deducted at source of 10% of the amounts or gifts paid to influencers of more than Rs 20 000 (ZAR 4 000) (Kalra, 2022). Gifts may include things such as free air tickets, mobile phones, hotel stays, luxury products, and other free gifts or services, as per Section 194R, a recent addition to the Indian Income-tax Act (Outlook Business Team, 2022; Kalra, 2022).

In the Philippines, the Bureau of Internal Revenue (BIR) issued a Revenue Memorandum Circular (RMC) (2021) aimed at reminding people to pay the correct taxes on income earned from using social media platforms like Facebook, Instagram, Twitter, YouTube, and TikTok (Villanueva, 2021). After the RMC was issued, several media outlets reported that the BIR also offered a ₱1 million (ZAR 300 000) reward to anyone who reports a social media influencer that may not be paying taxes (Fernandez, Y, 2021; Abrea, M, 2021; Cordero, T, 2021).

However, it should be noted that intentional tax evasion is not the only reason social media content creators do not declare their income to tax authorities. An exploratory study in Indonesia investigated the tax compliance of millennial influencers. This study found that taxpayers need to be educated about tax compliance and insufficient understanding of taxation was noted as the main reason for non-compliance (Prihatiningtias & Karo, 2021:137). Whether intentional or not, the issue of non-compliance must be addressed.

To address the changes in the digital economy and curb non-compliance, countries needed to adapt at a rapid pace (Victorova, Pokrovskaia & Yevstigneev, 2020). However, current research (Victorova, *et al*., 2020; Haslehner, Kofler, Pantazatou & Rust, 2019; Geringer,

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[2] A crore denotes ten million therefore 6800 crore is Rs 68 000 000 000

2021) shows that taxation within the digital economy is not yet used as a sufficient mechanism to raise revenue, and is often undermined, within a given country.

South Africa, like any other country, strives toward greater tax revenue collection. Non-compliance by taxpayers is one possible explanation for low revenue levels. In order to achieve greater tax revenue, the South African government has instituted various enforcement measures, including reprieves (amnesties and voluntary disclosure programmes) to taxpayers who voluntarily disclose their previously undisclosed income (Dare, Jansen and du Plessis, 2018:1).

Social media has, however, also assisted SARS in clamping down on tax evasion, which in turn, can also generate more tax revenue. In a recent case before the North Gauteng High Court (*Commissioner for SARS v Hamiltonn Holdings (Pty) Ltd and Others*), SARS obtained a preservation order against an individual and his companies as a result of images posted on social media of certain luxury vehicles, which prompted SARS to refer the tax affairs of the individual and his companies to the Illicit Tax Unit.

The emergence of the digital economy and the increased amount of content creators now earning an income from social media has raised questions as to how this economy should be taxed. Although the Organisation for Economic Co-operation and Development (OECD) has attempted to solve this problem by introducing various action plans (discussed further in Section 2.4), tax authorities around the world need to consider if current legislation is sufficient or if it needs to be amended to address this growing problem.

1.2 RESEARCH PROBLEM

Social media platforms are no longer exclusively used to communicate, instead there has been a rise in content creators using such platforms to promote and conduct their businesses, some without paying taxes. However, many tax authorities are finding it difficult to regulate the digital economy, as some businesses intentionally evade taxes by hiding their income (Zhang, Nan, Huang & Lui, 2020).

This dissertation is part of a broader study that aims to delve deeper into the connection between taxation and social media, to explore the challenges, opportunities and tax

implications of social media earnings and to determine if South African citizens are aware of the potential tax liabilities arising from the digital economy. The focus of this dissertation is the tax implications for content creators who earn income or benefits from social media.

1.3 RESEARCH QUESTION

The research question for the main research project is drafted as follows: What are the South African tax implications associated with income generation from social media platforms?

1.4 RESEARCH OBJECTIVES

The research objective for this study is summarised as follows:
To evaluate the perceptions of individuals regarding whether income earned and benefits received by social media content creators should be included in gross income.

The research objective is only one objective of a larger research project aimed to address the research question, which is to determine the South African tax implications associated with income generation from social media platforms.

1.5 STRUCTURE OF THIS MINI-DISSERTATION

A brief description of the proposed chapter outlines of this mini-dissertation:

Chapter 1: Introduction

In this chapter, the topic is introduced and a broad overview of the areas of concern is provided. Furthermore, the research question and relevant research objectives are stated.

Chapter 2: Literature review

Chapter 2 provides an overview of how taxes are levied within the digital economy, both internationally and locally.

Chapter 3: Research design and methodology

Chapter 3 is centred around the research design and methodology of the study. Initially, the chapter delves deeper into the chosen strategy to address the research question, also known as the research design. This chapter sets out to discuss in detail the research methods used and data-collection process.

Chapter 4: Data collection and analysis

In this chapter, various sources, including survey results, are analysed to determine whether taxpayers are aware of their tax implications regarding social media income. Legislation and related case law are analysed to determine the taxability of income earned by social media content creators.

Chapter 5: Conclusion

The last chapter will draw a conclusion on the South African tax implications associated with income generation from social media platforms.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

International tax issues are currently high on the political agenda of many countries and as national economies and markets become more integrated, more strain is put on international tax rules (OECD, 2015:3). Weaknesses in the current tax rules have thus created opportunities for base erosion and profit shifting (BEPS).

The digital economy has worsened this problem as it has given rise to several new business models and many enterprises can now conduct business electronically at a substantially larger scale and over longer distances (OECD, 2015:3). Electronic commerce (e-commerce) has been defined as *"the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders."* (OECD, 2015:74). Based on this definition, the role players within the digital economy can be narrowed down to the person who provides the goods or services, the person who consumes the goods or services, and the electronic platform where the provider and consumer interact. Content creators who earn an income from social media platforms are thus only one part of a larger e-commerce network.

Therefore, before considering the tax implications of these content creators, the broader tax issues within the digital economy must first be understood. In this chapter, the impact of the digital economy on the tax system was investigated first. Thereafter, various countries were looked at to determine how other governments have tackled the problem of taxing sellers operating within the digital economy, as well as the electronic platforms themselves. Taking this into account, South Africa's approach to taxing the digital economy was then considered. Once the applicable tax regulations were considered, the role of content creators within the digital economy was investigated in more detail.

2.2 THE IMPACT OF THE DIGITAL ECONOMY ON THE TAX SYSTEM

The digital economy has led to the average taxpayer now having access to other income streams where most transactions are virtual transactions. Even though these transactions take place in the digital economy, they can have a taxation effect on individuals, who need

the necessary taxation knowledge to correctly account for these transactions on their tax returns (Bornman & Wassermann, 2018:3).

In another study, Bornman and Wassermann (2020) suggested that the level of tax knowledge or awareness of individual taxpayers poses certain risks to the individual's voluntary tax compliance. These risks include, *inter alia,* individuals regarding income earned from social media platforms as private and thus not subject to tax and their level of knowledge or understanding of the nature of the income generated and how it should be disclosed or reported.

These risks increase the "tax gap" which is defined as the difference between the actual amount of taxes paid or collected and what taxpayers owe (George, 2019:1). Therefore, it is important for the tax authority of a country to consider ways in which the collection of taxes on such revenue is safeguarded.

Before delving into mechanisms to collect taxes, it is important to first understand the digital tax landscape in which social media content creators operate, both globally and in South Africa.

2.3 GLOBAL APPROACHES TO TAXING THE DIGITAL ECONOMY

In 2018, the European Commission (EC) published a Council Directive, which detailed a proposed mechanism that would ensure the improvement of the present corporate tax rules in relation to the taxation of the digital economy. This proposal referred to digital service taxes as a solution to the challenges of taxing the digital economy (EC, 2018:1). Furthermore, Geringer (2021), Jalan, Rao and Ravishankar (2021), and Horak (2020) note that the European Union (EU) has proposed unilateral tax measures that, at a high level, can be categorized as digital service taxes and digital advertising taxes.

Moreover, Geringer (2021) explains that revenues derived through the provision of social media platforms, search engines, and online marketplaces would be taxed under digital services taxes. In this regard, income earned from online advertising, subscription fees or sales of data fall under the ambit of 'provision of social media platforms', as proposed by the EU's unilateral tax measures.

France, a member state of the EU, has implemented tax policies that resemble these unilateral tax measures, in an attempt to combat the tax gap resulting from increased activities within digital economies (Geringer, 2021; Jalan *et al.*, 2021; Horak, 2020). Digital service taxes were enacted as law in France on 24 July 2019. Resultantly, multinational companies are taxed at a rate of 3% on turnover earned in excess of €750 million (ZAR 12.65 billion) worldwide and €25 million (ZAR 422 million) from their France-based users for digital services (Légifrance, 2019).

The government of the UK has emphasised that they are committed to addressing the challenges of taxing the digital economy by implementing a digital service tax similar to the EU's proposal, until alternative global tax mechanisms are in place and deemed satisfactory (Her Majesty's Treasury, 2020a:92). In the 2018 Budget, Her Majesty's Treasury placed their focus on large UK multinational entities by implementing a tax of 2% on revenue derived from digital services (Her Majesty's Treasury, 2018:41).

The 2020 UK Budget explained that these multinational entities would be liable for the digital service tax when the worldwide digital service revenue of the multinational group exceeds £500 million (ZAR 10 billion) and the UK digital service revenue of the group exceeds £25 million (ZAR 502.5 million) (Her Majesty's Treasury, 2020b:96). From the perspective of the UK Finance Bill, digital service activities relate to providing users access to social media services, online markets, or internet search engines (Her Majesty's Treasury, 2020b:96; Makibela, 2020:16-21).

Certain African countries have also taken steps in adapting to the digital tax landscape by proposing similar digital service taxes. For example, Kenya introduced a digital service tax of 1.5% effective from 1 January 2021 for specific services provided through the digital marketplace and Zimbabwe implemented a digital service tax at a rate of 5% on revenue derived through online platforms (Jalan *et al.*, 2021). Other African countries, such as Benin, Zambia, and Uganda have further proceeded to place social media taxes on their users for merely having access to social media platforms (Kasadha, Alli, Basuuta & Mpoza, 2019:1-2).

Notably, documented tax evasion (as discussed in Section 1.1) occurred in China, Sweden, and Spain, where legislation around taxing the digital economy was found to be lacking. The

KPMG LLP (2020:27) reported that Sweden, in conjunction with Finland and Denmark, released a joint statement indicating that they would wait for a global solution regarding taxation of the digital economy.

The KPMG LLP (2020:23) further reported that the Chinese government had implemented VAT on e-commerce transactions but was still going to perform studies to determine if a digital service tax should be implemented. The People's Republic of China viewed the implementation of VAT on e-commerce as a progressive step toward tax reform and indicated that the next steps would include, amongst others, improvement of its tax registration system, continued participation in the International Taxation Forum, and adoption of unilateral measures (Terada-Hagiwara, Gonzales & Wang, 2019:1).

Spain implemented a digital service tax of 3% on digital intermediation services, digital advertising services, and the sale of user data generated through a digital interface (KPMG LLP, 2020:13). However, this was merely a short-term solution to mediate the under-taxation of digital platforms until the OECD reaches consensus on multilateral tax reform (Lampreave, 2020:1).

The above highlights the tax concerns surrounding the digital economy. Thus, it needs to be determined what South Africa has done to address this problem.

2.4 SOUTH AFRICA'S APPROACH TO TAXING THE DIGITAL ECONOMY

South Africa is working together with 140 other countries in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Even though South Africa is not a member of the OECD, in 2004, it was awarded observer status (Olivier & Honiball, 2011). Despite not being a member, South Africa is a major power in Africa with large investments in other African countries, so it is imperative that South Africa takes the lead in the BEPS debates in Africa (Davis Tax Committee (DTC), 2015a:18). As a member of the OECD BEPS committee, it champions the cause of other African countries (Oguttu, 2016:20).

In the context of the digital economy, the OECD issued a 15-point Action Plan, of which Action 1 is addressing the tax challenges in the digital economy. According to the OECD (2015:97-117), one of the biggest challenges facing policymakers is the ability for a business

to have a significant presence and not be liable for tax within a specific jurisdiction. Digital infrastructure allows businesses to perform significant activities such as sales, marketing and customer support, remotely. This remote performance, in turn, allows such businesses to operate across multiple jurisdictions, making it difficult to determine which country ultimately has taxing rights.

The OECD (2015:97-117) Action 1 report also noted possible options to address tax challenges of the digital economy, including:

1) Developing a nexus based on the concept of significant economic presence;
2) Determining the income attributable to the significant economic presence;
3) Introducing a withholding tax on digital transactions; and
4) Introducing an equalisation levy.

In the 2013 Budget Speech, former Finance Minister, Nhlanhla Nene, announced that "*A tax review will be initiated this year to assess our tax policy framework and its role in supporting the objectives of inclusive growth, employment, development, and fiscal sustainability, amongst other things.*" Following this, the Davis Tax Committee was formed to perform these functions, and from an international perspective, it also has the role of addressing concerns raised by the OECD (DTC, 2015a:1).

According to the DTC (2015b), the areas of concern regarding tax in the digital economy that were noted by the OECD were discussed, and specific recommendations were made for both direct and indirect taxes to bring South Africa in line with the OECD.

