



TAXPAYERS' PERCEPTIONS TOWARDS SARS: 2009-2017 ERA

*(THIS RESEARCH DOCUMENT IS PART OF A BIGGER PROJECT:
TAXPAYERS' PERCEPTIONS TOWARDS SARS: IN THE POST-APARTHEID ERA)*

by

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ABSTRACT

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Background: The 27th of April 1994 was a momentous occasion for South Africa, as the country ushered in the age of democracy. This meant that many of South Africa's laws and administrative functions needed to change, in order to reflect a new and inclusive democratic South Africa. One of the administrative functions, which saw significant change, was how tax administration is to be conducted in the country. This came about in the restructuring of the Inland Revenue Service and Custom and Excise Directorates into the semi-autonomous revenue-collection agency called The South African Revenue Services (SARS).

Taxpayers' perceptions towards SARS are crucial for ensuring that the administration is both efficient and effective. Taxpayers' perceptions are shaped by how much confidence taxpayers have in tax administrators and on how much authority the tax administrators are given within the confines of the law and the constitution.

Main purpose of the study: The study aims to gain some insight into taxpayers' perceptions towards SARS during the 2009-2017 period. This study aims to provide an addition to the existing, limited research on taxpayers' perceptions in South Africa; and also to provide a stepping-stone for future studies, which might assist policymakers to understand the factors influencing taxpayers' perceptions.

The Method: Data was collected through an online questionnaire. The questionnaire included a combination of closed-ended, Likert and open-ended questions. Open-ended questions and Likert questions were analysed by using a descriptive statistical method. The

closed-ended questions were analysed individually , by using a content-analytical approach. The results of the data gathered were analysed electronically, by using the computer program of Microsoft Excel.

Results and Conclusions: Based on the results obtained from the questionnaire distributed, it was found that the factors affecting taxpayers' perceptions in South Africa were: corruption, taxpayer-government exchange, fairness, efficiency and effectiveness, as well as the tax administration of SARS. Furthermore, taxpayers' perceptions towards SARS are inconclusive; as there appeared to be both positive and negative perceptions of SARS during 2009-2017. The main driver for the change in perceptions is the increased levels of corruption, which resulted in state capture during this period.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	I
ABSTRACT	II
LIST OF TABLES	VI
LIST OF FIGURES	VI
LIST OF ABBREVIATIONS AND ACRONYMS	VI
CHAPTER 1: INTRODUCTION	1
1.1. INTRODUCTION	1
1.2. THE RATIONALE FOR THE STUDY	5
1.3. THE RESEARCH PROBLEM	5
1.4. THE RESEARCH QUESTION	6
1.5. THE RESEARCH OBJECTIVES	7
1.6. STRUCTURE OF THE MINI-DISSERTATION	7
1.6.1. Chapter 1: Introduction	7
1.6.2. Chapter 2: The Research design and The Methodology	7
1.6.3. Chapter 3: The Literature review	7
1.6.4. Chapter 4: The Data analysis and the presentation of the results	7
1.6.5. Chapter 5: The conclusion	8
CHAPTER 2: THE RESEARCH DESIGN AND THE METHODOLOGY	9
2.1. INTRODUCTION	9
2.1.1. The philosophical stance of the study	9
2.1.2. The nature of the study	12
2.1.3. Reasoning Methods	14
2.1.4. Unit of Analysis	16
2.1.5. Time horizon of the study	17
2.1.6. The types of data	17
2.1.7. The Research Methodology	19
2.1.8. The Data Collection	19
2.1.9. The Data Analysis	20
2.2. CONCLUSION	22
CHAPTER 3: THE LITERATURE REVIEW	23
3.1. INTRODUCTION	23
3.2. TAXATION IN SOUTH AFRICA	23

3.2.1	TAX ADMINISTRATION IN SOUTH AFRICA	25
3.3.	TAXPAYERS' PERCEPTIONS	28
3.3.1	TAX COMPLIANCE AND THE PERCEPTIONS' OF TAXPAYERS	28
3.4.	FACTORS AFFECTING TAXPAYERS' PERCEPTIONS	29
3.4.1	FAIRNESS	31
3.5	CONCLUSION	33
CHAPTER 4: THE DATA ANALYSIS AND THE RESULTS		34
4.1	INTRODUCTION	34
4.2	PRESENTATION OF THE RESULTS	34
4.3	SUMMARY OF THE KEY FINDINGS AND FACTORS AFFECTING TAXPAYERS' PERCEPTIONS	46
4.4	CONCLUSION	49
CHAPTER 5: CONCLUSION		51
5.1	INTRODUCTION	51
5.2	SUMMARY OF THE FINDINGS AND CONCLUSION	51
5.3	LIMITATIONS	53
5.4	FUTURE RESEARCH	53
5.5	CONCLUDING REMARKS	54
LIST OF REFERENCES		55
APPENDIX A: DECLARATION OF PLAGARISM		65
APPENDIX B: QUESTIONNAIRE		67

LIST OF TABLES

Table 1: Abbreviations and acronyms used in this document.....	vii
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LIST OF FIGURES

Figure 1: Illustrates the factors that may impact participants' perceptions towards SARS per period (detailed in the objectives).....	21
Figure 2: Are you willing to participate?	34
Figure 3: Are you a registered Taxpayer?.....	35
Figure 4: Are you below the age of 18?	35
Figure 5: Indicate your age group	36
Figure 6: Indicate your gender	36
Figure 7: Indicate your population group.....	37
Figure 8: Indicate in which type of settlement your house is situated.	38
Figure 9: Indicate in which province your house is situated.....	38
Figure 10: Indicate your net income per annum, i.e., after any deductions.....	39
Figure 11: I see the benefits of paying tax	39
Figure 12: I think that tax revenues are used for the benefit of the general public.....	40
Figure 13: Do you consider SARS an institution that collects tax effectively and is well managed.	40
Figure 14: I am truthful in my tax declarations to SARS	41
Figure 15: SARS has achieved its strategy of building public trust and confidence in the tax-administration system.....	41
Figure 16: I perceive the South African tax system to be fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality.....	42

LIST OF ABBREVIATIONS AND ACRONYMS

Table 1: Abbreviations and acronyms used in this document

Abbreviation	Meaning
CGT	Capital Gains Tax
GDP	Gross Domestic Product
IT	Information Technology
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
SARS	South African Revenue Services
SARS Act	South African Revenue Service Act 34 of 1997
TAA	Tax Administration Act No. 28 of 2011
The Bill	Draft Money Bill

CHAPTER 1: INTRODUCTION

1.1. INTRODUCTION

Chuenjit (2014:15) argued that “A central issue in public economics is the appropriate design of a tax system. Such a system is usually viewed as balancing the various desirable attributes of taxation: taxes must be raised (revenue-yield) in a way that treats individuals fairly (with equity), that minimizes the interference in economic decisions (efficiency); and that does not impose undue costs on taxpayers, or on tax administrators (simplicity).” This raises the question of whether taxpayers believe that they are treated fairly, in an efficient manner, and without unnecessary costs being imposed.

The main goal of taxation is to collect revenue to fund government expenditure (Burgess & Stern, 1993:762). The government makes use of tax-collection agencies to administer the tax law and to collect revenue to fund government expenditure. Tax collection must be done in a fair, efficient and simple manner, without inflicting excessive costs on taxpayers or on tax administrators. However, the problem of insufficient tax revenue will occur whenever tax authorities cannot collect taxes from the taxpayers (Alm, 1996:117). Drummond, Daal, Srivastava & Oliveira (2012:3) stated that most sub-Saharan African countries prioritise raising more revenue, in order to finance their development goals and to provide more essential services. Over the past years, most countries, including South Africa, have introduced tax reforms, in order to meet the objectives of their tax policies and to enhance the efficiency and effectiveness of the tax-administration agencies (Public-Affairs Research Institute, 2017:27).

A new South African government was birthed in 1994 after the abolition of the apartheid regime; and Nelson Mandela was elected as the First democratic President of South Africa after spending 27 years in jail. This meant that much of South Africa’s laws and administrative functions needed to change, in order to reflect a new and inclusive democratic South Africa (Public Affairs Research Institute, 2017:27).

The new South African government was cognisant of the dire need to modernise tax administration, in order to increase tax revenues and to ensure that the tax system is

equitable. The policies at the time, however, avoided increasing tax rates; since South Africa was already heavily taxed when compared with international standards. One of the administrative functions, which saw significant change, was how tax administration is conducted in the country. SARS at that time was faced with the enormous task of maximising revenue collection through increased efficiency and effectiveness of tax-administration system (Public Affairs Research Institute, 2017:27). In order to revamp the South African tax system, the government established the first enquiry into the tax structure of South Africa, known as the Katz Commission, which was in place from 1994 to 1999.

The Commission was tasked with improving tax administration in South Africa, modernizing the tax system, in order to be in line with the changing international tax practices, and assessing the efficiency and equity aspects of the different taxes (Public Affairs Research Institute, 2017:27).

One of the Katz commission-recommendations resulted in the restructuring of the Inland Revenue Service and Custom and Excise Directorates into the semi-autonomous tax collection agency called the South African Revenue Service (SARS) in 1997 (Katz Commission, 1994). Taliercio (2004:46) defined semi-autonomous tax-collecting agencies as tax administrators that have a greater than usual level of autonomy or self-governance including, but not limited to: “legal character, corporate governance, financing and budgeting, personnel policy, procurement policy, and accountability relationships”.

The pattern identified in most countries in the past was that the tax-collection agencies are to be separated from the Ministry of Finance, and thereby granted a legal status of ‘semi-autonomous authority (Taliercio, 2004:1). The autonomy of tax-collection agencies ensures administrative effectiveness and minimal interference by other departments, as well as the parties of the government (Taliercio, 2004:5).

According to the SARS Act, the mandate of the organisation is to collect all tax revenues due, and to ensure compliance with tax and customs legislation. For SARS to fulfil its responsibility, the public has an obligation to comply with the requirements of the Tax Administration Act No. 28 of 2011 (TAA) (Koekemoer, Van Heerden, Willocks & Van der Zwaan, 2022:1189). The TAA grants SARS powers to administer taxes effectively and efficiently (Klopper, 2015:ix). Oberholzer (2007:5) acknowledged that efforts have been

made by SARS over the years to improve their tax administration, in order to ensure better compliance and improved enforcement of the system. These efforts include (but are not limited to) SARS releasing its four- and five-year strategic plans over the years, in order to make it easier for taxpayers to fulfil their tax obligations (Jacobs, 2021).

The 2007/8 – 2009/10 and 2009/10 – 2011/12 three-year strategic plans, which aimed to achieve the following were inter alia:

- Optimizing revenue and compliance;
- Creating better tax-payers and trader experiences;
- Increasing compliance, reducing risk and ensuring that taxpayers meet their legal obligations;
- Ensuring operational efficiency; and
- Ensuring good governance (South African Revenue Services, 2008:7).

In the 2009/10 – 2011/12 strategic plan, the then Commissioner of SARS, Pravin Gordhan, stated that revenue collection increased from 23.6% to 27.7% of GDP, even though tax rates had decreased in the six years preceding (2002/3 – 2006/7). Gordhan stated that it must be due to increased co-operation from those who are economically active in South Africa in declaring and paying revenues legally due, together with harder and smarter work on the part of SARS staff in processing the increasing volumes of tax returns and customs declarations. This led to the consideration of automation during 2007, in order to bring new taxpayers into the tax net, and to provide better support to high-net individuals and entities.