These recommendations in respect of direct taxes included, but are not limited to:

1) Expand the source rules in section 9 of the Income Tax Act to include the supply of digital goods and services derived from a source in South Africa;
2) New source rules for non-residents who supply goods or services via e-commerce to South African customers;
3) Isolate and focus on foreign multinationals with a view of getting them to submit tax returns;
4) Enact rules that require non-residents to submit returns regardless of whether they have a permanent establishment in South Africa; and
5) Introduce a self-assessment system for non-residents (DTC, 2015b:3).

While other countries have taken strides to tax income earned on digital or electronic platforms in the form of digital service tax or withholding tax, by 2021 South Africa was one of seven countries that had not implemented or proposed any legislation to tax such income as depicted by Figure 1 below (KPMG LLP, 2020:5).

Figure 1: Taxation of the digitized economy - Direct taxes (last updated in January 2021)

(*Source: KPMG LLP, 2020*)

The KPMG report showed South Africa as "Waiting for Global Solution" and noted that in June 2020, National Treasury informed Parliament that South Africa has opted to wait for multilateral consensus and solutions regarding tax challenges that may arise from digitalisation in South Africa (KPMG LLP, 2020:46).

Recommendations in respect of indirect taxes included the following:
1) Place of supply rules should be introduced;
2) "Telecommunication services" should be defined;

3) Guidelines should accompany regulations and should be updated regularly to ensure it is up to date with technological changes; and

4) Provide clarity as to whether "electronic services" include the supply of online advertising (DTC, 2015b:7).

Figure 2 below shows that South Africa has enacted legislation with regard to indirect taxes, which was the introduction of "electronic services" into section 1 of the VAT Act and the accompanying rules relating to the Value-Added-Tax (VAT) treatment thereof (KPMG LLP, 2020:64). None of the recommendations suggested by the DTC have been implemented.

Figure 2: Taxation of the digitized economy - Indirect taxes (last updated in January 2021)

(Source: KPMG LLP, 2020)

South Africa was one of the leading countries to introduce VAT on the supply of electronic services, and many countries have followed suit (Horak, 2020), but there have been no further developments in changing and enacting legislation around taxing digital or electronic services through direct or indirect tax. As noted above, one of the recommendations for indirect taxes was that "telecommunication services" should be defined, but according to

KPMG LLP (2020:109), the introduction of the definition of "telecommunications" have only been noted in draft regulations and not yet enacted.

Horak (2020) suggested that South Africa should consider following the example of the EU and other African countries utilising alternative avenues to collect taxes derived from the digital economy. However, as is apparent from the KPMG report, such avenues are yet to be explored and regulations arising from such explorations are yet to be enacted.

Now that the tax regulations within the digital economy have been evaluated in a South African context, the role of content creators can be explored in detail to determine how the phenomenon of earning an income from social media came about (Section 2.5), what types of income these creators can earn (Sections 2.6 and 2.7), and whether such income should be taxed in South Africa (Chapter 4).

2.5 THE ROLE OF CONTENT CREATORS WITHIN THE DIGITAL ECONOMY

Lewis (2010) tweeted: "*If you are not paying for it, you're not the customer; you're the product being sold."* Social media platforms have leveraged off this concept as the majority of their revenue is generated from selling hyper-targeted advertising based on algorithmically mining the data of their users (Leetaru, 2018). The types of income that users and content creators can earn from social media is discussed in detail in Chapter 4. However, before delving into how users can earn income from social media platforms, it is necessary to first explain what social media is, how companies use social media as part of their marketing strategies, as well as how content creators became part of this strategy and started earning income from these platforms.

Kaplan and Haenlein (2010:61) described social media as a *"group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User-Generated Content (UGC)".* These platforms allow users to create and share personal content as well as exchange ideas in interactive frameworks in the form of blogs, wikis, and general social networking (Vinerean, 2017:29).

The OECD (2015:39) has described content as "*including both copyrighted content produced by professionals, enterprise-generated content, and non-copyrighted user-*

generated content (such as consumer reviews or comments in online forums)." This definition went further to state that content is important as it attracts an audience and provokes interaction between users. The more frequently content is updated, the more visibility it gains on a particular site. Content is thus seen to be the driving force in the advertising industry and has become a key asset that draws an audience which can be monetised. The OECD (2015:39) classified content into three categories, being owned content, which is content distributed by the brand on its own channels, paid content, where payment is received from the brand for content distributed by other media, and earned content, which is created and shared by customers, but no payment is received from the brand. Earned content can include customer product reviews, videos, and social media sharing.

Unlike traditional mass media messages, content uploaded on social media platforms have no limits on audience size and thus allow for rapid and widespread dissemination of information, values, beliefs, and opinions (Carr & Hayes, 2014:39). This makes it ideal for advertising as consumers can use blogs and social networking sites to voice their views on products which are globally accessible and highly influential because consumers find user-generated reviews more trustworthy than traditional advertising information (Walther, Liang, Ganster, Wohn, & Emington, 2012:98).

A study done by Alalwan, Rana, Dwivedi, and Algharabat (2017) stated that it was necessary to examine the impact that social media platforms (such as Facebook, YouTube, Instagram, and Twitter) have on the return on investment of marketing expenditure that was aimed at reaching targeted customers. Luca (2015:563) found that growing evidence suggests that UGC on social media platforms has a large causal impact on consumers and can influence their economic and social behaviours, ranging from restaurant decisions to voting choices.

Influencer marketing is not a new concept with one of the earliest influencers on record being Aunt Jemima, who was created as the face of the Davis Milling Company so that more consumers would trust the brand (Hayes, 2018). Mathew (2019:3) defined influencer marketing as *"operating on a market in a deceptive, covert, furtive, imperceptible and disguised manner to purposefully influence audiences without the audiences being aware of these activities."*

The power of such a marketing strategy should not be underestimated. Barreto (2013:119-139) performed a study based on empirical data to determine advertising effectiveness and found that consumers were more inclined to buy a product based on recommendations and electronic word-of-mouth (eWOM) from their friends and family on Facebook rather than Facebook advertisements. The same study stated that marketers should focus on stimulating interactivity and eWOM by using a proactive endorsement of sharing UGC through promoted posts or ad campaigns on social media.

An example of a company that capitalised on this concept of influencer marketing is Ford Motor Company (Ford). In April 2009, the company launched a new and innovative marketing campaign called the "Ford Fiesta Movement". This campaign relied heavily on social media to build awareness for their new sub-compact car (Ford Fiesta) that had not been sold in North America for over a decade. Ford recognised that traditional advertising could only do so much and instead opted to show potential customers what the car could do and how people used it in their daily lives. To do this, the company decided to use UGC to speak directly to potential customers. Ford gave 100 content creators, who each had a large social media following, a car for six months. The marketing team at Ford requested these content creators to complete a different task each month and document their experiences on YouTube, Flickr, Facebook, and Twitter. The campaign generated approximately 4.3 million YouTube views, 500 000 Flickr views, 3 million Twitter impressions, and 400 000 blog posts. This in turn led to Ford selling 10 000 cars in the first six days after the car was officially put on sale. (Stephens, 2010:1; McCracken, 2010; Qualman, 2012).

More companies began to see the benefits of advertising through content creators on social media and with the rise of ad blockers and the loss of trust in traditional advertising, such marketing strategies became more effective (Vancottem, 2021:6-8). Ad blockers are various software tools that monitor browsers' requests and prevent the display of advertising content if it matches the blacklists maintained by ad-blocking companies and as such negatively impacted advertising revenues (Redondo & Aznar 2018:2). By 2017, influencer marketing had gained substantial popularity and brands were actively seeking them out for shout-outs, product integration, or other types of branded content (Grimaldi & Chowdhary, 2018:1; Vancottem, 2021:6-8). Micro-influencers (influencers who have less than 100 000 followers) rose to the forefront as they were seen to be more cost-effective than top-tier digital creators or A-list celebrities and thus offered these brands a higher return on investment (Grimaldi &

Chowdhary, 2018:1). This led to brands partnering with everyday consumers instead of celebrities and more micro-influencers began earning an income for the content they produced (Vancottem, 2021:6-8).

It was shown that online reviewers (such as blog authors) and other content creators could influence the public's opinions and intents to purchase products, thereby increasing the opportunities for popular bloggers to monetize their status as influencers (Carr & Hayes, 2014:38).

As such, content monetisation became the new era of social media business models which allowed content creators to earn advertising revenue on social media as well as other financial benefits, goods or services (influencer marketing), and commissions for conducted sales (affiliate marketing) (Goanta, 2021:1). The popularity of these types of marketing strategies has increased substantially over the years. Influencer marketing was said to have reached a global market size of $13.8 billion (R211 billion) in 2021 (a 700% increase since 2016 and over double what it was in 2019) while affiliate marketing is expected to grow to $7 billion (R107 billion) in the United States (US) alone (Goanta, 2021:1; Martin, 2022).

Meta, the parent company of Instagram and Facebook, posted an announcement stating that by the end of 2022, the company plans to invest over $1 billion (ZAR 15.31 billion) in programs that will allow users to earn money on Facebook and Instagram (Meta, 2022). The aim is to reward creators and encourage them to earn a living from social media, including bonus earning programs which give rise to being a creator as a real job (Martin, 2022). Based on the graph below, 74.5% of American marketers currently use influencer marketing and that is projected to grow to 86% by 2025 (Lebow, 2022).

Figure 3: US marketers who use influencer marketing

(Source: Lebow, 2022)

As depicted in Figure 3, influencer marketing as a form of advertising is gaining popularity and content creators play an integral role within the digital economy. However, advertising revenue is now only one type of income that a content creator can earn from social media. Other streams of income, based on the different platforms, are discussed in more detail in Section 2.6 though it must first be determined which social media platforms should be investigated further.

2.6 SELECTION OF SOCIAL MEDIA PLATFORMS TO BE USED FOR THIS STUDY

As discussed in Section 2.5, content creators can earn income from social media platforms in a multitude of ways, which include selling products, partnering with brands to promote and sell their products, and even the number of views or subscribers (Delong, 2022). Each social media platform has different monetisation policies for remunerating content creators as well as different requirements that need to be met before content can be monetised. This is discussed further in Section 2.7.

According to Meier (2022) and Correia (2022), the social media platforms that pay content creators are:

1) Instagram
2) YouTube
3) Snapchat
4) TikTok
5) Pinterest
6) Twitter
7) LinkedIn
8) Clubhouse
9) Facebook
10) Spotify Greenroom (this is a new entry and only went live in 2022).

The five most popular social media sites in 2022 are Facebook, YouTube, WhatsApp, Instagram, and WeChat (with TikTok ranking sixth) (Shopify, 2022). Anyaegbunam (2021) found that the most popular social media sites are Facebook, YouTube, WhatsApp, Instagram, and TikTok. However, based on statistics obtained from Statista, McCormick (2022) concluded that the top five most popular social media platforms in the world in 2022 are Facebook, YouTube, WhatsApp, Instagram, and Facebook Messenger (with TikTok ranking seventh) as shown in figure 4 below.

Figure 4: Most popular social networks worldwide

Most popular social networks worldwide
By monthly active users (millions)

Platform	
Facebook	2,895
YouTube	2,291
WhatsApp	2,000
Instagram	1,393
Facebook Messenger	1,300
Weixin/WeChat	1,251
TikTok	1,000
Douyin	600
QQ	591
Sina Weibo	566
Telegram	550
Snapchat	538
Kuashou	506
Pinterest	454
Twitter	463
Reddit	430
Quora	300

Number of active users in millions

(*Source: Statista, 2022*)

The articles above were all based on the number of active users on the site and the results are mostly consistent. Based on this information, it should be noted that WhatsApp, Facebook messenger, and WeChat (as shown in the figure above to rank above TikTok) are messenger applications and not social media platforms where content creators can earn an income. As such those two platforms was eliminated from this study.

In terms of which platform pays content creators the most, Delong (2022) stated that Instagram and YouTube are the two platforms where people can earn the most, while Facebook offered the most diversified earning opportunities. McComick (2022) (based on data from Statista) showed that the best sites for leading social media platforms used by marketers worldwide were Facebook, Instagram, LinkedIn, YouTube, and Twitter (with TikTok ranking sixth).

Figure 5 illustrates the platforms preferred by marketers. Although LinkedIn and Twitter are used by marketers, when evaluated with the data above, the popularity of these sites based on active users is not ranked high.

Figure 5: Leading social media platforms used by marketers worldwide

Leading social media platforms used by marketers worldwide
As of January 2021

- Facebook: 93%
- Instagram: 78%
- LinkedIn: 61%
- YouTube: 55%
- Twitter: 48%
- TikTok: 9%
- Snapchat: 4%

© Statista 2021

(*Source: Statista, 2022*)

Although Figure 5 shows that only 9% of marketers use TikTok, it attracts users between the ages of 20 and 30 who are more sceptical toward traditional advertising, have different media consumption patterns, and are more susceptible to influencer marketing (Haenlein, Anadol, Farnsworth, Hugo, Hunichen & Welte, 2020). The rapid growth of TikTok makes it the latest revolution in social media, and its success is due to not only a combination of creativity and self-expression but also includes a touch of digital marketing (Guarda, Augusto, Victor, Mazón, Lopes and Oliveira, 2021).

Thus, based on both popularity and income earning potential for a creator, Facebook, YouTube, Instagram, and TikTok were selected for this research project and the monetisation policies of these platforms were investigated further.