This resulted in the implementation of eFiling (Electronic filing of returns via the Web); and the tax-compliance burden was thereby reduced, benefitting taxpayers (South African Revenue Services, 2008:4). In addition, the above strategic plan highlighted the focus areas for SARS, as follows: inter alia:

- SARS needs to safeguard its hard-earned reputation, particularly in the tough economic climate, balancing the need to encourage compliant behaviour with an understanding of the difficulties that taxpayers and traders may be experiencing. This also has implications for sensitivity towards the taxpayer base with regard to the pace of modernisation, as continuous changes to the way in which taxpayers have to fulfil

their obligations – or changes to the obligations themselves – may be experienced as an additional source of stress.

- SARS' governance needs continuous improvement, in order to ensure consistent delivery of value within the framework of the constitution, laws and regulations (South African Revenue Services, 2008:22-23).

These two points are crucial in terms of the timeline of the upward trajectory of the authority, and that which ultimately caused the downfall during the period discussed. In the 2013/14 - 2017/18 and 2015/16 - 2019/20 strategic plans, SARS aimed to achieve the following four core outcomes:

- Increased customs compliance;
- Increased tax compliance;
- Increased ease and fairness of doing business with SARS; and
- Increased cost effectiveness and institutional respectability (South African Revenue Services, 2012:21).

During the above strategic plans, Pravin Gordhan, Minister of Finance at the time, highlighted the fact that tax revenue was R16.3 billion lower than the projections of the 2012 Budget, while the budget deficit increased to about 5.2% of GDP for 2012/13. It was further noted that between 2002 and 2012 SARS had steadily broadened the tax base, both through policy reforms and improved revenue administration, which has subsequently resulted in considerable tax relief possible, contributing both to disposable household income and lowering the cost for companies (South African Revenue Services, 2012:4-5).

In the 2016/17 – 2020/21 strategic plan, one of the risks that were noted was “Unfavourable public perception of poor state delivery and corruption,” whereby it was found that taxpayers' attitudes towards compliance and their willingness to comply are influenced by how they perceive their taxes to be utilised. Concerns about corruption in the public sector, poor service delivery and the quality-of-service delivery remain an issue. This has the potential to affect SARS' ability to achieve maximum revenue collection, due to the loss of public confidence in government.

The Katz Commission recommendations included improving people's perception of tax; and taxes should not be seen as damaging to the economy; but they should rather be seen as a vehicle to assist in economic growth and development (Katz Commission, 1994). Perception is the way things seem; and it analyses the awareness of the items or situations around people (Oberholzer & Stack, 2009:739).

Lumsden and Lumsden (2000:382) defined perception as: "The process by which people sense, select, and interpret stimuli". The willingness of taxpayers to comply is often influenced by how much taxpayers trust their respective governments (Wahl, Kastlunger, & Kirchler, 2010:385). SARS focused on improving people's perceptions of taxes, thereby leading to a moderate increase in registered taxpayers over the years (Public Affairs Research Institute, 2017:30).

1.2. THE RATIONALE FOR THE STUDY

Determining taxpayers' perceptions with regard to taxation is essential, as a means to regulate tax policy and to facilitate the government to display itself and its services more successfully to its citizens (Oberholzer & Stack, 2009:747). Research has also been conducted, indicating that SARS is implementing measures to improve taxpayers' perceptions, as per the Katz recommendation (Katz Commission, 1994). However, there is limited research, which indicates the perceptions of taxpayers during 2009-2017.

This study aims to determine taxpayers' perceptions towards SARS during 2009-2017. Limited research has been conducted on taxpayers' perceptions; as such; and there is a limited understanding of what taxpayers' perceptions are of SARS during this period. It will, therefore, provide policymakers insight on taxpayers' perceptions, thereby resulting in tax-policy changes and improved tax administration by SARS.

1.3. THE RESEARCH PROBLEM

There is a gap between what can be collected and what is actually collected in terms of taxes in South Africa, due to non-compliance (Oberholzer, 2007:7). Perceptions and the attitudes of people have been identified as some of the reasons for non-compliance

(Oberholzer, 2007:7). Therefore, the perceptions need to be identified first, in order to influence any possible changes amongst the taxpayers (Oberholzer, 2007:7).

One of the ways in which South Africa has addressed this issue was with the establishment of The Davis Tax Committee, an advisory committee that is responsible for making recommendations to the Minister of Finance on tax matters, with the objective of assessing South Africa's tax-policy framework (Davis Tax Committee, 2017:49). The committee highlighted that research has shown that the taxpayers' attitude towards tax compliance is largely influenced by how the government utilizes the tax revenues (Davis Tax Committee, 2017:49). The Davis Tax Committee (2017:50) further argued that concerns of corruption and service delivery remain issues, which might affect tax compliance. This is due to public confidence in the government.

Currently, there is limited research on taxpayers' perceptions (Oberholzer, 2005 & 2007; Muli, 2014; Nyakane, 2016); towards SARS. A study was published in 2007, which investigated and analysed the taxpayers' perceptions in South Africa (Oberholzer, 2007:30). Prior to 2007, Oberholzer published a study in 2005, which only focused on the perception of the previously disadvantaged taxpayers; and he found it that taxpayers are willing to pay taxes if the government is transparent and utilises tax revenue appropriately for the public benefit. The study further found that there is a need for increased education on taxes amongst the previously disadvantaged groups. Muli, in 2014, focused on exploring individual taxpayers' perceptions of tax complexity; and Nyakane focused on the perceptions of individual taxpayers of different age groups on equity exchange in South Africa in 2016. This research contributes to existing research, due to the fact that limited research on taxpayers' perceptions towards SARS was conducted during 2009-2017.

1.4. THE RESEARCH QUESTION

The research question gives direction to the study; and the following question directs the current study:

What were taxpayers' perceptions towards SARS during the 2009 - 2017 era?

1.5. THE RESEARCH OBJECTIVES

The main objective of the study is to determine taxpayers' perceptions towards SARS. The secondary objectives, which will guide the study, in order to answer the research question are:

- To determine the factors affecting taxpayers' perceptions.
- To determine the South African taxpayers' perceptions during 2009 – 2017, by distributing a questionnaire.
- To analyse South African taxpayers' perceptions and to conclude the study.

1.6. STRUCTURE OF THE MINI-DISSERTATION

The main outcomes of the present study are presented in the format of a mini dissertation. The structure of the mini dissertation is summarised below.

1.6.1. Chapter 1: Introduction

This chapter gives the background of the research topic; and it clarifies the rationale and purpose of this study; and it explains the main research objective and the supporting research questions. In conclusion, Chapter 1 presents an overview of the structure of the mini dissertation.

1.6.2. Chapter 2: The Research design and The Methodology

This chapter gives a detailed description of the research design and the methodology followed in this study. The chapter also outlines the data-collection method.

1.6.3. Chapter 3: The Literature review

Chapter 3 analyses the prior research on various aspects relating to taxpayers' perceptions and the factors affecting them, in order to establish the theoretical basis.

1.6.4. Chapter 4: The Data analysis and the presentation of the results

This chapter clarifies the data-analysis technique; and it presents the results of the study.

1.6.5. Chapter 5: The conclusion

The chapter concludes the study. The chapter summarises the findings and conclusions. In addition, this chapter explains the limitations of this study; and it makes some recommendations for future research.

CHAPTER 2: THE RESEARCH DESIGN AND THE METHODOLOGY

2.1. INTRODUCTION

Akhtar (2016:68) defines the research design as the structure of the research; since it holds all the elements of the research together. “It constitutes the blueprint for the collection, measurement, and analysis of the data” (Akhtar, 2016:68). The design also ensures that the evidence obtained for the research enables the researcher to address the research problem logically, and to do so as unambiguously as possible (Akhtar, 2016:68).

This section sets out the research design, as well as the following elements of the research design that are discussed below:

- The philosophical stance of the study;
- The nature of the study;
- The reasoning methods;
- The units of analysis;
- The time horizon of the study;
- The various types of data; and
- The sources of the data. **The philosophical stance of the study**

A research philosophy is a set of beliefs and practices that regulate how one goes about exploring the development of knowledge (All Answers, 2018). The philosophy lends structure; and it will guide the researcher on how to formulate the research questions, select the research design, as well as how to identify the methods used for the collection, analysis, and interpretation of the data (All Answers, 2018).

There are numerous philosophical stances that can be used to better guide us in research. The four philosophical stances in determining which research philosophy to adopt, are discussed below:

Interpretivism

In this research paradigm, philosophers believe that using scientific methods of analysis often only describe complex ideas in terms of their simple or fundamental components. (Guest, MacQueen and Namey, 2012:13). Guest *et al.* (2013:13), believe that this defeats the purpose of qualitative research. Hence, interpretivism looks at the deeper meaning in discussions and understanding multiple realities that are represented in a collection of personal narratives, i.e., questionnaires, or observed behaviours and activities (Guest *et al.*, 2012:13). This philosophy in data collection is frequently more focused on highlighting the social and personal interpretation or the discussion of various topics, rather than the more structured measurement and collection thereof. (Guest *et al.*, 2012:13).

Interpretivism, as a theory, can therefore be described as being decidedly subjective in nature (Potrac, Jones & Nelson, 2014); and it is inherently, intrinsically incomplete; and thus, it always opens up the data analysis conducted in this methodology for debates (Geertz, 1973:29). This renders this philosophy of data analysis particularly suited to qualitative research (Guest *et al.*, 2012:13).

Positivism

Guest *et al.* (2013:13) stated that this philosophical stance is often placed in direct opposition to Interpretivism; since it is embedded in scientific methods. The fundamental ideas on which positivism is based are twofold:

- a) Interpretations of data analysis should always be derived directly from the data observed; therefore, no realities of society or individuals should be considered as the original sources of interpretivism.
- b) The data collection and analytical methods should be systematic and transparent. This is further echoed by Dudovskiy (2008), who argued that data are only trustworthy when they are obtained through observation, in which the role of the researcher is limited to the data collection and interpretation in an objective manner; and when the findings of the study are both observable and quantifiable.

The criticism that positivists have of interpretivism is that it is frequently too subjective and politicised; since positivists seek to obtain as close a picture as possible of the objective reality, within the limitations of the scope of any one given study (Guest *et al.*, 2012:13). In

analysing the qualitative data, positivists employ systematic analytical procedures, and they also do so in the identification of the structure within the data (Guest *et al.*, 2012:13).

Pragmatism

This philosophy accepts that there may be varying methods in analysing the data; but in order to accomplish the analysis, the most practical methods must be used (Legg and Hookway, 2019). In this philosophical paradigm, not all pragmatic philosophers can subscribe to a single philosophical claim (Talissee, Aikin & Goffey, 2008:1). Arguments on what pragmatism is vary; and some philosophers argue that pragmatism is a method of doing philosophy; while other philosophers argue that it is a stance that one might take against traditional philosophical problems. The many definitions of pragmatism are testament to the liveliness of pragmatism. The effect of this is that the principal contentions, major themes and central arguments all remain open questions, questions that pragmatists are continuously trying to figure out (Talissee *et al.*, 2008:3).

Pragmatists view the world as living; and thus, they will all have different layers or elements, some being subjective, objective or a combination of the two; since both are subjective and objective research attempts to produce research that best represents reality (Feilzer, 2010:8). The distinction between objective and subjective methods exists only because of the division in the social sciences (Hanson, 2008:103).

Feilzer (2010:8) states that pragmatists value anti-representational views of knowledge. Therefore, their research does not seek to represent the most accurate views on reality, or to provide an accurate explanation for how things are in themselves; but research must be useful, in order to benefit us all. Pragmatists see an ever-growing overlap between qualitative analysis and quantitative analysis, particularly in how the data are systematised, quantified and generalised (Hanson, 2008:100-102). Hanson (2008:103) argues that there may no longer be a practical or theoretical reason to focus specifically on whether research should be qualitative or quantitative.