2.7 CONTENT MONETISATION POLICIES OF SOCIAL MEDIA PLATFORMS

The OECD (2015:64) recognised eight different revenue models within the digital economy, namely:

1) Advertising-based revenues: This type can be divided into three categories. The first is free or discounted digital content to users in exchange for the required viewing of paid-for advertisements. The second is advertising through mobile devices based on location or other factors. Lastly, the third type would be where a user builds a large online user community on social media websites or platforms and can then monetise their content through advertising opportunities.

2) Digital content purchases or rentals: This includes e-books, videos, apps, games and music where the user pays for each downloaded item.

3) Selling of goods (including virtual items): This category overlaps with the first model and includes the online sale by the user of tangible goods. It also includes online gaming, where users are offered a free or discounted introductory product and to enhance their experience, they are also offered purchasable access to additional content or virtual items.

4) Subscription-based revenues: This model includes annual or monthly payments for "premium delivery" with online retailers or other providers of digital content such as news, music, and video streaming. It may also include regular payments for software services and maintenance such as customer "help" services for operating systems, data storage, anti-virus software, and even payment for access to the internet itself.

5) Selling of services: These services include traditional online services such as legal services (e.g. e-conveyancing), financial services (e.g. brokerage), consultancy services, and travel agencies. It would also include enterprises that provide other core services such as internet access or who act as internet intermediaries (e.g. domain registration web hosting, platform access, and payment processing).

6) Licensing content and technology: This model overlaps with the fourth and fifth models but includes access to specialist algorithms, software, online content (e.g. publications and journals), cloud-based operating systems or specialist technology such as artificial intelligence systems.

7) Selling of user data and customised market research: These include but are not limited to internet service providers, data brokers, data analytics firms, telemetrics and data gained from nonpersonal sources.

8) "Hidden" fees and loss leaders: These include businesses where online operations cross-subsidise physical operations and thus it is difficult to identify the portion of online revenue. An example of this would be a bank that offers online banking for "free" but it is subsidised through other banking operations and fees.

With regard to social media networking sites specifically, each platform has a different monetisation policy on how they remunerate content creators. The monetisation policies have been summarised below for the platforms selected for this research project.

2.7.1 YouTube

YouTube is an American online video-sharing and social media platform owned by Google. According to YouTube Creators (2022), there are many ways a content creator can use their channel and videos to earn money. These include:

1) YouTube Partner Programme (YPP). YPP allows qualifying creators to earn revenue from different sources and gives access to one-on-one chats, and email support. This includes revenue sharing from advertisements being served on the content of the creator (see Point 2). To qualify for the YPP, the creator needs to be in good standing with YouTube, have 4 000 valid public watch hours in the previous 12 months, and have at least 1 000 subscribers. The creator must also comply with YouTube's monetisation policies, live in a country where YPP is available, and have a linked AdSense account.

2) Advertising revenue. Revenue is earned from displaying, overlaying, and video advertisements that run on the creator's channel.

3) YouTube Premium. The creator earns a portion of a subscriber's fee when they watch uploaded content.

4) Super Chat and Super Stickers. Fans can buy stickers during a live stream to show their support and help the creator stand out.

5) Selling merchandise. Sell merchandise directly to consumers in the same place that they watch your videos.

6) Channel memberships. Offer fans exclusive benefits like custom loyalty badges, emojis, and members-only content when they join your channel as a paid, monthly member. The creator decides what rewards to offer and how much to charge for each membership level.

7) YouTube BrandConnect. This method uses Google technology to understand the audience of the content creator, match him or her with brands and help drive results with full-service campaign management.

8) YouTube Shorts Fund. This is a new program that gives creators access to $100 million (R1.58 billion) over 2021 and 2022 by creating videos that are less than a minute.

9) Super Thanks. Fans use a fun way to express their gratitude for content by buying 'clapping' animation shown only to them.

YouTube generates reports for content creators to view their analytics as well as revenue earned. Table 2 below indicates the metrics reported by YouTube.

Table 2: Metrics reported by YouTube

Average view duration	Estimated average minutes watched per view for the selected video and date range.
Estimated monetized playbacks	A monetized playback is when a viewer views your video and is shown at least one ad impression. It can also show when the viewer quit watching during the pre-roll ad without ever reaching your video.
Transactions	Number of transactions from paid content or Super Chat for the selected date range and area.
Views	The number of legitimate views for your channels or videos.
Watch time (hours)	The amount of time viewers have watched your video.
Estimated ad revenue	Estimated revenue from AdSense and DoubleClick ads for the selected date range and area. This number does not include revenue from any partner-sold ads.
Estimated revenue (income)	Total estimated revenue (net income) from all Google-sold ads and transactions for the selected date range and area.
Revenue per transaction	Average amount of a transaction from paid content or Super Chat for the selected date range and area.
Transaction revenue	Estimated net revenue from transactions, such as paid content and Super Chat. The estimate includes deducted partner charged refunds for the selected date range and area.

YouTube Premium revenue	Estimated revenue from YouTube Premium for the selected date range and area.
YouTube Shorts revenue	Estimated revenue from the YouTube Shorts Fund for the selected date range.
Product Tagging revenue	Estimated revenue from the YouTube Shopping Fund for the selected date range.

(Source: YouTube Help Centre (2022b))

According to YouTube Help Centre (2022b), all the revenue earned from the above is collated to calculate the final YouTube earnings for the month. This amount is then added to the creator's account balance in Adsense between the 7th and the 12th of the next month and paid out between the 21st to the 26th of the next month. However, payment to the content creator will only be made if the following criteria have been met:

1) Earnings must reach the local payment threshold for the creator. For a South African content creator, the payment threshold is R1 000. If the creator cancels their Adsense account, the outstanding balance must be more than R100 for it to be paid out and such payment will occur approximately 90 days after the end of the month.

2) There are no holds on the account. An account could be on hold for many reasons, including non-submission of tax information, outstanding verification of the creator's identity or address, or if the payment form has not been set up.

3) Monetisation should not be suspended or paused on the account.

4) The creator must be in compliance with the monetisation policies.

As stated in point 2 above, a creator must submit their information before YouTube pays out any amount. It should be noted that from 1 June 2021, Adsense payouts received by a creator from YouTube were recharacterized from compensation for personal service to royalties, and as such, would be subject to withholding tax in America to the extent that the creator earned the royalty from an American source. When determining if the source is American, one needs to look at where the advertisements are run and not where the payer or payee is located. (Knott, 2019).

In anticipation of this change, in March 2021, YouTube required creators to submit their tax information to determine how much tax the company needed to withhold. In accordance with

Chapter 3 of the US Internal Revenue Code, Google has the responsibility to collect tax information, withhold taxes, and report to the Internal Revenue Service (IRS) when a YPP creator earns royalty revenue from viewers in the US (YouTube Help Centre, 2022a, Phelan, 2021). Google will not withhold any taxes for American creators who have provided valid tax information (YouTube Help Centre, 2022a). However, Non-American creators who live in countries that do not have tax treaties with the US will have their American-based revenue taxed at 30% (YouTube Help Centre, 2022a, Phelan, 2021; Centurion, 2021). This can be reduced if there is a double tax treaty in place between the creator's country of residence and the US (YouTube Help Centre, 2022a, Phelan, 2021). For creators who do not submit their tax information, Google will deduct 24% of their worldwide income, not only American-based earnings (YouTube Help Centre, 2022a, Phelan, 2021).

This mechanism of withholding tax only protects the American tax base as it is focused on American-based earnings and does not assist SARS with South African tax residents earning an income from this platform or non-South African tax residents earning South African-based income.

2.7.2 Facebook

Facebook is an online social networking service and social media platform owned by Meta Platforms. According to Facebook (2022), there are several ways to monetize content on the platform. These include:

1) In-stream ads. The creator earns money by including short advertisements before, during, or after their videos. Income earned is dependent on things such as the number of views the video garners as well as who the advertisers are. For a creator to utilise this option, he or she must have:
   - 600 000 total minutes of viewed videos in the last 60 days;
   - A page that has at least 5 active videos;
   - 10 000 page followers;
   - Page must be in an available country and language (South Africa is one of the countries where in-stream advertisements are available); and

- Videos that are at least one minute long. Where videos are more than three minutes long, they should have a natural break for the placement of an advertisement.

2) Fan subscription. The audience can directly fund the page of the content creator through monthly or recurring payments. Currently, access to fan subscriptions is by invitation only.

3) Brand content. The creator publishes content that features or is influenced by a business or brand. Facebook allows the collaboration of the creator and the brand through the Brand Collabs Manager tool, but the creator must first request access and apply with the said brand before tagging a business partner in a branded content post.

4) Subscription groups. Group administrators within an active community can sustain themselves through subscriptions and can then further invest in their communities.

5) Facebook marketplace. Creators can promote and sell their own products and merchandise as the platform makes it easier to reach their new customers.

The creators will receive their monthly earnings by the 21st of the next month, but will only be paid if the creator has accumulated a minimum of \$100 (ZAR 1 530) in revenue (Facebook Help Centre, 2022).

2.7.3 Instagram

Instagram is a photo and video-sharing site which is now owned by Meta Platforms. Instagram Creators (2022) and Martin (2022) state that income can be earned in the following ways:

1) Brand content. The creator shares brands and products they love and in turn is compensated by such brands for sharing such information through in-feed photos, videos, story content, a reel, or a combination of all of these. While there are no specific requirements for follower count for this method, a creator is encouraged to have at least 10 000 followers. However, it is dependent on who the brand would like to partner with.

2) Badges. Creators can go live with badges that viewers can buy to support them and their content. Currently, this option is only available to creators located in America who have more than 10 000 followers.

3) Bonuses for content. Creators can earn bonuses (such as video ad bonuses, Live video badge bonuses, and reels summer bonuses) when certain milestones are met.

4) Own merchandise. Creators can promote and sell their own products and merchandise as the platform makes it easier to reach their new customers.

5) Affiliate marketing. While the previous requirement was that a person needed at least 10 000 followers, Instagram now allows anyone to add links to their stories. The creator shares a trackable link to a product and if a customer buys the product by clicking on the link, the creator receives a commission on the sale.

6) Advertisements in Instagram reels (IGTV). This method allows advertisements to run in the creator's video posts, earning them a portion of the ad revenue. The videos must be at least two minutes long and the creator gets 55% of the revenue generated per IGTV view. However, this was discontinued in February 2022 and will only be replaced with an ad revenue share program for reels later in 2022.

7) Subscriptions. Instagram announced this new feature for 2022, which will work the same way as the Facebook subscription option.

Similar to Facebook, the monthly Instagram earnings confirmed by the 21st of the next month will only be paid if the creator has accumulated a minimum of $100 (ZAR 1 530) in revenue (Instagram Help Centre, 2022). If the content creator is an Instagram affiliate creator, they will receive payment once commissions of at least $30 has been earned.

2.7.4 TikTok

TikTok is a short-form video hosting service platform owned by Chinese company, ByteDance. According to TikTok (2022), creators can earn income from the platform in the following ways:

1) Branded content. This relates to content that promotes goods or services through a post and in exchange, the creator receives something of value from a third party. Similar to Facebook, the TikTok Creator Marketplace is the official platform where the brand and the creator can collaborate.

2) TikTok Creator Next. This program allows creators to monetise content as they grow their communities. This feature is only available in certain locations to creators older than 18 years and who have posted on TikTok at least three times in the last 30 days.

The creator needs a minimum number of followers, though the specific number is not stated.

3) Video gifts. Viewers react to the creator's videos and show appreciation. This allows the creator to collect diamonds from TikTok that can be redeemed for money. The creator needs to meet the requirements below to access this feature:

- Must be part of the TikTok Creator Next program (see Point 2 above);
- Must live in an eligible location;
- Must be 18 years or older;
- Must have more than 100 000 followers and the account must be at least 30 days old;
- Must have published a public video in the last 30 days;
- Business accounts, advertisements, sponsored content and promoted posts are not eligible.

4) Tip a creator. Viewers can send a monetary tip to the creator on their profile. TikTok does not receive any part of this tip. The creator will receive 100%, however, TikTok's payment provider, Stripe, may charge a fee.

TikTok Newsroom (2022) provided an update of the creator fund which is part of the Creator Next program (Point 2 above). TikTok has committed £231 million (ZAR 4.64 billion) over the next three years. Income earned will not be from advertising, but is instead based on factors from the creator's videos such as the number of views. This program is only available to creators based in the US, UK, France, Germany, Spain or Italy and therefore not applicable to creators based in South Africa. Income earned from creators under this option can only be withdrawn (if it exceeds $10) 30 days after the month-end in which they were accrued.

With regard to the gifts one can earn from TikTok, Cassandra (2022), Felicitas (2021), and Balita-Centeno (2021) explained the following:

A fan or user can purchase coins within the app. The coins come in bundles and quantity discounts are available for bigger bundles. Thus, coins cost anywhere from $.99 (R15) for 65 coins or $99.99 (R1 530) for 6,607 coins. While watching a TikTok Live video, the fan/ user can use the coins to purchase a virtual gift for the content creator. Virtual gifts are icons ranging from pandas to a drama queen and each of these gifts represents a different dollar

amount. For example, a panda costs five coins while a drama queen costs 5 000 coins. These virtual gifts can be traded for virtual diamonds and these diamonds can then be redeemed for money. Diamonds are worth 50% of the coin's value and TikTok takes the other 50% as commission. Diamonds are estimated to be $0.05 (R0.66) each and the content creator can withdraw a minimal amount of $100 (R1 530) up to $1 000 (R15 300) a week. A creator cannot exchange TikTok coins or gifts for money. Only diamonds can be redeemed for cash.