As such, pragmatists do not require a particular method or method mix. Pragmatists do not expect to find causal links or truths; but they aim to interrogate a particular question or theory with the most appropriate research method (Feilzer, 2010:13).

Realism

In this philosophy, the stance is that phenomena are perceived with one's senses in terms of the characteristics of the world. It can thus be said that human beings' views and experiences are independent of one another (Hale, 2020). Realists research endeavours to take the view of trying to minimize error, bias and subjectivity (Shabangu, 2020:10). However, as realism has continued to become a popular research philosophy, realists in all their aspects have continuously agreed that human beings cannot have an objective, or certain knowledge of the world; and they must all accept the possibility of alternative valid accounts of any event that might occur (Maxwell, 2012:5). Realism in qualitative research has surprisingly not been noticed; and when it has been noticed, it has generally only been seen as an extension of positivism (Maxwell, 2012:9).

As regards the discussion on philosophical stances, pragmatism may be the most applicable research philosophy for this study. Pragmatism is most applicable to the study; because it allows for and acknowledges that any knowledge obtained through research is relative, rather than absolute (Feilzer, 2010:14). Although the questionnaire is set up in such a way to help the researchers find out what they want to know (i.e., what are taxpayers' perceptions towards SARS in the post-apartheid era); nevertheless, the pragmatic approach is flexible enough to accept that the questionnaire may not answer the questions of the researcher. This allows for pragmatist researchers to enjoy the complexity and the confusion of social life (Feilzer, 2010:14).

2.1.2. The nature of the study

Once the research question is determined, it is important to consider the classification of the particular design (Marczyk, DeMatteo & Festinger, 2010:123). The classification of the particular design is also aligned to the purpose of the research study (Saunders, Lewis and Thornhill, 2009:139); and this could be one of the following studies:

- An exploratory study,
- A descriptive study,
- An explanatory/Causal study (Akhtar, 2016:73).

These issues are discussed below:

An exploratory study

Exploratory research “is the primary stage of research and the purpose of this research is to achieve new insights into a phenomenon” (Akhtar, 2016:73). Swedberg (2020:17) defined exploratory research as the soul of good research; and this author further stated that research would be halted without the desire to say anything new. Akhtar (2016:73) stated that exploratory studies are generally more suitable for studies in which minimal research knowledge is available. Saunders *et al.* (2009:139) stated that exploratory studies are important, in order to discover what is happening, to explore fresh insights, to question and evaluate developments in a fresh light; and they are especially advantageous when one wishes to explain their understanding of a particular issue.

Saunders *et al.* (2009:139) further stated that there are three techniques for administering exploratory research:

- By exploring the literature;
- By interviewing experts in the subject; and
- By organising focus-group interviews.

A descriptive study

Descriptive research aims to detail a situation and its attributes (Nassaji, 2015:129). It is objective, neutral; and it does not aim to conceive a hypothesis, or the development of a theory (Lans & Van der Voordt, 2002:53). “Descriptive research cannot be used to create a causal relationship, where one variable affects another; in other words, descriptive research can be said to have a low requirement for internal validity.” (Akhtar, 2016:77). Saunders *et al.* (2009:140) stated that the purpose of this type of research is precisely to describe people, events or circumstances. This may be the addition of a piece of explanatory research; and it is less frequently, exploratory research (Saunders *et al.*, 2009:140).

An explanatory study

This study demonstrates causal relationships linking variables; and it is aimed at explaining the relationships connecting these variables (Saunders *et al.*, 2009:140). Creswell (1994:14) stated that the perceptions of causal relationships do not need to be complete positions; and they tend to differ in degree, depending on previous experiences and situational complexities.

This study falls within the ambit of exploratory study; because the purpose of this research is to achieve new insights; and there is minimal research knowledge available on taxpayers' perceptions towards SARS during the post-apartheid era.

2.1.3. Reasoning Methods

Reasoning is the process of using existing knowledge to draw conclusions or build explanations (Butte College, 2005). The reasoning method determines how the research question is formulated and how the theory is applicable (Shabangu, 2020:11). The three methods of reasoning are the deductive, the inductive, and the abductive methods:

The deductive method

Soiferman (2010:3) defined this method as a 'top-down' approach; it begins with a theory and then moves to observations to test the theory. Saunders, Lewis and Thornhill (2019:153) acknowledged that the deductive method involves the development of theories, which are then subjected to a rigorous test. This method uses the following approach:

- The process starts with an idea or hypothesis, in order to form a theory.
- The research problem or proposition is deduced by using the existing literature.
- One examines the premise and logic of the argument that produced the theories; and one compares it with the existing theories. One can continue with the premise only if it offers an advantage in understanding.
- The premise is then tested by collecting the data and analysing concepts. If the results of the analysis are not consistent with the premises, the theory is false and can either be rejected or modified; and this process above is re-started, only when the results are consistent with the premises; and then the theory is supported.

This method of reasoning results in a highly structured methodology; and researchers are more likely to use quantitative data (Saunders *et al.*, 2019:154). This method, therefore, begins with the general and ends with the specific (Soiferman, 2010:3).

The inductive method

Inductive reasoning begins with observations; and it ends with formulating a theory based on the accumulated evidence. This method moves from “specific to general”. The data are real, that is to say they are relevant to the topic of interest; and they are collected and observed, in order to identify those patterns, which are used in forming a theory (Soiferman, 2010:3).

The following steps are followed in an inductive approach of reasoning (Saunders *et al.*, 2019:155):

The process starts with an observation:

- Collecting and analysing the data, in order to understand the nature of the problem and further identifying any patterns; and
- Formulating a theory, based on the analysis.
-

Researchers using this method are more likely to use qualitative data, in order to establish the different views. A smaller sample size might be appropriate; as the researcher is more concerned with the context in which the events were identified (Saunders *et al.*, 2019:155).

The abductive method

Saunders *et al.* (2019:155) stated that an abductive approach combines the inductive and abductive approach of reasoning by moving back and forth.

This method chooses the hypothesis that best fits the given facts. It begins with an incomplete set of observations; and it then proceeds to the likeliest possible explanation. It therefore makes and tests hypotheses, based on the best information available (Butte College, 2005).

The following steps are followed in an inductive approach of reasoning (Saunders *et al.*, 2019:155):

- Observation of a surprising fact;
- Collecting and analysing data to identify and explain themes and patterns;
- Mapping the themes against a conceptual framework and changing and modifying the framework in the process; and
- Integrating the explanations obtained in an overall framework.

This study falls within the ambit of inductive reasoning; since the data are collected from questionnaires and analysed, in order to reach a conclusion on taxpayers' perceptions towards SARS. The research study will contribute to building a theory about taxpayers' perceptions.

2.1.4. Unit of Analysis

Kumar (2018:70) defines a unit of analysis as the entity or people from whom the researcher collects the data, and on the analyses in the study. It is therefore the focus of the study; and it answers the question of "who" or "what" the study is analysing.

Shabangu (2020:14) further stated that the units of analysis define the direction of the research project; as the data collected and analysed are based on the units of analysis.

Kumar (2018:72) groups the units of analysis into the following categories:

- Individuals or groups of people;
- Organisations;
- Social artefacts - these are man-made objects like books, newspapers and machines; and
- Social interactions.

Kumar (2018:72) further stated that individuals, as units of analysis, are used when the researcher is investigating attitudes, perceptions or opinions.

This study aims to investigate and assess taxpayers' perceptions; the units of analysis are therefore individual/natural persons (taxpayers).

2.1.5. Time horizon of the study

The research time horizon defines the period for the research study; and this can be either classified and cross-sectional, or longitudinal. These are determined by the nature of the research question (Shabangu, 2020:13).

These two methods are discussed below:

A cross-sectional study involves different population groups at one specific point in time. The researcher, therefore, measures the outcome and the exposures in the studied participants at the same time (At Works, 2015).

A longitudinal study, in contrast, conducts several observations of the same population, or subjects, over an extended period. The benefit of a longitudinal study is that researchers can detect developments and changes in the characteristics of the target population (At Work, 2015).

The time horizon used for this study is a cross-sectional study; since the perceptions of the different types of taxpayers are analysed at a point in time during the post-apartheid period.

2.1.6. The types of data

Researchers make use of either qualitative or quantitative data to support the research study and answer the research question. Quantitative and qualitative data are discussed below:

Quantitative data

Hox and Boeije (2005:593) describe quantitative data as “data that can be described numerically in terms of objects, variables and their values”. Quantitative data make use of statistical analysis to make the connection between what is known and what can be learned through the research. It, therefore, requires an understanding of the relationships among the variables by using either descriptive or inferential statistics.

Qualitative data

Hox and Boeije (2005:593) describe qualitative data as “data involving an understanding of the complexity, detail, and context of the research subject, often consisting of texts, such as interview transcripts and field notes, or audio-visual material.” Soiferman (2010:3) further states that qualitative research is a rigorous approach to finding the answers to questions. “It involves spending an extensive amount of time in the field, working in the often complex, time-consuming process of data analysis, writing long passages, and participating in a form of social and human science research that does not require firm guidelines or specific procedures.”

This study aims to understand the perceptions of taxpayers during the different periods of the democratic South Africa by means of a questionnaire. Therefore, this study used both qualitative and quantitative data.

The primary data source

The data collected by the researchers to support a research study can be classified as either primary and/or secondary data (Shabangu, 2020:16).

Hox and Boeije (2005:593) define primary data as original data that have been collected for a specific research goal. Shabangu (2020:24) further states that the primary data provide a first-hand account on a research topic. Primary data sources include, but are not limited to, experiments, interviews and surveys (Hox and Boeije 2005:596).

The secondary data source

Hox and Boeije (2005:593) defined secondary data as data collected for a different purpose and then re-used for another research purpose. Shabangu (2020:24) further states that secondary data evaluate work that has already been performed by someone else.

This study makes use of both primary and secondary data. Primary data, in the form of questionnaires to assess taxpayers’ perceptions towards SARS during the post-apartheid

era, were used; and the secondary data used were based on published peer-reviewed articles and books.

2.1.7. The Research Methodology

Goundar (2012:10) defined the research methodology as “the study of methods by which knowledge is gained. Its aim is to give the work plan of the research.” It therefore answers the following questions: How were the data collected? And how were the data analysed? The nature of the research methodology depends on the nature of the research problem (Goundar, 2012:10). This section provides information on the research methodology followed in this study.

2.1.8. The Data Collection

This section details the process followed to identify, collect, and analyse the data used in this study. The data are collected via an online questionnaire, which will allow a large population of taxpayers to respond; since the study is not limited to a specific region / area within South Africa. A questionnaire is a research instrument consisting of a series of questions used to collect the data from the respondents. It provides a way whereby the data can be summarised and discussed (Taylor-Powell & Marshall, 1998:2).

The questionnaire consists of 18 questions; with fewer questions, the respondents would spend less time completing the questionnaire. The participants are individual taxpayers; since the study analyses taxpayers’ perceptions over a period time. Taxpayers were identified as the units of analysis for this research study.

The questionnaire includes a combination of closed-ended, Likert and open-ended questions. Likert questions will produce more consistent answers and data that are easy to analyse, as the study will have a large sample size. Open-ended questions are included to allow the respondents to express their own thoughts; however, these will be limited to three; as written questions can be difficult to analyse, especially with a large sample size (Taylor-Powell & Marshall, 1998:5).

2.1.9. The Data Analysis

Open-ended questions (question 1-10) and Likert questions (questions 10-15) will be analysed by using a descriptive statistical method; as this method is mainly used when analysing quantitative data. Descriptive statistics are the arithmetic and graphical methods used to organise, present and analyse the characteristics or the factors of the data (Fisher & Marshall, 2009:95).