2.8 CONCLUSION

Based on the above, it is clear that there are a wide variety of ways that a creator can earn an income from social media. While many of these streams, such as badges, tips, in-stream advertisements, and subscriptions, can be monitored by the platform itself, income earned from branded content, affiliate marketing, and the sale of own merchandise may be more difficult to trace and track. The lack of transparency and paper trail leaves any tax system open to abuse.

Globally, measures have been put in place to address the risk of tax evasion. These include, amongst others, a digital service tax implemented by some countries, the tax deducted at source of 10% which is now effective in India (discussed in Section 2.3), as well as the withholding tax implemented by the IRS on YouTube content creators (discussed in Section 2.7.1). However, the same cannot be said for South Africa's response.

The rapid advancement of the digital economy requires certain adjustments to the methods and strategies employed by SARS. Earning income from social media is becoming more popular, however, based on information gathered in Section 2.4, it can be concluded that VAT is imposed on any foreign supplier of electronic services, but there is no digital service tax levied on multinational companies operating within the digital economy, and there is also no specific tax targeting content creators earning an income from these platforms. As such, this study investigated current legislation to determine the income tax implications specifically for content creators who are earning an income from social media platforms.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Chapter 2 highlighted the fact that, with the exception of VAT on foreign electronic services, South Africa currently does not have a mechanism to tax transactions within the digital economy. In the absence of legislation specifically targeted toward the digital economy and social media, the only way content creators would be taxed on income earned from social media is through income tax. This study aims to evaluate the perceptions of individuals regarding the inclusion of income earned by social media content creators in gross income, and to address the stated objective, the definition of gross income in section 1 of the Income Tax Act will be analysed in the context of social media income. The perceptions of individuals will also be evaluated from data collected in a survey. Before delving into the current legislation and the analysis of the data of the survey, this chapter first explains the research design and methodology followed.

The purpose of a research design is to outline the processes adopted by a researcher in addressing the research objectives (McCombes, 2021). This section therefore outlines the processes followed to answer the research question and address the research objectives. Various methods were employed to collect and analyse data in order to gain an in-depth understanding of the South African tax implications of income earned from social media. These methods are discussed in more detail in Section 3.2.

3.2 RESEARCH DESIGN

The approach taken for this study constitutes a combination of qualitative and quantitative research methodologies (i.e., mixed method research) as it was considered the most appropriate to address the research objective. Qualitative research is a form of research undertaken by the researcher to gain an in-depth understanding of the research problem. Quantitative research is concerned with the analysis of numerical data which the researcher uses to, *inter alia,* establish patterns and averages (McCombes, 2021). Primary and secondary data were collected and analysed as part of this study and will be discussed next.

3.3 DATA COLLECTION

The data collected consists of survey data, documents in the form of scholarly articles from academic journals in relevant disciplines, media reports on the topic, relevant legislation, applicable case law and publications by SARS, professional bodies and firms in the accounting and tax environment.

The above data can be divided into two categories, namely:
i.   Primary data, which refers to data collected by the researcher (Gupta, 2021). In this study, this consists of the data from the questionnaire. Research questionnaires are one of the most popular methods of collecting data and consist of a set of questions that a group of people are required to answer (Subudhi & Mishra, 2019:53).
ii.   Secondary data, which refers to the data already available (Gupta, 2021). In this study, this consists of data from academic journals, scholarly articles, media reports and other publications.

The study used an online survey as the data collection technique for the collection of the primary data. The collection instrument was a questionnaire (refer to Appendix B). The data from the questionnaire was collected through a cross-sectional study, which constitutes the collection of data at a single point in time from several individuals (Thomas, 2021; Subudhi & Mishra, 2019:39). The collection of first-hand data from participants' responses to the online questionnaire was collected at the single time point, which was at the distribution of the online questionnaire to the participants. The secondary data was accessed using online databases and other sources.

3.3.1 COLLECTION OF PRIMARY DATA

According to Saunders, Lewis and Thornhill (2016:166), questionnaires are ideal for descriptive and exploratory studies as it allows the collection of large amounts of data in an economical way. Atmowardoyo (2018:197) notes a descriptive research method as a method that *"is used to describe the existing phenomena as accurately as possible"*.

Descriptive research often takes the form of multiple-choice questions (close-ended questions), where respondents are required to choose from predefined categories.

However, unlike explorative research, responses received may not necessarily provide a deeper understanding or insights on the issue being researched (Tshabangu, Ba & Madondo, 2020:6). This drawback was countered by also including open-ended questions in the questionnaire, which allowed this study to be more explorative in nature. The explorative research method is concerned with the investigation of research questions which have not been comprehensively researched (George, 2022).

Thus, more comprehensive responses were collected through open-ended questions in the questionnaire. According to Foddy (1993:127), open-ended questions allow respondents to express their opinion without any influence from the researcher. Open-ended questions are frequently used as part of qualitative research because it allows respondents greater expression of opinions and gives data more diversity, which in turn gives the researcher a holistic and comprehensive view of the topic being studied (Allen, 2017). In this instance, the respondents' perceptions and opinions were evaluated based on their answers to the open-ended questions in the questionnaire to obtain an understanding of each respondent's opinion on the tax consequences of income earned from social media. As a result, the exploratory and descriptive research methodology in addressing these research objectives was applied.

3.3.1.1 Questionnaire Design

Lefever, Dal and Matthíasdóttir (2007:575) stated that online or web surveys have the following benefits:
1) Large amounts of data can be collected efficiently and economically within relatively short time frames, thus saving the researcher time and money.
2) It is a more convenient alternative to the traditional method of collecting information from respondents i.e. paper and pencil method, interviews, and other forms of field work.
3) Online surveys give researchers access to a large, diverse global population which in turn has the potential to collect a significant amount of data.
4) Collecting data online protects against the loss of data.
5) Electronic data obtained can be easily transferred into a database for analysis.
6) Although this point has been argued, some researchers also believe that online surveys have a better response rate.

Based on the many benefits listed above, the research team concluded that an online questionnaire would be the most effective way of collecting data from responses.

Using Qualtrics, an online self-completion questionnaire was created for distribution to participants to determine their views on the tax implications of income earned from social media. Qualtrics was used because it has extensive benefits and enhanced capabilities. According to Qualtrics (2022), these benefits include but are not limited to:

1) It is a secure way to collect and process data.
2) The questionnaire is flexible and can be customised for each respondent due to features such as skip logic, display logic, advanced branching, advanced piping etc.
3) Multichannel communication as population/audience can be reached through any channel including email, mobile phone, social media platforms, etc.
4) Does not allow submission from a participant unless all the necessary questions are answered which ensures that the data collected is complete.
5) Simple and automated reports.
6) Allows for integration of reports with other applications such as Microsoft Excel, Microsoft Word, and Adobe.

In addition to the above, the research team used this software as it was inexpensive and user-friendly for both the researcher and the participants. It also had the optional functionality to force a response, which is a reminder given to a respondent when completing an online questionnaire to answer a question they have missed and preventing them from progressing to the next question before responding to the missing item (Tangmanee & Niruttinanon, 2015:55). Derouvray and Couper (2002) noted that forced-responses surveys had lower non-responses than those with no forced conditions, while Tangmanee and Niruttinanon (2015:55) stated that forced responses may annoy respondents to the point of abandoning the questionnaire. For this reason, the research team did not force responses on any of the questions except for question 1, which required consent from the respondents.

The questionnaire included a mix of closed and open-ended questions (15 closed and 6 open-ended) which were formulated to address the research objectives of the broader research project. This allowed for quick completion while simultaneously providing areas where participants could express their views and understanding.

The questionnaire was designed by five researchers conducting a research project on social media. Each researcher had a different research objective, as such not all questions included in the questionnaire specifically relate to this study. The rationale for including specific questions in the questionnaire is discussed below:

Question 1: This question ensured the respondent's voluntary consent to participate in the survey.

Questions 2 – 4: These questions were included to gain an understanding of the demographics of the respondents to determine the social media platforms most frequently used based on such demographics. Employing the skip logic function of Qualtrics, the questionnaire could automatically be stopped for participants who are younger than 18, participants who are not South African taxpayers, and participants who have not used any social media platforms as such participants fell outside the scope of this study.

Questions 5 - 7: These questions were asked to determine if the respondent is active on social media and if so, whether he or she is active as a mere user or as a content creator.

Questions 8 - 10: These questions centred around whether the respondent earns income from any social media platforms and delves into which platforms he or she earns income from and how much is earned. Questions 9 and 10 only became available if the respondent stated that they earned benefits from the content created (asked in Question 8).

The study aims to determine the tax implications of income earned by content creators, so it must be established if the respondent is a content creator (Questions 5 to 7) and if they earn income from the content they create (Questions 8 to 10).

Questions 11 - 12: These questions were asked to determine if the respondent is registered for tax and if not, why not.

Questions 13 - 21: This part of the questionnaire is made up of mostly open-ended questions to establish the viewpoint of the respondents regarding income earned from social media platforms and whether or not such income should be taxed. It also asks respondents

how they think such taxes should be levied or collected and what tax deductions they believe are available for people earning income from social media. The questions prompted the respondents to provide reasons for their answers, which could then be further analysed for possible trends, patterns, or correlations.

Even though not all questions directly addressed the research objective of this study, the responses provided valuable insight when considering their awareness of the tax implications of income earned by content creators. Questions 14, 15 and 16 are discussed in more detail in section 3.6.

3.3.1.2 Pilot testing of the questionnaire

The questionnaire was reviewed by the supervisors of the research team to ensure questions in the survey were not misinterpreted. Additionally, a pilot test of the questionnaire was performed by eight independent persons, six of whom do not have a background in tax. Feedback received was discussed amongst the research team and minor adjustments were made to the questionnaire. Overall, the consensus was that it was understandable and user-friendly.

3.3.1.3 Population and sampling

According to Henry (1990:12), sampling is routinely used in social experiments, public opinion surveys, and evaluations of educational innovations and he defines a sample as "*the subset of the population that is used to gain information about the entire population.*"

The following sampling methods were used to collect data:
1) Purposive sampling (also known as judgmental, selective, or subjective sampling) - this is a non-probability sampling method that relies on the judgment of the researcher when it comes to selecting the participants to be studied. The main aim of purposive sampling is to focus on specific criteria or characteristics of a population. (Rai & Thapa, 2015:5).
2) Convenience sampling – this is a non-probability sampling method that involves selecting participants because they are readily and easily available. This may include

the friends or family of the researcher as it is easier than targeting unknown individuals (Taherdoost, 2016:22).

3) Snowball sampling (also known as chain referral sampling) – this is a non-probability (non-random) sampling method which uses a few cases who assist or encourage other cases to participate in the study (Taherdoost, 2016:22).

Notable drawbacks or limitations of non-probability sampling are that the results are biased because respondents are not necessarily independent, and thus, projecting data beyond the sample cannot be justified (Acharya, Prakash, Saxena & Nigam, 2013). However, the aim is not to obtain a representative sample and extrapolate results to the population with inferential statistics and generalisations. Instead, this is an exploratory study.

To obtain information using these sampling techniques, the researcher(s) shared the survey link via email and across multiple social media. As the broader study was focused on the tax implications for income earned from social media, the research team agreed that distributing the link via social media was the most effective way to reach the target audience. However, this came with limitations as the population was then confined to friends, family and other contacts on each individual's profile. To broaden the diversity of the population and to alleviate bias, the link was also shared on the University of Pretoria's social media page (UP connect platform) and shared by the researchers via email and WhatsApp statuses to colleagues and third-party contacts.

Participants were encouraged to share the link (convenience and snowball sampling) and it was also sent to South African individuals who are easily identifiable as social media content creators (purposive sampling). The link was distributed from 5 May 2022 and remained open for participants to complete until 30 May 2022.

3.3.2 COLLECTION OF SECONDARY DATA

The research objective aims to address the legislative implications applicable to the income generated from social media platforms, bearing in mind that several methods exist to analyse and interpret the law. According to Khushal & Filipos (2009:16) and Iyer (2020), the types of legal research can be summarised as follows:

1) Descriptive legal research – describes the characteristics of a population and determines the existing state of affairs. It reports what has happened or is happening but does not go into the causes or why such a situation exists.

2) Analytical legal research – the researcher uses existing facts or information and makes a conclusion based on the analysis or critical evaluation based on such information. In contrast to descriptive research, this method investigates why a situation exists.

3) Quantitative legal research – information is used for statistical analysis and employs mathematical models and theories to investigate the subject matter. Data is collected using sampling methods such as online surveys, polls, questionnaires etc.

4) Qualitative legal research – the method used to study people or systems which entails observing such subjects regularly. This concerns the qualitative phenomenon such as investigating reasons, attitudes, or motives behind human behaviour or why people think or behave in a certain way.

5) Applied legal research – aims to provide a solution to a pertinent practical problem and will essentially determine the effect of such law. It is a straightforward, practical approach that focuses on a specific area of law to form an opinion or solution to the problem identified.