The closed-ended questions (questions 16-18) will be analysed individually, by using a content-analytical approach; as this method of analysis is mainly used when analysing qualitative data. The aim of content analysis is to sort out and obtain meaning from the data collected and to reach reasonable conclusions from them. Additionally, in content analysis various notions of reliability can be chosen in the discussion of trustworthiness, in order to render the results as trustworthy as possible (Bengtsson, 2016:10). It is worth noting that this method of analysis is special, in that it has both a quantitative and qualitative methodology, which can be used in a deductive and in an inductive manner. Quantitative content analysis has its origin in media research, while qualitative content analysis has its roots originally in social research. For the purpose of this study, the qualitative approach was used; and the results from the questionnaires are set forth in the form of prevalence conveyed as a percentage and as actual numbers per category (Bengtsson, 2016:10).

Generating, naming, and categorising themes

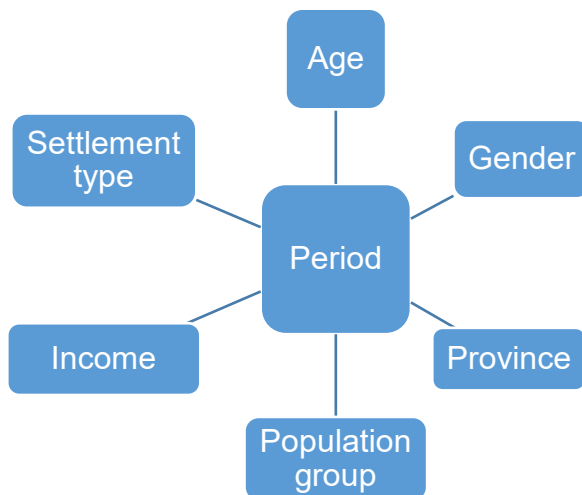
In understanding the process of generating themes, it is important to define the concept of the theme. Auerbach and Silverstein (2003:38) defined a theme as follows: "A theme is an implicit topic that organizes a group of repeating ideas." Themes are generated from the key words and phrases the researcher has identified, as discussed above. The themes generated are then further grouped into larger abstract ideas (Auerbach & Silverstein, 2003:39). It then becomes critical for the theme to be defined and to explain how exactly the different themes identified would advance the understanding of the data analysed.

The data obtained from the questionnaires will be analysed electronically by using Excel. The research data will first be broken down into three main categories, those being: the different periods (i.e., Period 1, Period 2 and Period 3). Thereafter, the researcher will

analyse period 2. In further coding the data, the researcher will categorise the data into categories, such as age, gender, population group, income, and geographic location. The purpose of this is to determine how age, gender, population group, income, and geographic location influence the participants' answers to the questions 10-15 of the questionnaire.

The reason for splitting the questionnaire up into categories is due to the fact that the data were preorganized in a way that is useful to the researcher, so that the data analysed can be compared in a more standardised manner. The categories are derived from general information questions about the participants; questions 1-9 of the questionnaire.

Figure 1: Illustrates the factors that may impact participants' perceptions towards SARS per period (detailed in the objectives).



Questions 16-18 are coded in a slightly different manner; as these questions allow for the participants to share more of their opinions. The researcher would thus need to connect and communicate with the data, in order to interpret and understand the ideas that arise from the answers of the participants (Basit, 2003:152). The interpretations of the data will be used by the researcher to develop theories and comments on the study. Questions 16-18 will first be read, and the key phrases and words will be highlighted. From there on, the phrases and words highlighted will be used to identify the central themes; and these themes are the themes that will be used to name the categories. The categories will then be linked to all the words and the phrases highlighted. The researcher can thus compare the themes, and generate categories, and see whether these categories relate to the research idea (i.e., taxpayers' perceptions towards SARS during 2009-2017).

2.2. CONCLUSION

The study follows a pragmatic approach. It is an exploratory, cross-sectional study; since the objective is to determine taxpayers' perceptions during a specific period (2009-2017). The unit of analysis is, therefore, individuals (taxpayers). This study aims to understand the perceptions of taxpayers during the different periods of the democratic South Africa via a questionnaire, as well as from the existing literature. Therefore, this study is classified as both qualitative and quantitative. This study makes use of both primary and secondary data. This study falls within the ambit of exploratory study; because the purpose of this research is to acquire new insights; and there is minimal research knowledge available on taxpayers' perceptions towards SARS during the post-apartheid era. This study falls within the ambit of inductive reasoning; as the data are collected from questionnaires and analysed, in order to reach a conclusion on taxpayers' perceptions towards SARS. The research study will contribute to building a theory on taxpayers' perceptions.

The results of the data gathered will be analysed electronically, by using the computer program Microsoft Excel. The results from the questionnaires are set forth in the form of prevalence, conveyed as a percentage and actual numbers per category. Bar and pie charts will be used to further help with the interpretation of the data, thereby rendering them more understandable. Keywords and phrases will be used to identify the themes for the open-ended questions. These themes will be used to name the categories. The categories will then be linked to all the words and the phrases highlighted. The interpretations of the data will be used to develop the theories and to conclude the study.

CHAPTER 3: THE LITERATURE REVIEW

3.1. INTRODUCTION

The main purpose of this study is to determine taxpayers' perceptions towards SARS during the 2009-2017 period. The purpose of this chapter is to provide a literature review relating to the research topic.

A literature review has two key elements namely:

- It concisely summarises the findings/claims from prior research on a subject.
- It reaches a conclusion about how accurate and complete that knowledge is, by presenting the considered judgments about what's right, what's wrong, what's inconclusive, and what's missing in the existing literature (Knopf, 2006:127).

Therefore, it is important to focus on the body of the work reviewed as a whole, rather than writing a summary list of what each individual work says (Knopf, 2006:127). A literature review should concisely summarise, from a set of relevant sources, as well as the collective conclusions most relevant to one's research study (Knopf, 2006:131).

The chapter discusses taxation in South Africa, taxpayers' perceptions, the factors affecting taxpayers' perceptions, and it provides a brief conclusion.

3.2. TAXATION IN SOUTH AFRICA

Taxation has played an important role in citizens' lives all around the world. Rulers have devised ways to increase wealth in their dominions ever since ancient times. It was seen with the Pharaohs, who delegated the collection of taxes to scribes, Greeks, whereby almost every right to use or purchase something was taxed, thereby introducing "indirect taxes" (Viljoen, 2017a:7).

Income tax has been levied in South Africa since 1914. The Minister of Finance presents the budget annually, whereby the total budgeted government expenditure, and the manner of funding the expenditure for the following year is detailed. Government expenditure in South Africa is predominantly funded by means of the revenue generated from taxes (Oberholzer & Stack, 2009:738). Szarowská (2014:662) stated that personal income taxes are the main source of Government income. Since 1994, the South African personal income tax system has gone through several reviews and reforms, in order to align with government policy and to improve collection efficiency, to reduce the economic distortions associated with the tax structure, and to decrease the costs associated with investment and job creation.

Steenekamp (2012:53) found that the total tax burden on individuals has remained relatively constant since 1994, in comparison with that in other developing countries. The 2017 South African Tax Statistics noted that PIT (37.2%), CIT (18.1%) and VAT (25.3%) in aggregate remain the largest sources of tax revenue; and they comprise about 80% of total tax revenue collections, with PIT in 2016/17, accounting for more than 37% of total revenue (National Treasury & South African Revenue Services, 2017:1).

During the 2017 budget speech, South Africa introduced a 'super tax bracket' of 45% for individuals with a taxable income above R1.5 million. This resulted in 6.6% of taxpayers contributing 50% of the personal income tax revenue per year, which is the highest effective tax rate since 1994 (Fin24, 2017). Viljoen (2017:5) stated that this could mean that tax avoidance will continue to increase; and it may become even more aggressively so in South Africa. In spite of this, the 2017 tax statistics noted that tax revenue grew from R572.8 billion in 2007/08 to R 1,144.1 billion in 2016/17 (an increase of 6.9% from the previous tax year), which was due to strong and sustainable revenue collection. It was further noted that the compound annual growth rate for 2012/13 – 2016/17 was 8.9% (National Treasury & South African Revenue Services, 2017: i & viii). It is imperative that tax administrators are equipped with sufficient powers to collect taxes from those taxpayers who are unwilling to comply voluntarily, in order to collect enough tax revenue to fund government expenditure (Moosa, 2018:2).

3.2.1 Tax Administration in South Africa

The main purpose of tax administration is to execute tax legislation and tax regulations (Alink & Van Kommer, 2011:163). In addition, tax administration seeks to cultivate a culture of tax compliance that fosters maximum tax collection in the most effective and efficient manner. The effect of this will be that the fiscus will benefit from the maximum tax collection allowable by law ;and the tax system will be credible (Moosa, 2018:3). If tax administration is to be successful, it is key for taxpayers to voluntarily comply, and not be forced to “carry out every aspect of their obligations” (James & Alley, 2002:30).

Wahl *et al.* (2010:384) identified two means whereby tax administration can be enhanced:

1. Increase taxpayers' trust in the tax authority. As trust in tax authorities and procedural fairness, affects the payment of taxes; and/or
2. Increase the power of authority of the tax administrator. The power of authority of the tax administrator is taxpayers' perception of tax authorities; as well as their capacity to detect and punish tax crimes.

It is key to balance the relationship between the perceived trust of taxpayers in tax administrators and how much power tax authorities are perceived to have (Wahl, *et al.*, 2010: 386). Wahl, *et al.* (2010:386) argue that there are scenarios where through change in policies and fines for tax evaders, honest taxpayers may perceive the increased power in tax administrators, as a sign that dishonest taxpayers will be punished, with good cause, thereby resulting in a more synergised tax environment with greater revenue collection. Conversely, other taxpayers may perceive the change of policies and fines for tax evaders as tax administrators being too harsh; and thus it may be signalled as the distrust of taxpayers by tax administrators, taxpayers might begin to engage in non-taxable economic activities (Alley, 2002:30-31), the result of this might be a decrease in tax payments, and a tax environment that may be viewed as antagonistic (Wahl, *et al.*, 2010:386).

Therefore, to legitimise the power conferred on tax administrator's procedural fairness, is key. Taxpayers are thus required to participate in the decision-making process (i.e., draft bills being sent out for public discussion and comment) on how tax laws are created. The result with this is that when action is taken against non-complaint taxpayers, the view taken

will be that the laws that society has agreed upon must be maintained and upheld (Bohnet & Frey, 1994: 341).

South African tax legislation is historically complex, due to the wide legislative infrastructure. Each tax law has dealt with its own administrative procedures, duties and remedies, which has often resulted in duplication across all laws applicable at the time. Although duplication occurred, provisions could altogether differ in varying degrees. This has caused confusion on how to interpret and apply legislation, thus causing increased tax-related disputes between taxpayers and SARS, resulting in tax-administrative complexity and expenses for SARS (Moosa, 2018:1), which is in direct conflict with a sound tax administration, i.e. which should be both effective and efficient. To remove duplicate administrative requirements from all the different tax acts, to simplify requirements and to provide a single piece of legislation, all administrative requirements for tax administration in South Africa are contained. Trevor Manuel, the minister of finance at the time, announced, in his 2005 Budget Review that SARS would begin drafting a Tax Administration Act (South African Revenue Service, 2021).

The TAA took effect on 1 October 2012 and established various new concepts and changes in terms of tax administration from the previous provisions set out in the various tax acts.

SARS and National Treasury developed the TAA in 2011 to simplify and provide consistency in tax-administration law. In keeping with the best practice for good tax administration, the process of drafting the TAA went through internal and external workshops with stakeholders, public consultation, and an external constitutional review. This reflects South Africa's mode of a participatory democracy, which is key for South Africa's ethos, arising from the Constitution (Moosa, 2018:3).

The TAA applies to everyone who is subject to the provisions of the tax act; and it binds SARS, as per section 4(1) of the TAA. The TAA sets out clear provisions for the enablement of the prescribed rights and obligations of taxpayers, as well as the prescribed powers and duties of SARS (Moosa, 2018:6). In legislating these rights and responsibilities for taxpayers. Government intends to continuously promote effective and efficient tax collection through showing taxpayers that their rights, as prescribed in the Constitution, are respected by SARS. In showing respect for taxpayers' rights; it builds trust between SARS and the taxpayers, thereby resulting in voluntary tax compliance (Moosa, 2018:7).

The streamlining of tax administration makes SARS more efficient and effective in the collection of tax revenue (Moosa, 2018:6). The SARS public opinion survey in 2019 also indicated that the complexity of the TAA can overwhelm taxpayers, making it more difficult for them to pay their taxes. More than three quarters of the surveyed respondents indicated that it takes them some time to figure out the TAA and SARS processes. This suggests that there might be too much complexity in the tax system and insufficient knowledge among taxpayers (PWC, 2019:5).

South Africa has, in recent history, several examples of what happens when good tax administration principles are not adhered to. This has significantly hindered the integrity of SARS (Nugent, 2018:163). The removal of the Large Business Centre, which was established to service large corporations and the exit of skilled professionals resulted in SARS not being able to service large corporations and high net worth individuals in the most effective and efficient way possible. Consequently, there were no longer sufficient internal controls to monitor and detect non-compliance (Nugent, 2018:163). Furthermore, the dismantling of the illicit trade team hindered the SARS capacity to investigate illicit trade (Nugent, 2018:122). As a result, SARS lost out on significant revenue in not being able to collect all these monies.

These actions may have also contributed to a breakdown of trust between SARS and compliant taxpayers; since honest taxpayers' may view SARS to be taking harsh enough action against those not doing their civic duty of paying taxes. This may cause these honest taxpayers' to also stop voluntary compliance with taxes.

Klopper (2015:3) states that SARS has to maintain its integrity, in order for the taxpayers to perceive the system to be fair. PWC (2019:13) argues that framing the collection of taxes in a transparent manner and emphasizing the fact that the fairness approach is taken, is key to establishing trust in the tax system. The more respectfully taxpayers are treated by the tax administration, the less likely they are to evade taxes; and this contributes to the desire to "do the right thing". Stiglingh (2009:370) found that the quality of the services provided by SARS is very important, as the burden of compliance with tax obligations is directly influenced by service quality, thereby directly impacting the tax compliance status of a country.

3.3. TAXPAYERS' PERCEPTIONS

The definition of taxpayers' perceptions or attitudes is not widely provided in the literature. The Oxford Learners' Dictionary (2022) defines perception as an idea, a belief, or an image you have, as a result of how you see or understand something. Lumsden and Lumsden (2000:382) defined perception as: "The process by which people sense, select, and interpret stimuli". Perception is the way things seem; and it analyses the awareness of the items or situations around people (Oberholzer & Stack, 2009:739).

Oberholzer (2008:245) found that South African taxpayers' perceptions influence their attitudes towards tax compliance; and that it is important for the State to build a close relationship between itself and the taxpayers. It is thus important to determine taxpayers' perceptions towards SARS, in order for this information to be used to refine any service strategies developed, in order to ensure that tax compliance in South Africa improves even further (Stiglingh 2009:370).

3.3.1 Tax Compliance and the Perceptions' of Taxpayers

Ratnawati, Sari and Sanusi (2019:423) argue that good service quality positively impacts the taxpayers' inclination to meet their tax commitments, thereby resulting in improved tax compliance. This was further emphasised by the Katz Commission (1994); where it was recommended that the perception of tax needs to be addressed. Taxes should not be seen as damaging to the economy; but they should rather be seen as a vehicle to assist in economic growth and development (Katz Commission, 1994).

It was further found, in Oberholzer and Stack's (2009:747) study, that South Africa is a diverse nation; and the citizens may have contrasting perceptions of taxation. To bridge the negative perception, the government could concentrate on educating citizens on the significance of taxes and the payment thereof, which would, in turn, result in a positive perception of tax compliance.

Research has shown that the taxpayers' attitudes towards tax compliance is largely influenced by how the government utilizes the tax revenues (Davis Tax Committee, 2017:49). Concerns of corruption, poor, and in some instances lack of service-delivery

complaints, remain issues, which may affect tax compliance; and this is due to the public's confidence in government (Davis Tax Committee, 2017:50). A study conducted in South Africa in 2004 indicated that tax compliance is affected by the following variables:

- Trust in the local government to use tax revenue effectively;
- Trust in the authorities to establish fair procedures to collect tax revenue and distribute services; and
- Trust in other citizens to pay their share of taxes (The World Bank, 2009:4).

South African Revenue Services (2014:21) further acknowledged that social norms and values affect tax compliance. The tax authority must design a system that:

- increases the perception of fairness i.e., every taxpayer pays their share of tax;
- reduces the burden in the administrative system; and
- acts against non-compliance speedily.

SARS also acknowledged that “unfavourable public perceptions of poor state delivery and corruption” is a risk that needs to be managed. SARS further acknowledged that the taxpayers' perception of government inefficiency encourages the culture of non-compliance (South African Revenue Services, 2014:21). Another component adding to corruption and non-compliance with tax laws, was found by Ali et al. (2014:828-842) to be the lack of tax knowledge. The authors found that respondents perceive it difficult to find out the taxes they are required to pay, and this ultimately results in non-compliance. In his concluding statement, Motsamai (2019:41) stated that corruption is negative for growth; and it has a negative influence on tax revenues.

3.4. FACTORS AFFECTING TAXPAYERS' PERCEPTIONS

The factors affecting taxpayers' perceptions of taxation are not straightforward. A number of studies have been published, which highlight a number of factors. Wahl *et al.* (2010:384) found that the willingness of taxpayers to comply is often influenced by how much taxpayers trust their respective governments.

A study conducted in Ethiopia, found the perception of government spending; the perception of equity and the fairness of the tax system; penalties; personal financial constraint; changes

in current government policies; and referral groups (friends, relatives etc.) are factors that significantly affect tax-compliance behaviour (Tehulu & Dinberu, 2014:272). Another study conducted in Canada, which explored the Bill of Rights, and found that the perception of tax fairness is associated with the level of compliance (Viljoen, 2017:4).

Kennedy, McGuinness and Shirran (2015:93) conducted a study, which focused on the perception of tax administration on the PAYE population in Ireland. The study indicated that 85% of the respondents strongly agreed, or somewhat agreed, that the tax system is fair; while 14 % broadly disagreed. 79% of the respondents strongly agreed, or somewhat agreed, that the revenue authority should be able to detect taxpayers, who are not paying the right amount of taxes. Only 6% of the respondents strongly agreed that if they wanted to report fraud, or any illegal activity to Revenue, they should know how to do so; However, 41% reported that they would not know how to do so.

From the above, there appears to be a link between the perception of tax fairness and the level of tax compliance, i.e., tax fairness drives tax compliance. This was further confirmed by Richardson (2006:31); Azmi and Perumal (2008:11), whereby it was noted that it is a common assumption in literature that the perception of tax fairness in a country is associated with tax evasion, tax avoidance and tax compliance.

More so, when the perception of a tax system is unfair, taxpayers are even more likely to evade taxes (Oberholzer, 2007:23; Saeed & Shah, 2011:13559).

Muli (2014:21) found that perceptions impact how a taxpayer decides what their tax burden is; and this is influenced by various factors, namely:

- The income of taxpayers;
- The trust in the government;
- Taxpayers' compliance costs incurred;
- Any uncertainties in applying tax-law provisions;
- Taxpayers' intentions to comply with the tax laws;
- Tax complexity, fiscal illusion and government-taxpayer exchange; and
- Personal preference skills in tax compliance.

The following main factors found in the literature will be discussed below: fairness, trust in the tax authority and taxpayer-government exchange.

3.4.1 Fairness

Perceptions of fairness occur from actual or presumed comparisons involving oneself, or others. These perceptions are important because they affect individuals' inclination to consider tax authorities as legitimate and trustworthy, which in turn, discourages retaliatory behaviour, and instead encourages cooperative behaviour. Therefore, perceptions of fairness can have profound implications for organizational co-operation, as well as for encouraging taxpayers' compliance, which would, in turn, reduce tax evasion (Farrar, Massey, Osecki & Thorne, 2020:487).

Farrar, et al. (2020:487) stated that understanding peoples' attitudes and perceptions of tax fairness is essential for those wishing to understand and influence taxpayers' compliance, as well as their tax evasion. Based on the study conducted by Farrar, et al. (2020:487), it was found that there are two related but slightly different shortcomings in our knowledge regarding fairness. "First, our understanding of the role of context on the formulation of perceptions of fairness is lacking. Second, we lack a comprehensive understanding of tax fairness, as we have inadvertently relied upon organisational fairness models, without consideration of their applicability to the tax context.

Without a more robust understanding of how context influences the perceptions of fairness, our ability to develop a comprehensive understanding of fairness perceptions reduces our ability to evaluate ways in which to inspire ethical and cooperative behaviour in general, and in tax compliance specifically." The findings from the study conducted by Farrar et al. (2020:487) indicated that fairness is a function of the comparisons considered relevant to the individuals formulating their fairness perceptions, not only in the tax context, but also in organisations in which fairness is integral to co-operative behaviour.

3.4.1.1 Confidence in the tax authority

OECD (2010:6) states that there are three types of tax fairness. "Distributive fairness is the perception that the government acts as a good custodian and wise spender of tax revenues.

Procedural fairness is the perception that the revenue body adheres to procedures that are fair in dealing with taxpayers. Retributive fairness is the perception that the revenue body is fair in the application of punishment, when the rules are broken. Studies show that a lack of fairness is linked to a taxpayer's inclination (or justification) to not comply."

The Davis Tax Committee researched the principle of fiscal citizenship. This principle views taxation as a "fundamental part of the social contract between the State and its citizens" (Davis Tax Committee, 2017:48). The level of fiscal citizenship declines, as the level of trust in the government and tax authorities decline (Davis Tax Committee, 2017:48).

The research indicated that the following issues reduced the confidence between SARS and taxpayers, which in turn, reduced fiscal citizenship:

- Compliant taxpayers feel targeted because of those taxpayers who do not comply;
- Delay of taxpayers' refunds;
- Decisions not made in a timely manner, and/or inconsistency in the decisions made; and
- The withdrawal of funds from taxpayers' accounts before SARS engages the taxpayers on the merits of the tax matters (Davis Tax Committee, 2017:49).
- The level of trust in government is affected by taxpayer-government exchange (Nyakane (2016:12).

"The importance of taxation in shaping political trust, has led some scholars to define trust in tax-related terms as a rough proxy for the ratio of tax costs to public-goods benefits" (Kananovich, 2019:71).

3.4.1.2 Taxpayer-government exchange

Nyakane (2016:12) stated that the taxpayer-government exchange (or fiscal exchange) refers to what taxpayers gain in the form of government services in return for paying their taxes; and this may be a motivation for taxpayers to enhance tax compliance. This is due to taxpayers viewing the payment of taxes as a means to finance the goods and services provided by government; and therefore, it encourages others to make a contribution. Thus,

a taxpayer may be seen as a buyer in the market exchanging his buying power for government-provided services.