6) Pure legal research - is mainly concerned with the formulation of the theory and not necessarily the practical application thereof.

7) Conceptual legal research – involves the analysis of information on a given topic to develop new concepts or reinterpret existing concepts.

8) Empirical legal research – describes how to investigate the role of legal policies, legislation, and other regulations in society and involves data analytics, evaluation studies, and empirically informed ethics.

9) Doctrinal legal research – determines what the law is and the rigorous analysis thereof.

10) Non-doctrinal legal research – closely linked with empirical legal research, this method investigates how the law and legal institutions affect society.

11) Comparative legal research – this method focuses on the comparison of legal doctrines, legislation, and foreign law to determine how such statutes would apply in a different setting.

This study aims to determine the tax implications of income earned on social media. As these tax implications are primarily governed by legislation (and related case law), a doctrinal research method was applied, which is concerned with the evaluation of legal doctrines through the analysis of the law and/or rules (Knight & Ruddock, 2008). A doctrine has been defined as *"a synthesis of various rules, principles, norms, interpretive guidelines and values"* (Hutchinson & Duncan, 2012:84). Furthermore, doctrinal research is *"research into legal rules, principles, concepts or doctrines. It involves a rigorous systematic exposition, analysis, and critical evaluation of legal rules, principles or doctrines and their interrelationship."* (Khushal & Filipos, 2009:26).

For the purposes of this study, the doctrine is "gross income" as defined in section 1 of the Income Tax Act (South Africa, 1962) (hereafter referred to as the ITA). The doctrinal research methodology allows for the analysis of statutes together with the relevant case law.

3.4 DATA ANALYSIS

This section discusses how the primary and secondary data were analysed in order to achieve the research objective.

3.4.1 Analysis of primary data

The raw data collected from the 210 respondents was directly exported from Qualtrics to SPSS (Statistical Package for the Social Sciences). With the assistance of a statistician, the data was cleaned to remove invalid responses, such as those under 18 years of age or non-residents. This process resulted in four people being removed from the data, leaving 206 valid respondents. However, since the questionnaire was not designed in a way that forced the respondents to answer every question and also due to the skip logic applied as explained earlier, not every question has 206 responses. The data was therefore analysed based on the number of respondents that answered a particular question and not on the total number of 206 respondents.

This study considered the responses of three close-ended questions (Q5, Q8, and Q14) and two open-ended questions (Q15 and Q16). The responses to the closed-ended questions were analysed quantitatively by taking the number of responses to each option as a

percentage of the total number of respondents who answered the question. The approach used to analyse the results of the open-ended questions is described below.

According to Burnard, Gill, Stewart, Treasure and Chadwick (2008:429), there are two ways of analysing qualitative data, namely:

1) Deductive approach – this involves using a predetermined framework to analyse the data where the researcher imposes their own theories and/or structure on the data, which is then used to analyse the data; and

2) Inductive approach – this involves analysing data with limited or no predetermined theories of structure and thus the actual data is used to derive the structure of the analysis. This approach is more suited where the researcher knows little or nothing about the study phenomenon.

In essence, inductive analysis involves identification of patterns or themes and the different categories that emerge from those, whereas in deductive analysis, data is analysed according to an existing framework (Brod, Tesler & Christensen, 2009:1269). As the researcher could not predict how respondents would answer the questionnaire, a predetermined framework was not used to analyse the data and therefore the inductive approach was used.

There are multiple ways to analyse data using the inductive approach which includes, but is not limited to, ethnographic accounts, life histories, narrative analysis, content analysis, discourse analysis and grounded theory (Ritchie, Lewis, Nicholls & Ormston, 2003:200). Content analysis, in particular, is where both the content and context of information are analysed and themes identified, allowing the researcher to focus on the way the theme is presented and the frequency of its occurrence (Ritchie *et al*., 2003:200). Brod *et al*., (2009:1269) further explains that "*the core tenet for the analysis of qualitative data is the ability to have pattern recognition achieved through content analysis of interview transcripts. Thus, it is during the analysis phase, rather than the interview process, that the consensus of issues should be reached.*"

As the objective of this study is to determine the respondents' perceptions regarding the tax implications of income earned from social media, content/themed analysis is the most appropriate method to analyse the data. It should be noted that data for this study was

collected through a questionnaire and not through interviews, however, that does not change how the data was analysed. The results for Q15 and Q16 were analysed to identify any common themes and the results were grouped accordingly.

A theme is an attribute, descriptor, element or concept that the researcher uses to organise a group of repeating ideas or where there is a high degree of generality that unifies those ideas (Vaismoradi, Jones, Turunen & Snelgrove, 2016:101). For Q15, the respondents were grouped based on what they believe was needed for a content creation hobby to be regarded as a business. A common theme arose which was that respondents stated that income, remuneration or benefits received would mean content creation is no longer a hobby and thus those responses were grouped together. The remaining respondents could not be grouped together as there was no common theme in their answers. These responses are discussed in more detail in Section 4.2.4.

Question 16 (Q16) asked: *"Some content creators earn millions from social media. Do you think the cash and/or other benefits that they receive should be taxed? Provide a reason for your answer."* Only the "No" responses for Q16 were analysed to determine why the respondents believe they should not be taxed on such income and results were noted in Section 4.2.4.

3.4.2 Analysis of secondary data

The doctrine for this study is "gross income" as defined in section 1 of the ITA. The analysis of the secondary data included an analysis of the definition itself, related case law, and SARS Interpretation notes to determine how the legislation should be interpreted. These principles were then applied to the types of income streams that can be earned from social media, as discussed in Section 2.7, to determine if such income would be regarded as gross income within the current South African laws.

3.5 TRUSTWORTHINESS AND RELIABILITY OF DATA

Bruin (2010) states that objectives documented in a research report are considered reliable if they can be applied by numerous independent researchers under similar conditions and still yield consistent results. Thus, reliability indicates consistency and replicability over time.

The research was partly an analysis of data available in the public domain, making it likely that similar results will be reached if similar processes are applied by a different researcher. Primary data was collected from a questionnaire (refer to Annexure B). One of the disadvantages of a questionnaire is that participants may provide inaccurate or dishonest answers (Cooper & Schindler, 2011:249), however, in the introduction and consent form (refer to Annexure A) provided to the participants before completing the questionnaire, they are informed that their responses are anonymous in the hopes of encouraging more honest responses.

The research team ensured the trustworthiness and reliability of primary data by designing the questionnaire in a group, which was then reviewed by the supervisors before a pilot test was done. Feedback from the pilot test was incorporated to adapt the questionnaire to ensure the final questionnaire was easy to understand and user-friendly. The data obtained from the questionnaire was cleaned by a statistician to ensure that only valid responses were analysed. The trustworthiness and reliability of secondary data was ensured by using reliable sources such as legislation, case law, interpretation notes as well as information obtained from the social media platforms.

3.6 ETHICAL CONSIDERATIONS

Multiple mechanisms were employed to ensure that the research was conducted ethically and that participants were not affected by the data collected in this study. Ethical clearance was obtained from the University of Pretoria's Faculty of Economics and Management Sciences Research Ethics Committee prior to the distribution of the questionnaire. Participants were informed before completing the questionnaire that it is anonymous, confidential and voluntary. This is discussed in more detail in section 3.6.1 below. The final document was also submitted through Turnitin to ensure plagiarism was not committed.

3.6.1 Research and data management

Research occurs across a multitude of sources at an unprecedented scale without adequate tools that exist to combat the potential harms that may exist at that scale. (Sloan & Alper,

2018:7). Considerable focus was placed on data ethics during this research. An important aspect of data ethics is the management of data.

Within any research process, the creation, finding, organisation, storing and preservation of data all correlate to the research data management (RDM). The increased concern surrounding data management does not only stem from the flood of data that has emerged from new science and technologies, but the questionable integrity of open data and the general movement thereof. (Cox & Verbaan, 2018:4-5).

Developing and maintaining a suitable RDM infrastructure is crucial to ensure sufficient data management during this study. Cox and Verbaan (2018:147) further explain that a RDM infrastructure requires support from online data management, secure storage of first-hand research data and controls that govern the access and sharing of the data to those in the research team.

Concerning the collection of primary data: data was collected through the questionnaire, permission to collect and use the data was requested beforehand, and ethical clearance was obtained. Communication surrounding the protection of the respondents' anonymity was given at the start of the questionnaire (refer to Annexure A). Data was captured in a digital online format on appropriate and secure cloud storing solutions as the respondents completed the questionnaire. Access to this data was limited to the individuals in the research team.

Regarding the collection of secondary data: both the statutes and the case law used is publicly available and thus no ethical issues have arisen from using such material.

3.7 CONCLUSION

This chapter described the research method and the sampling plan followed. Furthermore, it described the methods of primary and secondary data collection and analysis used to achieve the research objective. It was concluded with how the research team maintained quality and research ethics throughout the research process.

The next chapter analyses the legislation and relevant case law through the doctrinal research method to determine the income tax implications for content creators in conjunction with the findings obtained from the questionnaire that was sent out to respondents.

CHAPTER 4: DATA ANALYSIS

4.1 INTRODUCTION

It was highlighted in Section 2.4 that, except for VAT on electronic services, South Africa has not yet enacted any specific legislation to deal with income earned from social media. Therefore the only mechanism to tax this form of income is through income tax. In this chapter, the current income tax legislation was analysed and interpreted in conjunction with relevant case law to determine what the income tax implications are for the amounts that are earned from these platforms. The results of the primary data obtained from the questionnaire are presented as part of the analysis of the legislation and case law in Section 4.2.

4.2 TAX IMPLICATIONS OF INCOME EARNED FROM SOCIAL MEDIA

There are two ways to interpret legislation, namely the literal approach and the purposive approach (De Koker & Williams, 2022). The literal approach was explained in the *Coopers & Lybrand and Others v Bryant* judgment which stated that *"according to the 'golden rule' of interpretation the language in the document is to be given its grammatical and ordinary meaning unless this would result in some absurdity, or some repugnancy or inconsistency with the rest of the instrument"*. This was further emphasised in *Cape Brandy Syndicate v IRC* when Rowlatt J said *"in a taxing Act one has to look at what is clearly said. There is no room for any intendment. There is no equity about a tax. There is no presumption as to a tax. Nothing is to be read in, nothing is to be implied. One can only look fairly at the language used"*.

However, South African courts have moved away from the strict literal approach and instead look at the purposive construction of legislation, meaning that the purpose or objective of the legislation is obtained from the words used in it (De Koker & Williams, 2022). In *Van Niekerk and Another v Favel and Another,* it was clarified that the purposive approach does not imply that the language used should be neglected as it should be understood in its popular sense, but it should be balanced by the context in which it is used.

As stated in Section 3.5, the doctrine for this study is "gross income" as defined in section 1 of the ITA, as the income tax implications of income earned from social media platforms depend on whether the amounts received by the creator meet the definition of gross income. The approaches explained above, namely literal and purposive, are used to interpret this definition.

Section 1 of the ITA defines gross income as follows: *"in relation to any year or period of assessment, means—*

*(i)   in the case of any resident**, the total amount, in cash or otherwise**, **received by or accrued** to or in favour of such **resident**; or*

(ii)   in the case of any person other than a resident, the total amount, in cash or otherwise, received by or accrued to or in favour of such person from a source within the Republic,

*during such **year or period of assessment**, **excluding receipts or accruals of a capital nature**"*. [own emphasis]

Each component of the definition needs to be met for an amount to constitute gross income, thus the definition was broken down and analysed under the following headings:

- Total amount in cash or otherwise;
- Received by or accrued to the taxpayer;
- In the year of assessment; and
- Excluding receipts or accruals of a capital nature

South Africa works on a residence basis of taxation for residents and a source basis of taxation for non-residents. This means that residents are taxed on worldwide receipts and accruals while non-residents are only taxed on receipts and accruals from a source within in Republic (Koekemoer, Van Heerden, Wilcocks, Van der Zwan & Stiglingh, 2022:26). As the jurisdiction of SARS to tax a person extends to non-residents who earn income from a South African source, it is important to understand when the source of income earned from social media platforms will be from South Africa. However, discussion on the source rules goes beyond the scope of this study and is thus not addressed.

The components of the gross income definition, as listed above, are not defined in the ITA, and therefore case law should be used to determine how these principles should be interpreted and applied in the context of social media earnings.

4.2.1 Total amount in cash or otherwise

Based on the types of income streams a creator can earn from a social media platform, it can be seen that most are received in the form of cash. Subscriptions, in-stream advertisements, bonuses, and affiliate marketing are all streams of income that are paid to the creator in cash form. Stickers, badges, and video gifts that are purchased by fans while the creator is filming a live video will still be received by the creator as cash. The value of cash before deducting any withholding taxes, commissions, or payment provider surcharges would constitute the *"total amount of cash"* as envisaged by this component of the definition.

This principle becomes more difficult to apply when the creator receives other forms of payment, such as goods, services, or other benefits. Based on 206 respondents who answered the questionnaire, 13 answered "Yes" to Q8 to confirm that they earned an income from social media. Of those 13 respondents, three reported that they received benefits in the form of cash only, two responded that they received benefits in the form of goods, while the remaining eight responded that the benefits received were a combination of goods and services. Thus, 76.9% of the people earning an income from social media are not simply earning cash. While this is a non-statistical sample that cannot be extrapolated to the wider public, it does indicate that earning benefits other than in the form of cash is not uncommon.