The taxpayer-government relationship assumes the possibility of the taxpayer being betrayed, due to the fact that taxpayers' money is usually obtained, without designating the funds for any particular purpose. This results in taxpaying being a duty to contribute money or goods to the State in exchange for nothing in particular (Kananovich, 2019:71). The results of a study conducted by Porcano (1988:65) found that additional efforts should be made by government to address equity in the relationship.

3.5 CONCLUSION

Based on existing research, it was found that there appears to be a link between the perception of tax fairness and the level of tax compliance. Therefore, when the perception of a tax system is unfair, taxpayers are more likely to evade their payment of taxes. Fairness is a determining factor on how taxpayers perceive the tax authority. This filters from the tax compliance of taxpayers, trust in the tax authority, as well as taxpayer-government exchange. When taxpayers trust their tax authority it is more likely that they will comply with their tax obligations. However, in order for a taxpayer to trust the tax authority, there must be a positive taxpayer-government exchange. This study aims to determine taxpayer perceptions of SARS during 2009-2017, in order to understand the factors affecting these perceptions and to provide policymakers insight on taxpayers' perceptions, resulting in tax-policy changes and improved tax administration by SARS.

CHAPTER 4: THE DATA ANALYSIS AND THE RESULTS

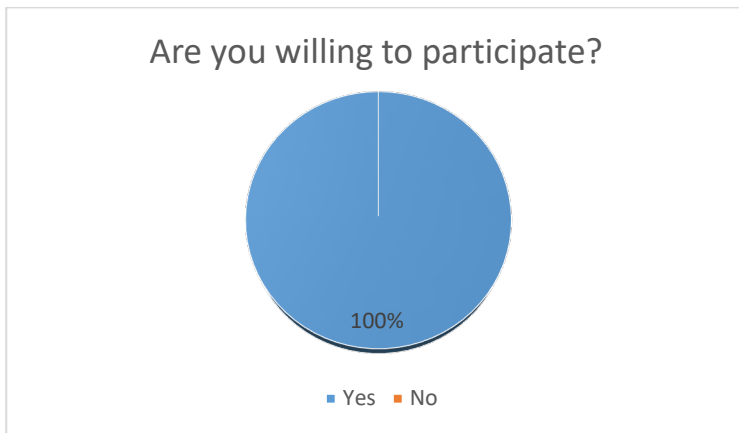
4.1 INTRODUCTION

The main purpose of this study is to explore taxpayers' perceptions towards SARS during the 2009 - 2017 era. In this chapter, the results of the data analysis are presented and discussed.

4.2 PRESENTATION OF THE RESULTS

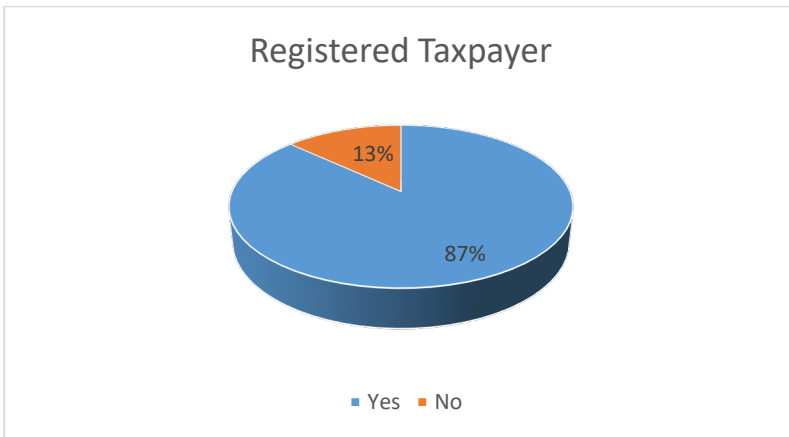
Question 1 covered the respondents' participation. All the respondents had the choice to participate; and 100% of the respondents chose to participate. Figure 2 provides the frequency statistics related to respondents' participation:

Figure 2: Are you willing to participate?



Question 2 asked the respondents whether they were registered taxpayers. A total of 87% of the respondents were registered, while 13% were not registered. Therefore, most respondents were registered taxpayers. Figure 3 provides the frequency statistics related to respondents' participation:

Figure 3: Are you a registered Taxpayer?



Understanding the taxpayer

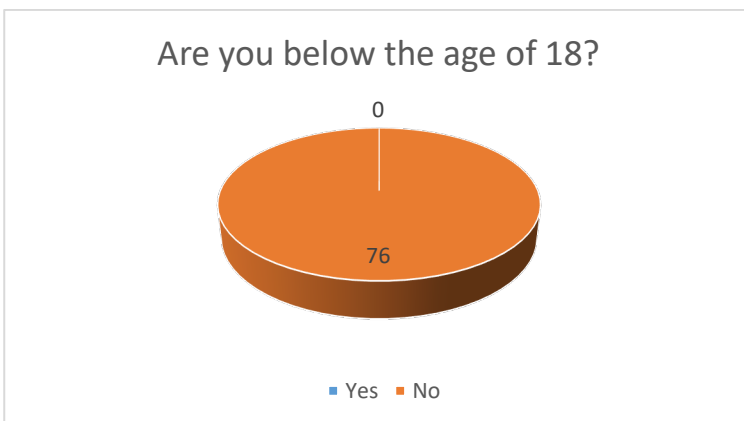
Questions 2-9 dealt with understanding the taxpayer. The results of these questions are presented in the following sections.

Age groups of the respondents

Questions 2 and 4 asked the participants whether they were below 18, as well as their age group, respectively. Figures 4 and 5 provide the frequency statistics related to the age of the respondents:

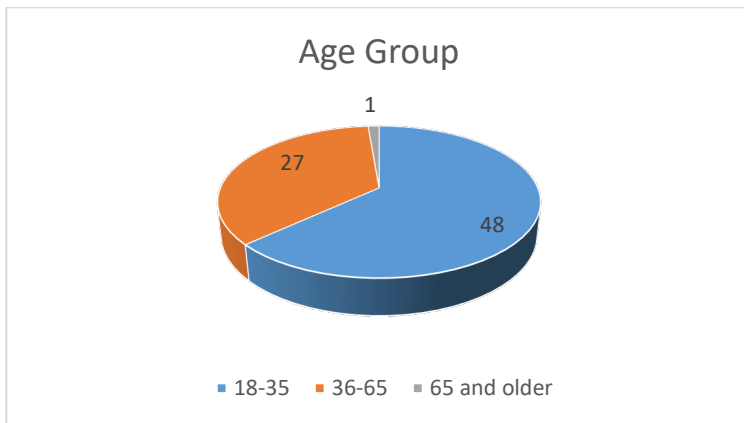
All the respondents (100%) were above the age of 18.

Figure 4: Are you below the age of 18?



As many as 63% of the respondents were between the ages of 18-35. As many as 36% of the respondents were between the ages of 36-65; and only 1% of the respondents were 65 and older. Therefore, most of the taxpayers' that participated in this questionnaire were young and middle-aged; and only 1 taxpayer was in the retirement age.

Figure 5: Indicate your age group

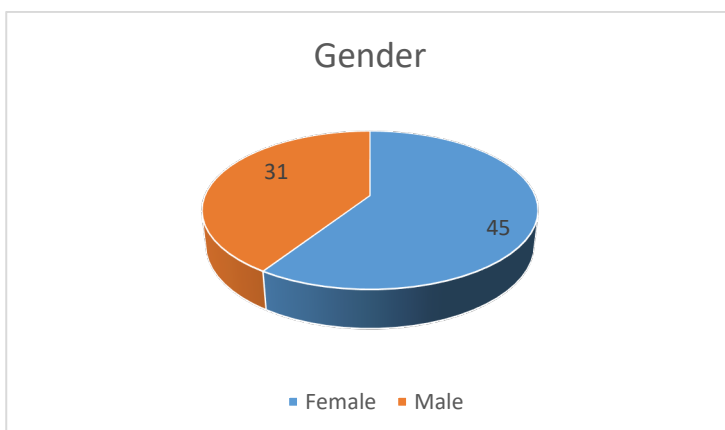


Gender of the respondents

Question 5 asked the participants to indicate their gender. Figure 6 indicates the frequency statistics of the gender of the respondents:

A total of 59% of the respondents were females; and 41% were males. Therefore, more female respondents participated in this questionnaire.

Figure 6: Indicate your gender

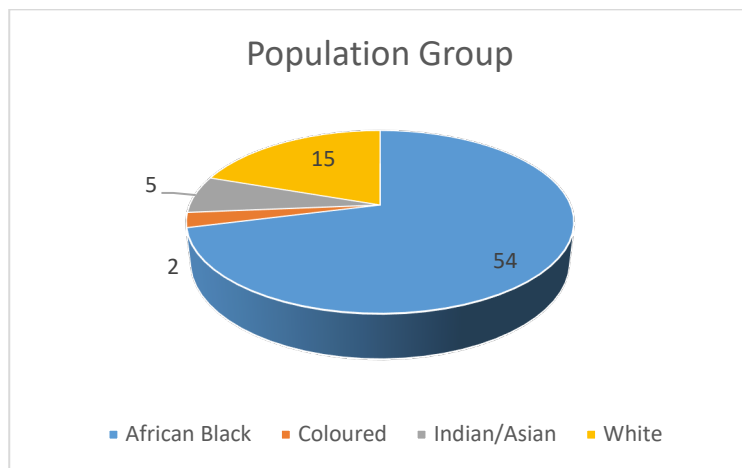


Population group of the respondents

Question 6 asked the participants to indicate their population group. Figure 7 indicates the frequency statistics of the population group of the respondents:

A total of 71% of the respondents were black Africans; 20% were white Europeans, 6% were Indian/Asian and 3% were coloureds. Therefore, most of the respondents were Africans and whites, while the smallest number of respondents were Indians/Asians and coloureds.

Figure 7: Indicate your population group



Type of settlement and province of the respondents

Questions 7 and 8 asked the participants to indicate the type of settlement and province in which their home was situated. Figures 8 and 9 indicate the frequency statistics of the type of settlement and province of the respondents:

A total of 93% of the respondents were situated in urban areas; and 7% were situated in rural areas. Most of the respondents were therefore from an urban area. As many as 70% of the respondents were from Gauteng; 8% were from the Western Cape; 7% were from KwaZulu Natal, 6% from the Free State, 4% from the Eastern Cape, 4% from the North-West and only 1% were from Mpumalanga. Therefore, most of the respondents resided in Gauteng.

Figure 8: Indicate in which type of settlement your house is situated.

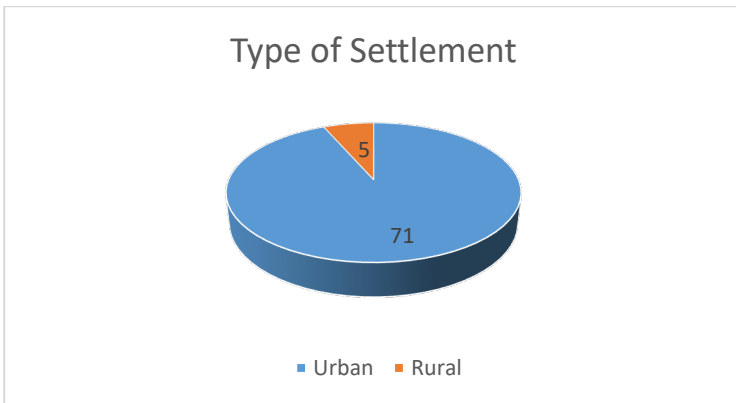
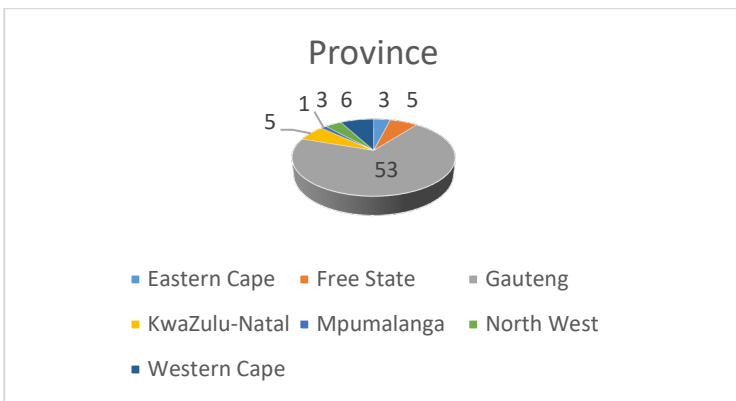


Figure 9: Indicate in which province your house is situated.