In each of the social media platforms reviewed in Section 2.7, branded content was a stream of income that could be earned by a content creator. The most common type of transaction between the influencer and the marketer is a barter transaction where a post or endorsement by the influencer is exchanged for products or services, which include clothes, cosmetics, holidays, or even higher-value assets such as a car (Radvan, 2021). Other forms of non-cash benefits that can be earned by a creator are video gifts or diamonds earned from posting a video on TikTok (mentioned in Section 2.7.4) which has not yet been redeemed for cash by the end of the assessment year. The tax effects of earning these types of income need to be investigated further.

When an amount is received in a form other than cash, it is necessary to refer to case law to determine the value that needs to be included in the taxpayer's gross income. The term *"amount"* does not only mean money, but the value of every form of property with a monetary value (*W H Lategan v CIR*). Furthermore, an amount will fall into gross income if it has an ascertainable money value that can be objectively determined (*SARS v Brummeria Renaissance (Pty) Ltd)*.

South Atlantic Jazz Festival (Pty) Ltd v C: SARS provided guidance on calculating the market value in a barter transaction. It was held that *"in an ordinary arm's length barter transaction the value that the parties to it have attributed to the goods and services that are exchanged seems to me, in the absence of any contrary indication, to be a reliable indicator of their market value."* Based on this, SARS (2022a) clarified in an interpretation note that *"the market value of the assets or services will, absence any contrary indication, be the market value of the assets or services as agreed between the parties and would be of equal value. In most instances, the market value of the assets or services to be exchanged between the parties is reflected in the relevant agreement. The facts and circumstances of the particular transaction, including the contractual terms, must be considered as they could impact on valuation and timing."*

The amount of the goods or services received by the creator should, therefore, be included at the market value that the other party would have ordinarily sold such goods, services, or other benefits to a third party in an arm's length transaction. Regarding the TikTok diamonds that may not yet be redeemed, it was stated in Section 2.7.4 that each of these has a monetary value of $0.05 (ZAR 0.66) before TikTok deducts a 50% commission, and thus $0.05 per TikTok diamond will be the amount included in gross income.

While there is sufficient guidance to determine the amount to be included for goods and services that are received by the content creator, there is uncertainty regarding scenarios where the creator or influencer receives the right of use of a particular asset for a specified period. While rules are provided in the Seventh Schedule of the ITA on how to calculate the cash equivalent of taxable benefits regarding the right of use of specific assets, these rules only apply to amounts received by "virtue of employment". Thus these rules can only be enforced in an employee/employer relationship and not in a marketer/influencer relationship.

The direct tax at source implemented in India does not apply to any assets received by an influencer if such assets are subsequently given back (Outlook Business Team, 2022; Kalra, 2022). Similar principles apply in South Africa. In *Pyott Ltd v CIR* and *Brookes Lemos Ltd v CIR*, it was held that where an amount is returned or there is an obligation to return it, such amount will not constitute gross income. In the absence of any legislation or case law to the contrary, it would appear that the right of use of an asset that is subsequently returned to the marketer will not be taxed.

4.2.2 Received by or accrued to the taxpayer

Based on the definition, an amount will only be included in gross income when it is either received by the taxpayer or accrues to him or her. The amount must be included on the earlier of such receipt or accrual and it must be determined when the amount is received by or accrued to the taxpayer.

In *Geldenhuys v CIR*, Steyn J stated *that "received by"* means an amount *"received by the taxpayer on his own behalf for his own benefit".* This means for an amount to be included in gross income, it must be received for the benefit of that taxpayer. Conversely, if an amount is received on behalf of a third party, it would not constitute gross income (Koekemoer *et al*., 2022:39).

This principle needs to be considered in conjunction with the principles established in *Pyott Ltd v CIR* and *Brookes Lemos Ltd v CIR*, as noted above, to determine the extent of their meaning. SARS (2021:5) discussed these cases further in an interpretation note and came to the conclusion that if an amount is received as trust money, or if the taxpayer is not the beneficial owner or would need to repay the amount, then the amount would not constitute gross income as it was not received on the taxpayer's own behalf or for his own benefit.

"Accrued to", on the other hand, was given its meaning by Hefer JA in *CIR v People's Stores (Walvis Bay) (Pty) Ltd*. There, it was stated that "accrued to" means a taxpayer becomes entitled to an amount. Thus, if a taxpayer obtains a vested right to a future payment, such an amount accrues to the taxpayer (Koekemoer *et al.,* 2022:41). In *Mooi v SIR*, this principle was taken a step further and it was established that a right only accrues to a taxpayer when conditions are fulfilled. Therefore, if the taxpayer has a contingent right to receive an amount,

it would not constitute gross income until those conditions are satisfied. This emphasises that "accrue" does not simply mean that a taxpayer must become entitled to an amount, but that the taxpayer must have unconditional entitlement to such an amount before it is taxed.

Based on the information noted for the four social media platforms under the content monetisation policies in Section 2.7, it can be seen that all streams of income are considered to be received on the content creators' behalf and for their own benefit. Subscriptions, gifts, stickers, badges, and ad revenue are received for their own content and thus for their own benefit. Even with income earned from affiliate marketing, the creator will only receive their portion of the commission and is therefore not receiving money that will subsequently need to be paid to a third party. Whether received in cash or in the form of benefits, these amounts shall be gross income once received by the taxpayer, unless the amount accrues at an earlier date.

The amount will likely accrue at an earlier date, as the social media platforms do not pay the creator on the date the income is earned or received from the user who consumed the services of the content creator. As discussed under Section 2.7, each social media platform only pays the creator in the month after such amounts accrue. YouTube pays the creator by the 21st to the 26th of the next month, Facebook and Instagram by the 21st of the next month, and TikTok only pays 30 days after the end of the month that the amount accrues.

YouTube, in particular, has other requirements that need to be met before the creator is paid. This includes that the creator should not have any holds on their account and should comply with monetisation policies. Thus, it is only when a creator has met all of those conditions that he or she will become unconditionally entitled to the income.

Therefore, even though the payment will only be made by the next month, the amount accrues when the conditions are satisfied and, accordingly, should be included in gross income the month that it accrues and not the month that it is received. This principle is not overridden by section 7B of the ITA.

Section 7B(2)(a) states that "*in determining the taxable income derived by any person during a year of assessment, any amount to which an employee becomes entitled from an employer in respect of variable remuneration is deemed to —*

(a) accrue to the employee; and

(b) constitute expenditure incurred by the employer, on the date during the year of assessment on which the amount is paid to the employee by the employer."

This implies that any variable remuneration received by an employee will only be included in gross income and taxed when it is received and thus overrides the principal of accrual. However, as explained above, these rules can only be enforced where there is an employee and an employer as defined in the Fourth Schedule to the ITA and does not apply to a marketer/influencer relationship. Thus, the normal rules apply, which is that the amount must be included at the earlier of the receipt or accrual.

It should be noted that the receipt of income may not necessarily be automatic. For instance, diamonds may accrue to a content creator once a gift is received and traded in, however, the creator may choose to not redeem their diamonds immediately. Where there is a significant delay between when the amount accrues to the content creator and when it is received by them in the form of cash, assets, or other benefits, the value of such receipt or accrual needs to be determined.

In *CIR v People's Stores (Walvis Bay) (Pty) Ltd*, the court held that where an amount is outstanding beyond the end of the year of assessment, the time value of money should be taken into account and the amount included in gross income should be the discounted present value. However, this legal position changed after an amendment to the gross income definition. The proviso to the definition states that *"where during any year of assessment a person has become entitled to any amount which is payable on a date or dates falling after the last day of such year, that amount shall be deemed to have accrued to the person during such year."* This implies that the face value, not the present value, should be included in the taxpayer's gross income (Koekemoer *et al.*, 2022:42).

4.2.3 In the year of assessment

The focus of this study is on individuals who are social media influencers and thus the year of assessment is from 1 March to 28/29 February. Should that influencer operate their business through a company, the year of assessment will coincide with the financial year of that company.

Any amounts must be included in the income tax calculation of the taxpayer as gross income in the year of assessment that it was received or accrued (whichever is earlier, as discussed in Section 4.2.2).

4.2.4 Excluding amounts of a capital nature

Determining whether an amount is capital in nature can be a cumbersome and complex task. As stated in *WJ Fourie Beleggings v C:SARS*, establishing whether an amount is capital or revenue in nature is probably the most common issue that arises in income tax litigation. The same case also stated that *"it has not been possible to devise a definite or all-embracing test to determine whether a receipt or accrual is of a capital nature, despite the regularity with which the issue has arisen"* and therefore the facts and circumstances of each case must be assessed on its own merits to determine if an amount is of a capital nature.

Most of the cases providing guidance in this regard centre around the sale of an asset. Such cases are not relevant here because, apart from a content creator selling their own merchandise (which would be trading stock), the income earned from social media arises from the rendering of services. In this context, it would be more relevant to examine court cases focused on other key factors such as:

- Intention of the taxpayer
  Per section 102 of the Tax Administration Act (South Africa, 2011), the burden of proof to show that amount is capital in nature lies with the taxpayer. In *CIR v Nussbaum* it was established that while the taxpayer may provide his own evidence (*ipse dixit* of the taxpayer) about his intention, this is subjective, and the court will test such evidence with other available facts and circumstances to establish the true intention of the taxpayer.

- Whether the taxpayer has entered into a scheme of profit-making
  In *CIR v Pick 'n Pay Employee Share Purchase Trust*, the court held that a taxpayer simply carrying on a business is not sufficient grounds to tax the amount he earns as revenue in nature, rather that the business must be carrying out a scheme of profit-

making for an amount to be taxed. Therefore, if a taxpayer's activities are in pursuit of making a profit, income arising from those activities would be considered as revenue and included in gross income.

- Frequency of transactions

    While the scale and frequency of transactions are not conclusive, they do provide a useful guide in determining whether an amount is of a capital nature or not. If a taxpayer enters into or continuously concludes the same type of transactions, it would be obvious that there is a scheme of profit-making and the proceeds of those transactions would be gross income as they are not capital in nature. (Koekemoer *et al.*, 2022:54)

Based on the above factors, and in conjunction with the data obtained from the questionnaire, the next part will consider whether income received from social media is regarded as a hobby or a trade.

1) Responses to Q5: What type of social media user are you?

    205 respondents answered this question, of which 80 (39%) stated that they are passive viewers on social media, 86 (42%) stated that they post content for family and friends, 22 (11%) stated that they post content with the intention to gain more followers and 17 (8%) stated that they post content for family and friends *and* with the intention to gain more followers. This means that effectively 19% of respondents post with the intention of being an influencer or content creator.

2) Responses to Q14: In your opinion, if a person creates content for a social media platform which gets attention from other users, would you regard that as a hobby or a business (assuming the person is not earning any benefits)?

    194 respondents answered this question, of which 157 (81%) stated that they would regard it as a hobby and the remaining 37 (19%) stated that they would regard it as a business.

3) Responses to Q15: In your opinion, what would be needed for a content creation hobby to be regarded as a business?

    This was an open-ended question where respondents provided their opinion and 128 responses were obtained. As stated in Section 3.8.1, these responses were grouped into themes and 116 (91%) believed that income, benefits, sponsorships or

remuneration received would be the key factor that would make them regard this hobby as a business. The remaining responses could not be grouped as there was no other common theme. The answers of the remaining 12 people were vastly different and included, amongst others, reasons such as:

- *"A detailed look at Section 20A(3) around ring-fencing gives you a good idea of when is a hobby a business."*
- *"The person to invest a certain amount of hours/week and consistent creation of content."*
- *"For it registered as a business."*
- *"Advertising of your business on social media."*

4) Responses to Q16: Some content creators earn millions from social media. Do you think the cash and/or other benefits that they receive should be taxed?

Of the 165 respondents who answered this question, 151 (92%) answered "Yes" and 14 (8%) answered "No". Only the "No" responses were analysed further as the answers indicate what the respondents believe regarding whether income from social media should be taxed and if not, why not. Of those who answered "No", two stated that they believed it should not get taxed because content creation on social media is seen as a hobby. The remaining 12 could not be grouped as there were no other common themes. The answers were vastly different and included, among others, reasons such as:

- *"I feel in order for your income to be taxed, it must be coming from a reliable source and there must be some security that one will keep getting this money; what happens if people wake up and decide they don't like my content anymore".*
- *"There should be a rule put in place first if the above is to be implemented"*
- *"Government of SA is very corrupt and they take more than enough tax already in many forms".*
- *"Because they are using their own income and resources."*

As stated previously, this is a non-statistical sample, meaning these results cannot be extrapolated to a larger population. However, the above responses provide insight into the perception and views of the respondents. Based on the above, there appear to be different

reasons why people use social media and there are also conflicting viewpoints on when a social media activity should be regarded as a business or a hobby.

Distinguishing between a hobby and a business is important as it directly impacts the tax treatment. The case *of Morrison v CIR* considered whether gambling winnings should be taxed and *ITC 712* considered if income received from horse racing should be taxed. While neither case focused on income received from social media, the general conclusion in both these cases was that treating the activity as a hobby would result in the taxpayer not being taxed on any income that flowed from that activity (Pienaar, 2009:60).

With regard to how a person uses social media, it was stated above that merely engaging in an activity is not sufficient, the person must be involved in a profit-making scheme. In respect of the 39% of respondents who post on social media to gain more followers, this does not in itself indicate that such a person is now carrying on a business. The question then needs to be asked whether a social media activity stops being a hobby and becomes a business as soon as *any* amount of income is earned, or if there is a threshold.

The 116 participants who answered Q15 simply stated that income needed to be earned for a social media activity to be regarded as a business and did not specify a specific monetary threshold. Neither the legislation nor case law provides guidance as to when a hobby becomes a business. Thus, other key factors such as the taxpayer's intention and frequency of transactions must also be considered.

Based on the rules and content monetisation policies, it would be difficult to argue that a content creator earning any form of income from social media is doing it as a hobby. As noted in Section 2.7, YouTube requires 4 000 valid public watch hours in the previous 12 months, and the creator must have at least 1 000 subscribers. Facebook requires 600 000 total minutes of viewed videos in the last 60 days, a page that has at least 5 active videos, and 10 000 page followers. Instagram requires at least 10 000 followers before certain content can be monetised. And TikTok requires the creator to have posted on TikTok at least three times in the last 30 days and a minimum number of 100 000 followers. To meet these requirements on any given platform, one would have to engage regularly and continuously in these activities. Considering the stringent requirements, it would also be

difficult to argue that the taxpayer pursued these activities without any intention of making a profit.

Thus the intention of the taxpayer, the pursuit of earning a profit (entering into a profit-making scheme), and the frequency of transactions all indicate that any amounts received from social media platforms would not be capital in nature. Furthermore, as income received from social media platforms are primarily from rendering a service, paragraph (c) of the definition of 'gross income' specifically includes *"any amount, including any voluntary award, received or accrued in respect of services rendered or to be rendered"* in the taxpayer's gross income. This would apply even if the amounts received were considered to be capital in nature as the special inclusions of the definition override the capital principle.

4.3 CONCLUSION

Although there is no legislation specifically aimed at taxing the digital economy or content creators earning income from social media, the analysis above indicates that the current legislation is adequate to include such income with the gross income of the content creator. The only area where the legislation was found to be lacking is where a creator receives the right of use of an asset that is subsequently returned to the marketer.

This analysis confirms that any South African resident will be taxed on any amount received by or accrued to them from a social media platform. This applies whether the amount has been received in cash or in the form of other benefits. The questionnaire results show that 81% of the respondents considered social media activity to be a hobby where a person did not earn any benefits. However, this viewpoint changed where the content creator was said to earn income or benefits from social media. In this case, 91% of respondents believed that where a content creator earned income or benefits from social media, their activity would constitute a business. Further to this, 92% of respondents believed that income earned by a social media content creator would be taxed, which is the correct view given the analysis that has been performed.

CHAPTER 5: CONCLUSION

5.1 INTRODUCTION

This study was part of a larger research project on social media and taxation within the South African landscape. It only focused on individuals' perceptions about whether income earned and benefits received by social media content creators should be included in gross income. The previous chapter discussed the results of the analysis of the primary and secondary data. This chapter presents a summary of findings and conclusions centred around the research question and objective. The chapter continues to discuss the limitations of this study and, in conclusion, considers areas and possibilities for future research on this topic.

5.2 RESEARCH OBJECTIVE ACHIEVED

The research objective identified in Section 1.4 has been achieved. The objective was to evaluate the perceptions of individuals about whether income earned and benefits received by social media content creators should be included in gross income. These perceptions were analysed and discussed in Chapter 4 in conjunction with the relevant legislation and case law to determine if such perceptions were valid. It was seen that 92% of respondents believe that income from social media should be taxed and the analysis of the law confirmed that this perception is correct.

5.3 LIMITATIONS OF THIS STUDY

The questionnaire sent out by the research team allowed respondents to submit their responses without answering all the questions. This may have led to some conclusions being skewed. For instance, as stated above, the results for Q16 showed that 92% of respondents believe that income from social media should be taxed. However, only 165 people out of the total 206 answered this question. While the impact may not be significant, the responses of the remaining 31 people (15% of the total population sampled) could change the results. Although the approach used by the research team has led to the data being skewed, it was stated in Section 3.4.1 that respondents were not forced to answer any questions in the questionnaire (except Question 1) as doing so decreased the risk of them

abandoning the survey. The overall conclusion is that income earned from social media should be taxed and it should be noted that the responses to the questionnaire merely give the perception of the respondents and does not change that overall conclusion.

Another limitation is that this study only focused on the tax implications for South African residents. Non-residents were outside the scope of this study and therefore the tax implications for non-residents were not considered.

5.4 SUGGESTIONS FOR FUTURE RESEARCH

The following areas are suggested for future research:

- The tax implications for non-residents earning an income from social media with a particular focus on where the source of income is. Based on the data gathered in Section 2.7.1, the South African source rules appear to be outdated in the context of the digital economy.

- To consider whether the digitalisation of certain tax processes and partnering with social media platforms could enhance tax compliance. As seen in Chapter 1, the digital economy has worsened the problem of tax evasion globally because tax compliance relies on content creators to declare their income to tax authorities. This issue could be combatted if there was a tracking system in place. A liability is placed on certain institutions and banks (third parties) to furnish SARS with financial information on taxpayers such as their names, identity number, bank account number, the interest accrued, and closing balance on the bank account (South Africa, 2018). This type of system should be investigated further to see if SARS can partner with social media companies to track the income earned by content creators from their sites.

- To consider whether implementing a withholding tax similar to that implemented in the US is a feasible option for SARS.

5.5 SUMMARY OF FINDINGS AND CONCLUSION

As noted at the end of Chapter 4, an area where the ITA appeared to be lacking with regard to taxing content creators was in instances where they received the right of use of an asset

that is subsequently returned to the marketer. Such transactions are effectively not taxed. With the rapid changes in technology and change in business models where transactions can be concluded digitally, other areas of weakness were also identified within the South African tax system. While the taxation of non-residents is outside the scope of this study, Section 2.4 also highlighted areas of weakness within the ITA. The Davis Tax Committee has recommended changes to the source rules based on OECD guidelines to ensure that non-residents operating within the digital economy do not escape tax.

In Section 2.7.1, it was noted that the US changed its source rules when it implemented withholding tax imposed on YouTubers. When determining if the source is American, one needs to look at where the advertisements are run and not where the payer or payee is located (Knott, 2019). South Africa has not made similar changes, which could lead to the non-taxing of non-residents who are in fact earning income from a South African source.

In conclusion, it can be said that South Africa is lagging behind in implementing legislation to introduce a new tax, such as a digital service tax as implemented by other countries, as well as updating current legislation to address the issues within the digital economy as identified by the OECD. KPMG LLP (2020:5) highlighted that in 2021, South Africa was one of seven countries that still had not implemented or proposed any legislation to tax such income. With technology advancing every day and people finding new and innovative ways to earn income, South Africa needs a tax system robust enough to cater for this ever-changing environment.

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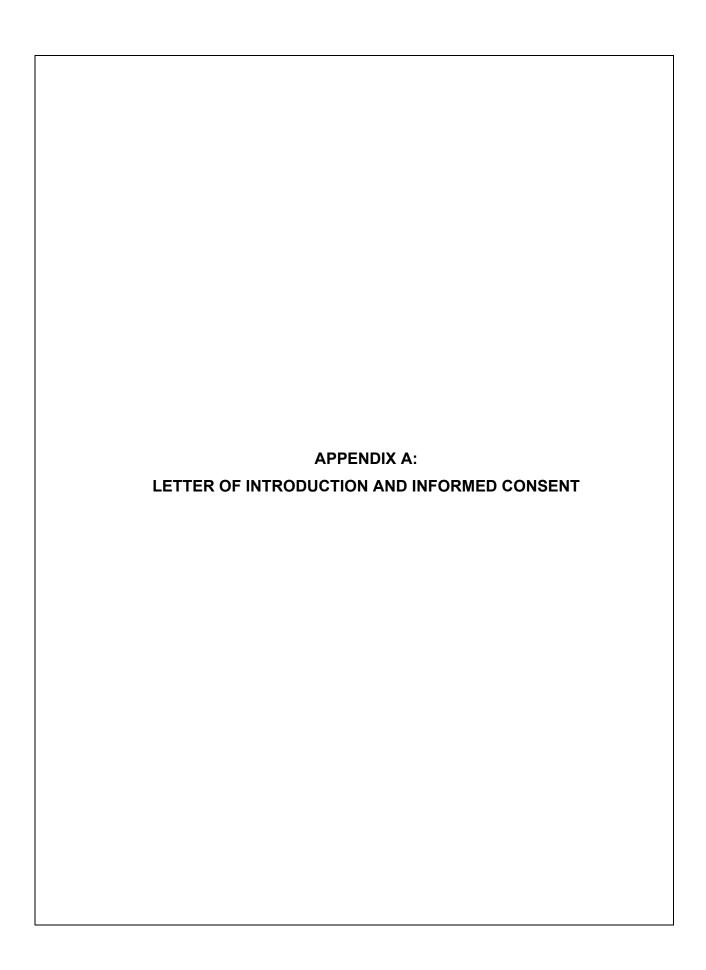*Pyott Ltd v CIR*; 1945 AD 128, 13 SATC 121.

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APPENDIX A:

LETTER OF INTRODUCTION AND INFORMED CONSENT

Faculty of Economic and Management Sciences

Combined Letter of Introduction and Informed Consent
Department of Taxation

Title of the study: Taxing the Digital Economy: Tax and Social Media in South Africa

Dear Participant

Dear Participant You are invited to participate in the research conducted by Amy Brits, Andries Basson, Bridget Mogola, Jacqueline Francis, and Violet Liebenberg (MCom (Taxation) students of the University of Pretoria) under the supervision of Dr. Karen Stark and Mrs. Juanita Venter. The research is on the taxation of social media income in South Africa. For this study, social media platforms refer to popular platforms but limited to YouTube, Facebook, Instagram, and TikTok.
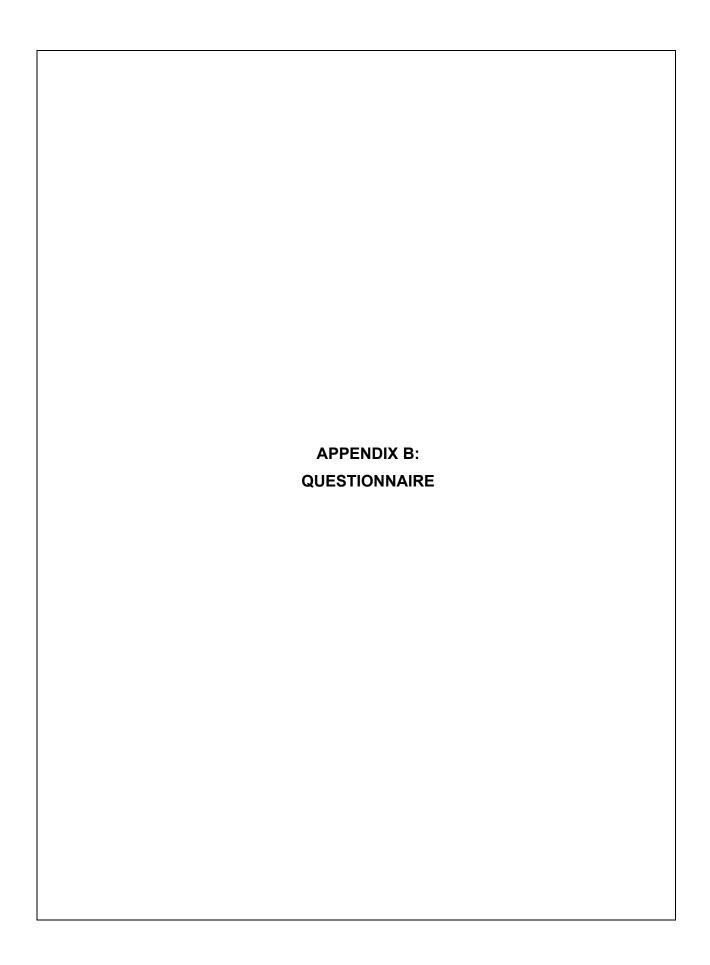
Please note the following:
- This research questionnaire is completely *anonymous* as your name will not be recorded or appear on the questionnaire. The answers you give will be treated as strictly *confidential* and you cannot be identified in person based on the answers you give. Please answer these questions as completely and honestly as possible.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Your participation in this study is very important to us. You may, however, as this questionnaire is completed on a voluntary basis, choose not to participate. You may also stop participating at any time without any negative consequences, by exiting the online questionnaire.
- Please answer the questions in the following online questionnaire. This should not take more than 15 minutes of your time.

By *completing the following online questionnaire*, you consent to the following:

- You have read and understand the information provided above.
- You give consent to allow your responses to be analysed in aggregate with other responses.
- You give your consent to participate in the study on a voluntary basis.

Click **'Next'** to proceed to the online questionnaire

APPENDIX B:
QUESTIONNAIRE

Questionnaire

Tax and Social Media Survey 2022

Start of Block: Default Question Block

Q1 Dear Participant

You are invited to participate in the research conducted by Amy Brits, Andries Basson, Bridget Mogola, Jacqueline Francis and Violet Liebenberg (MCom (Taxation) students of the University of Pretoria) under the supervision of Dr Karen Stark and Mrs Juanita Venter. The research is on the taxation of social media income in South Africa. For this study social media platforms refer to popular platforms but limited to YouTube, Facebook, Instagram and TikTok.