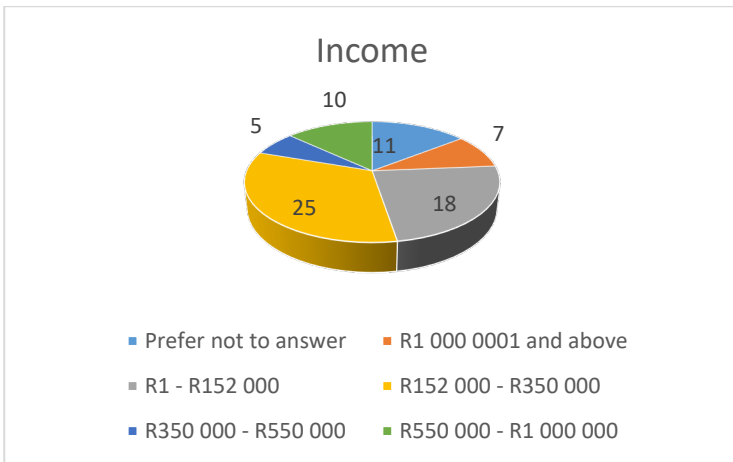


Income of the respondents

Question 9 asked the participants to indicate their net income per annum. Figure 10 indicates the frequency statistics of the net incomes of the respondents:

As many as 33% of the respondents earned between R152 000-R350 000 per annum; while 24% earned between R1-152 000; 14% chose not to state their net income; 13% earned between R550 000-R1 000 000; while 9% earned R1 000 000 and above; and 8% earned between R350 000-R550 000. Most of the respondents, therefore, earned between R152 000-R350 000 per annum.

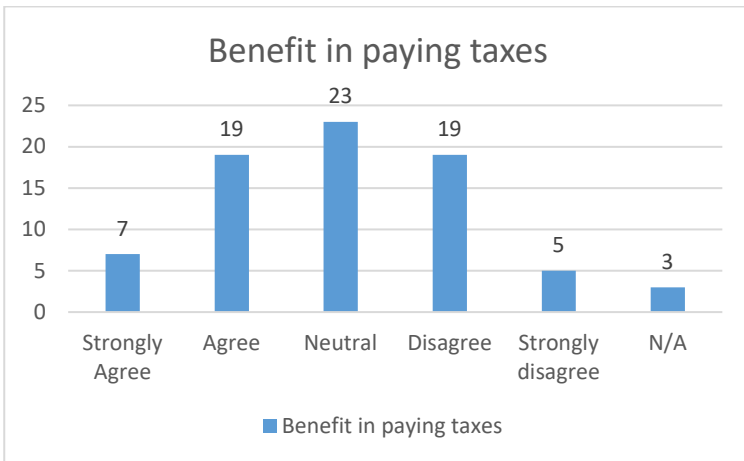
Figure 10: Indicate your net income per annum, i.e., after any deductions



Assessing taxpayers’ perceptions:

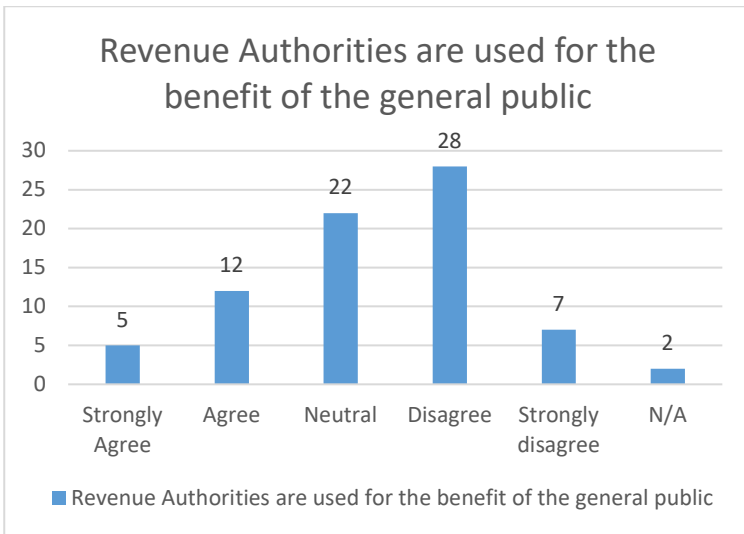
To understand the perceptions of taxpayers of SARS, question 10 asked the participants to indicate their opinion on whether they saw the benefit in paying taxes during the 2009 – 2017 era. Figures 11-16 below provide a synopsis of the respondents’ perceptions:

Figure 11: I see the benefits of paying tax



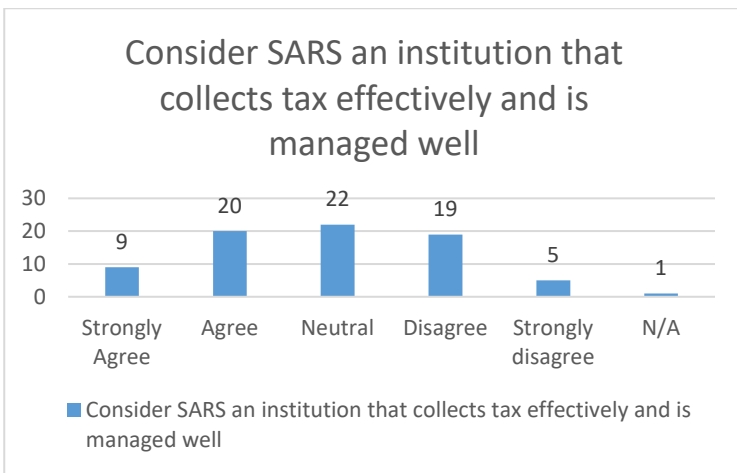
As many as 30% of the respondents were neutral when asked if they saw the benefit in paying taxes; 25% were both in agreement and disagreement; whereas 9% strongly agreed and 7% strongly disagreed. And 4% chose not to respond.

Figure 12: I think that tax revenues are used for the benefit of the general public.



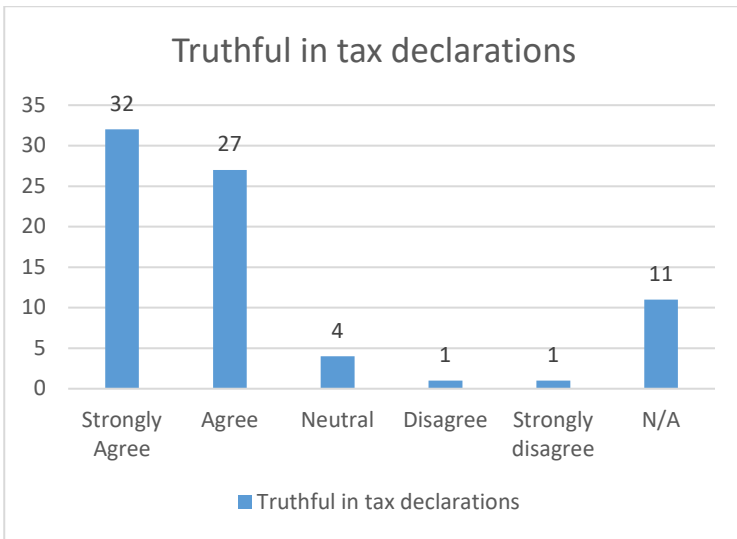
A total of 37% of the respondents disagreed when asked whether they believed that revenue authorities were to be used for the benefit of the general public, 29% were neutral, 16% agreed, 9% strongly disagreed and 7% strongly agree. 3% chose not to respond.

Figure 13: Do you consider SARS an institution that collects tax effectively and is well managed.



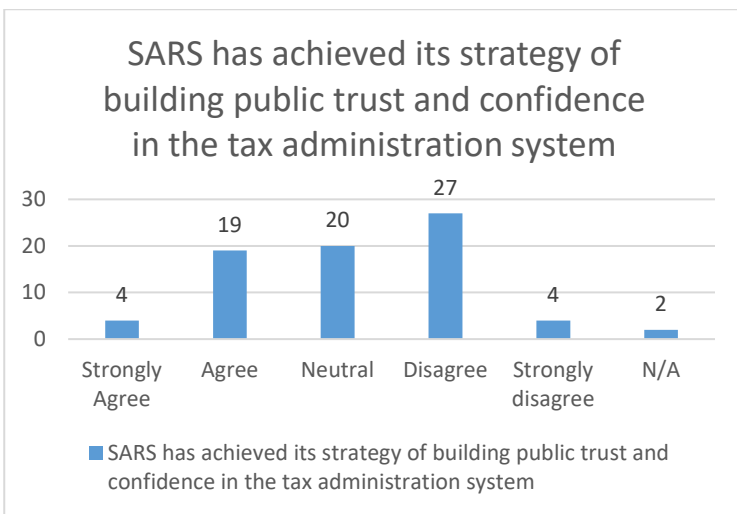
As many as 37% of the respondents were neutral when asked if they considered SARS to be an institution that collects tax effectively and is well managed. 26% agreed, while 25% disagreed, 12% strongly agreed, and 7% strongly disagreed. 1% chose not to respond.

Figure 14: I am truthful in my tax declarations to SARS



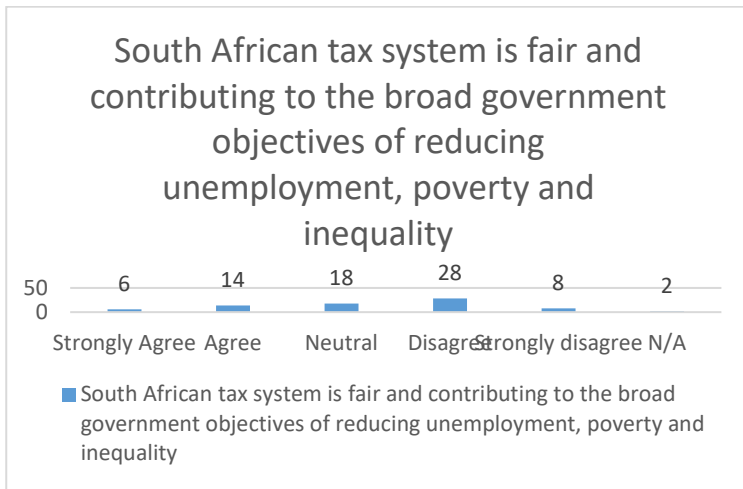
As many as 42% of the respondents strongly agreed that they were truthful in their tax declarations, 36% agreed; 5% were neutral, and 1% both disagreed and strongly disagreed. A mere 14% chose not to respond.

Figure 15: SARS has achieved its strategy of building public trust and confidence in the tax-administration system.



A total of 36% of the respondents disagreed when asked whether they believed that SARS has achieved its strategy of building public trust and confidence in the tax-administration system; 26% were neutral; 25% agreed; and 5% both strongly agreed and strongly disagreed. Only 3% chose not to respond.

Figure 16: I perceive the South African tax system to be fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality.