 Please note the following:

 ● This research questionnaire is completely anonymous as your name will not be recorded or appear on the questionnaire.

 ● Your answers will be treated as strictly confidential and you cannot be identified based on the answers you give.

 ● Please answer these questions as completely and honestly as possible.

 ● The results of the study will be used for academic purposes only and may be published in an academic journal.

 ● Your participation in this study is very important to us, but you may stop at any time without any negative consequences by exiting the questionnaire.

 The completion of the questionnaire should not take more than 15 minutes of your time.

○ I voluntary consent to complete the questionnaire (9)

○ I do not wish to continue with the questionnaire (10)

Skip To: End of Block If Q1 = I do not wish to continue with the questionnaire

Q2 In which South African Province do you live?

○ Gauteng (1)

○ Limpopo (2)

- ○ Mpumalanga (3)
- ○ Western Cape (4)
- ○ Eastern Cape (5)
- ○ North West (6)
- ○ KwaZulu Natal (7)
- ○ Free State (8)
- ○ Northern Cape (9)
- ○ I live overseas but I am a South African tax resident (10)
- ○ I live overseas and am not a South African tax resident (11)

Skip To: End of Block If Q2 = I live overseas and am not a South African tax resident

Q3 Which of these four social media platforms do you use / do you have an account with?
You can select more than one option.
- ☐ YouTube (1)
- ☐ Facebook (2)
- ☐ Instagram (3)
- ☐ TikTok (4)
- ☐ None of the above (5)

Skip To: End of Block If Q3 = None of the above

Q4 In which age-group are you?
- ○ Under 18 (1)
- ○ 18 to 25 (2)
- ○ 26 to 39 (3)
- ○ 40 to 54 (4)
- ○ 55 years and older (5)

Skip To: End of Block If Q4 = Under 18

Q5 What type of social media user are you?

- ○ Lurker (passive viewer) (1)
- ○ Posting private content for family and friends (2)
- ○ Posting content with intention to gain followers (content creator/influencer) (3)
- ○ Posting private content for family and friends AND Posting content with intention to gain followers (content creator/influencer) (4)

Display This Question:

If Q5 = Posting content with intention to gain followers (content creator/influencer)

Or Q5 = Posting private content for family and friends AND Posting content with intention to gain followers (content creator/influencer)

Q6 What type of content do you create? For example, funny videos, advice, educational content, etc. Please specify.

_____

_____

_____

_____

_____

Display This Question:

If Q5 = Posting content with intention to gain followers (content creator/influencer)

Or Q5 = Posting private content for family and friends AND Posting content with intention to gain followers (content creator/influencer)

Q7 Are you individually responsible for creating content on social media or do you work in a team?

- ○ I work on my own (1)
- ○ I am part of a team (2)

Q8 Do you receive any form of benefits for your content when you promote services, products or brands on your social media platform (like sponsorships, merchandise, products, cash, etc.)?

- ○ No (1)
- ○ Yes, I receive only cash (2)
- ○ Yes, I receive only goods (3)
- ○ Yes, I receive only free services (4)
- ○ Yes, I receive a combination of benefits (5)

Q9 From which of the following four platforms do you earn benefits? Select more than one option if applicable.

- ☐ YouTube (1)
- ☐ Facebook (2)
- ☐ Instagram (3)
- ☐ TikTok (4)

Q10 Please estimate the annual value of benefits (cash, goods and/or free services) that you receive from the social media platform(s)? Provide a Rand value. (Remember that your identity is completely anonymous.)

_____

Display This Question:

If Q8 = Yes, I receive only cash

Or Q8 = Yes, I receive only goods

Or Q8 = Yes, I receive only free services

Or Q8 = Yes, I receive a combination of benefits

Q11 Are you registered for Income Tax with SARS?

○ Yes (1)

○ No (2)

Display This Question:

If Q11 = No

Q12 Why are you not registered for Income Tax? It is because:

○ I am not liable to register (1)

○ I do not know where and how to register (2)

○ I do not have any tax obligations (3)

○ Other reason (Please specify) (4)

_____

Q13 In your opinion, when is an individual liable to pay income tax?

○ All individuals are liable to pay income tax, regardless of income and age (thus also persons younger than 18 years can be liable). (1)

○ Only persons 18 years and older are liable to pay income tax, regardless of the amount of income earned. (2)

○ All individuals are liable to pay income tax IF they earn annual income above a certain threshold. (3)

- Only persons 18 years and older are liable to pay income tax, IF they earn annual income above a certain threshold. (4)

Q14 In your opinion, if a person creates content for a social media platform which gets attention from other users, would you regard that as a hobby or a business (assuming the person is not earning any benefits)?
- Hobby (1)
- Business (2)

Display This Question:
If Q14 = Hobby

Q15 In your opinion, what would be needed for a content creation hobby to be regarded as a business?

_____

_____

_____

_____

_____

Q16 Some content creators earn millions from social media. Do you think the cash and/or other benefits that they receive should be taxed? Provide a reason for your answer.
- Yes, because (1) _____
- No, because (2) _____

Q17 What type of income/benefits earned from social media by the content creator do you think should be taxed?
- Only cash benefits (1)
- Only free services, goods or products received (2)
- All benefits (cash, free services, goods and/or products) received (3)

- None should be taxed. Give a reason for your answer. (4)

_____

Q18 If you were to earn benefits (in any form) from social media platforms for content created, how would you declare it to SARS?
- I will declare it as being taxable (1)
- I will declare it as being non-taxable (2)
- I will not declare it at all (please provide a reason) (3)

_____

Q19 On the assumption that benefits received from social media platforms are subject to income tax in South Africa, how would you recommend the tax to be collected?
- As a withholding tax (for example YouTube withholds the tax on taxpayer's behalf and pays it over to SARS) (1)
- Via self-declaration (taxpayer declares it to SARS on the income tax return) (2)
- Pre-populated on the income tax return (similar to PAYE and medical aid contributions based on third party declarations) (3)
- Other, please specify (4) _____

Q20 Assume you have earned taxable benefits from social media platforms and you have not declared it to SARS. Are you aware of the corrective measures available to rectify the non-compliance?
- Yes (please explain) (1) _____
- No (2)

Q21 What type of expenses do you think a social media content creator could have that may qualify for a tax deduction/allowance? List as many as possible.

_____

_____

_____

_____

_____

End of Block: Default Question Block

Start of Block: Custom end of surveys

Display This Question:

If Q1 = I do not wish to continue with the questionnaire

Q22 We are sorry that you do not wish to participate in our research, but respect your choice.

Display This Question:

If Q2 = I live overseas and am not a South African tax resident

Q23 Thank you for your willingness to participate in the survey, but unfortunately the focus of our study is South African tax residents. Please click on the blue arrow to exit the questionnaire.

Display This Question:

If Q3 = None of the above

Q24 Thank you for your willingness to participate in the survey, but since you are not active on the mentioned social media platforms, you fall outside our survey criteria. Please click on the blue arrow to exit the questionnaire.

Display This Question:

If Q4 = Under 18

Q25 Thank you for your willingness to participate in the survey, but unfortunately our ethical clearance do not allow us to survey minors. Please click on the blue arrow to exit the questionnaire.

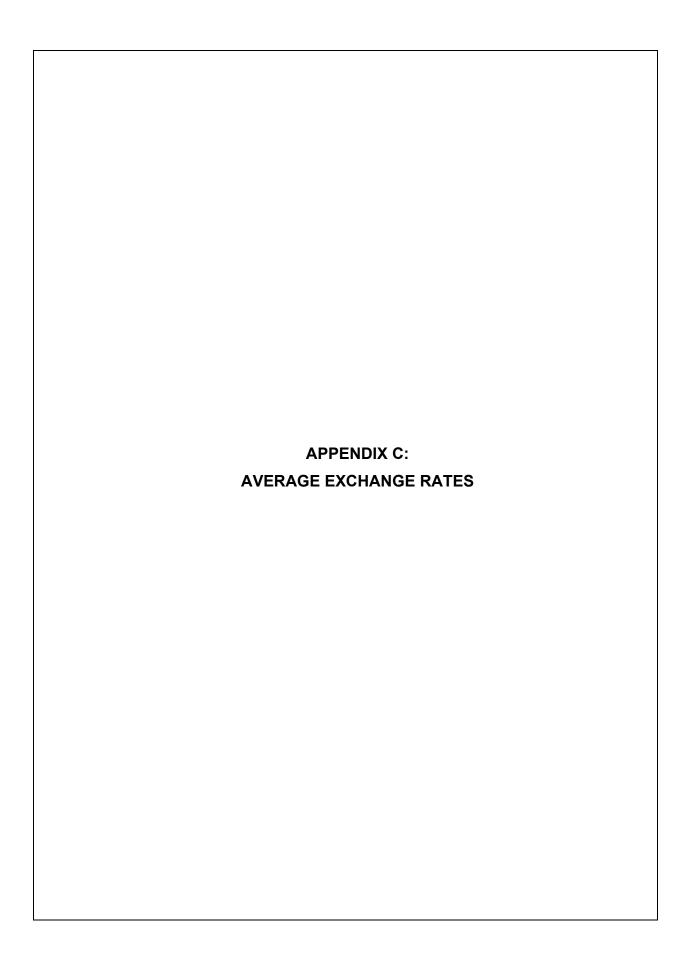Q26 We thank you for your time spent taking this survey. We appreciate it. Please click on the blue arrow to submit your answers.
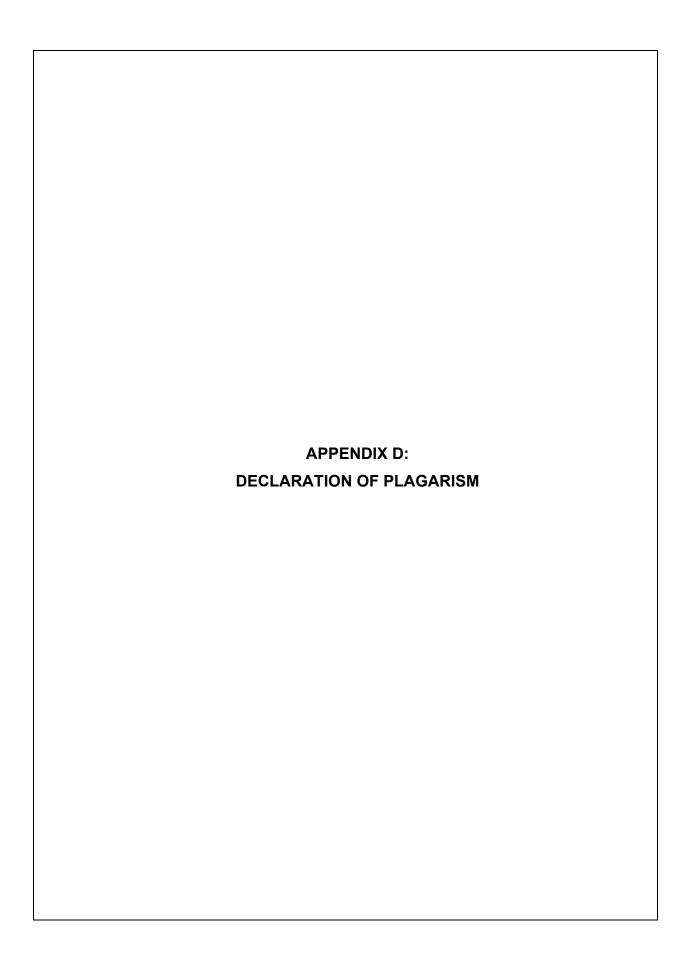
End of Block: Custom end of surveys

APPENDIX C:
AVERAGE EXCHANGE RATES

Average exchange rates

Based on the foreign exchange transactions of commercial banks, the South African Reserve Bank (SARB) determines weighted average exchange rates, and SARS publishes these rates on a quarterly basis (SARS, 2022b). The average exchange rates for the period 1 January 2022 to 31 May 2022 (available at the time of submission) were used to translate foreign currencies to South African Rands (ZAR).

Month	Euro (€)	Indian Rupee (Rs)	UK Pound (£)	US Dollar ($)
Jan-22	17.54	0.21	21.01	15.49
Feb-22	17.25	0.20	20.60	15.21
Mar-22	16.51	0.20	19.73	14.98
Apr-22	16.21	0.20	19.38	14.95
May-22	16.82	0.21	19.79	15.90
Average from 1 Jan 2022 to 31 May 2022	**16.87**	**0.20**	**20.10**	**15.31**

(Source: SARS, 2022b)

The average exchange rates for the Chinese Yuan (CNY) and the Phillipine Peso (₱) were not published from SARS, however, the average exchange was calculated to be ZAR 2.38 and ZAR 0.30 respectively for the period 1 Janurary 2022 to 31 May 2022 based on historic exchange rates obtained from www.exchangerates.org.uk.

APPENDIX D:

DECLARATION OF PLAGARISM

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

DEPARTMENT OF TAXATION

Declaration Regarding Plagiarism

The Department of Taxation 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 (see the *"Guidelines on Referencing"* document), 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.*

For the period that you are a student at the Department of Taxation, 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.

	Student
I (full names & surname):	Jacqueline Francis
Student number:	u22798855

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	Jacqueline Francis