As many as 37% of the respondents disagreed when asked whether they perceived the South African tax system to be fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality; 24% disagreed; 18% agreed 11% strongly disagreed and 8% strongly agreed. Only 3% chose not to respond.

There were 3 open-ended questions; the first question focused on the taxpayers’ initial perception of SARS and whether their perception had changed. The second question focused on taxpayers’ perceptions of the administration of taxes by SARS; while the third question focused on the current perceptions of SARS.

Using the content analysis, the following themes were found in the responses:

4.2.1 Corruption

The main theme from the responses was the rise of corruption and state capture. Motsamai (2019:7) stated that the endemic of corruption is a significant problem in the world, not just in South Africa; and he further argued that this is the thief of better service delivery to the public and economic growth. Leoka (2017:24) wrote in an Annual Report by Corruption Watch, that it is estimated that in the South African public sector, corruption, costs more

than R27 billion annually, which is substantial for a country that is faced with many challenges.

A total of 55% of the respondents were of the opinion that taxes are collected to fund politicians and a corrupt government. *SARS was mismanaged; and it has given rise to state capture and corruption. E-filing worked, however, as the leader in implementing technology in 2005, the impact of corruption and delays in improving this IT infrastructure have and will result in revenue leakage. Broader change is required for a sustainable collection model.*

A total of 46% of the respondents were of the opinion that SARS is disorganised, corrupt, non-responsive, unreasonable, used for political reasons sometimes, ineffective, poorly managed; and the mismanagement of funds was political, unfair, fraudulent and burdensome. The respondents also stated that SARS needs to be more transparent on how money is spent after collection.

4.2.2 Taxpayer-government exchange

In a study that was conducted from the individuals' perspective, Ali, Fjeldstad and Sjursen (2014:828-842) found that corruption amongst individuals could perhaps be fuelled by the perception of a lack of service delivery by the government.

It was found that when there is a perception of benefit through service delivery, taxpayers respond positively to taxes; and South African respondents stressed the importance of adequate policing, security and the provision of basic services. The respondents were largely of the view that there is no benefit to be seen in paying taxes.

4.2.3 Fairness

Many respondents stated that Economic decisions were also unfair, SARS tax administration was seen as unfair; as some people get away with not paying their taxes.

4.2.4 The efficiency and effectiveness of SARS

Only 18% appear to have had a positive perception of SARS during this period with taxpayers commenting on the efficiency and effectiveness of SARS, stating that they see some benefits in paying taxes, commenting that it is a well-run institution, and that their online system has improved, which makes completing tax returns easier.

As many as 38% of the respondents were of the opinion that the administration of taxes by SARS is poor; and that it could be improved, in order to ensure the effectiveness of the institution. One taxpayer stated that the laws are in place, nevertheless they are poorly administered, which links back to poor government. Many respondents touched on corruption, as previously discussed.

A total of 29% of the respondents, on the other hand, were of the opinion that the administration of taxes by SARS is good, efficient, effective, well-governed, fair, transparent and one of the better-run State-Owned Enterprises in South Africa. Furthermore, 20% were of the opinion that SARS is efficient, effective, does a good job as a revenue collector, and is helpful. Two respondents stated that *we have a great tax structure in place that could greatly improve the lives of millions in South Africa if the objectives were met (e.g. budget allocated for health care or housing and SARS is currently restructuring to become a credible modern organisation).*

4.2.5 Tax Administration of SARS

As many as 21% of the respondents appear to have had both a positive and a negative perception of the administration of taxes by SARS during this period; and they indicated the following improvement areas:

- *SARS still needs to improve in leadership and efficiency, especially in taxpayer relations. More capacity is required;*
- *The issue lies with what is done with tax revenue collected by the government;*
- *The controls implemented to detect non-compliance could be better implemented;*
- *Another problem highlighted was the inherent and control risks faced due to employees;*

- *Administration systems could be better managed;*
- *The taxes in concept are good and can collect the required revenue; however, they are very aggressive. The middle class is over-taxed and receives no benefit or assistance from government in incentives. Furthermore, the cost of compliance is high for individuals and small businesses. Combining the cost of compliance and the taxes required, the current tax climate is not small-business friendly; thus the high levels of tax non-compliance are observed. Furthermore, individuals with passive incomes are not incentivised to disclose their income due to feeling overtaxed, with no apparent benefit on an individual or national basis.*
- *Excellent policies and systems. Definitely the best administration of taxes on the African continent. Actual empowerment and upskilling of SARS officials on the ground are still lacking, however.*

There were 11% of respondents who appear to have had both a positive and a negative perception of SARS during this period, or their perception has not changed. One taxpayer summarised the responses received by stating that *Period 2 was initially characterised by further positive movement, but later just ended up best characterised as stagnant. At first, the SARS continued to build on the successes of Period 1, with, for example, significant enhancements (almost annually) to eFiling. A high point in the first part of Period 2 was the development (2009-11) and eventual enactment (2011) of the Tax-Administration Act.*

This signalled a greater focus on service-levels and respect for taxpayers' constitutional rights. However, the actual implementation of these ideals ended up best-described as "disappointing". The impact of ongoing disregard for taxpayers' rights and service-levels was exacerbated by a noticeable "brain drain" in the latter part of Period 2. SARS officials had lost respect and credibility in the eyes of taxpayers and tax practitioners." Another taxpayer highlighted that SARS was much more efficient and organised during this period, due to eFiling. However, the ability to get a hold of a person to assist you is much more difficult and this respondent further stated that the competency of the personnel is questionable.

Furthermore, 22% appear to have had both a positive and a negative perception of SARS and feel that taxes are "a necessary evil". To sum up the responses received, another stated that it is the *"Best tax administration in Africa. Certainly, world-class and better than many*

other revenue authorities outside of Africa. But there is still substantial room for improvement. The "arrogance" factor needs addressing, i.e., National Treasury, Parliament, and the courts make the law ... SARS only applies and enforces it; and it is equally subject to the law." Some of the respondents also stated that SARS needs to be more professional, less aggressive and to provide assistance for those taxpayers without tax practitioners.

One respondent summarised the responses well, stating that *"During the period post 2009, various corruption scandals, including those involving the then Commissioner, Tom Moyane until 2014, as noted in the Nugent Commission, damaged SARS and public perceptions thereof. In more recent times, since the appointment of Edward Kieswetter, there has been an improvement in SARS' technology and a redirection towards improving governance and public "trust". However, the extent and length of damage will be felt for a long time. It is further noted per the published tax collection data were and based on various statistical analyses so that the collection levels appear to be unsustainable in the long term.*

High tax rates are imposed on very few individuals (<5m taxpayers). Tax revenues collected continue to be leaked in supporting corrupt governmental organisations; old and ageing infrastructure; failing SOEs; and the increasing burden of interest costs and social security. The country's corruption perception has not improved globally; and public corruption will continue to impact perception and trust, thus impacting collections directly (immigration) / indirectly (fraud / failure to pay taxes).

As many as 16%, 12% and 12% chose not to answer questions 16, 17 and 18, respectively.

4.3 SUMMARY OF THE KEY FINDINGS AND FACTORS AFFECTING TAXPAYERS' PERCEPTIONS

The research objectives of the study were to determine the factors affecting taxpayers' perceptions and to determine South African taxpayers' perceptions during 2009 – 2017 by distributing a questionnaire. Lastly, to analyse South African taxpayers' perceptions and to conclude the study.

A questionnaire was distributed, and 100 responses were received; but 76 related to the 2009 – 2017 period. The questionnaire was anonymous, confidential; and participation was

voluntary. The respondents had the right to withdraw from the research at any time, without having to explain why. The questionnaire was sent out by using Google Forms.

This questionnaire covered taxpayers' perceptions during all 3 periods researched post-apartheid. In order to determine the respondents' perceptions during period 2, filters were applied and the total number of respondents that responded based on period 2 were 76.

Based on the existing research, there are many factors that affect taxpayers' perceptions of paying taxes and ultimately of the revenue authority collecting the taxes.

The main driver, however, is service delivery and the level of trust in the government. This links with corruption and fiscal exchange. It was noted that taxpayers understand what SARS' role is in terms of tax revenue collection. There are taxpayers that perceive the South African taxing authority to be fair, effective, efficient and one of the best semi-autonomous state-owned enterprises. However, during this period there was an increase in corruption and maladministration, resulting in taxpayers believing that there is no benefit in paying taxes.

The taxpayers stated that perceptions changed and decreased, due to politicians involved in state capture, corruption and a loss of trust in the authorities, South Africa's corruption perception has not improved globally, and public corruption will continue to impact perceptions and confidence, thereby impacting collections directly (immigration) / indirectly (fraud / failure to pay taxes). The citizens have lost faith in SARS; and they only pay tax because they have to, without seeing any benefit. Taxpayers have stated that the revenue collected supports corrupt governmental organisations, as well as an old and ageing infrastructure; failing SOEs; and the increasing burden of interest costs and social security. Taxpayers also believe that SARS is unfair, due to some citizens not paying their taxes, without any consequences. Taxpayers believe that this period resulted in a decrease in the trust of taxpayers and inefficiency by SARS.

However, not all taxpayers appear to have had a negative perception of SARS, stating that they believed in the efficiency and effectiveness of SARS and elaborated that it was doing all there is to do right by South Africans; the money is used for the benefit of citizens and

further that SARS was extremely/efficient, and they genuinely wanted to build up the South African economy.

Some taxpayers suggested ways in which to improve taxpayers' perceptions towards the tax authority, with one summing it all up and stating that the reform measures need to be implemented. Another stated that they were hoping to have better infrastructure, resulting in better living conditions for all South Africans.

Many respondents believed that the administration of taxes by SARS is poorly administered/implemented, and corruption is much higher. However, many taxpayers were positive about the administration of taxes by SARS. Some even stating that the administration is perfect, well governed, efficient and effective. One respondent highlighted that although they believed that the administration of taxes is good, they believed that the use of the money received is the problem; as there is no accountability and transparency afterwards. Taxpayers believe that a lot of money goes into grants, instead of economic development and job creation.

Taxpayers believed in the positivity and efficiency of the administration of taxes by SARS, due to eFiling and non-complex tax system. Taxpayers also believed that the administration of taxes is fair, clear and that SARS is one of the State-owned enterprises that is of a good standard.

Most taxpayers appeared to have a negative perception of SARS, mostly due to corruption and state capture. Taxpayers perceived SARS to be disorganized, aggressive, non-responsive, unreasonable, ineffective, inconsistent, fraudulent, political, corrupt, poorly administered/managed, mismanaged funds, and that it is untrustworthy and burdensome to any taxpayer. Many taxpayers believed that the tax rates are high and high amounts of taxes are paid on low salaries. Taxpayers also believed that the tax legislation is complicated, thereby making it difficult for taxpayers without any assistance from tax practitioners.

However, others perceived SARS to be efficient, effective and that SARS is doing their job as a state entity; but they are aggressive. Many believe that SARS is collecting the revenue well, in order to provide services to citizens; however, some taxpayers stated that how the funds are used is not in the control of SARS. If the management of these funds were

correctly allocated, South African lives could be greatly improved. Many respondents believed that the administration of taxes by SARS is poorly administered/implemented, and corruption is much higher. However, many taxpayers were positive about the administration of taxes by SARS, some even stating that the administration is perfect, well governed, efficient and effective. Taxpayers believed in the positivity and efficiency of the administration of taxes by SARS, due to eFiling and a non-complex tax system. Taxpayers also believed that the administration of taxes is fair, clear, and that SARS is one of the State-owned enterprises that is of a good standard.

Some taxpayers perceived SARS to be disorganized, aggressive, non-responsive, unreasonable, ineffective, inconsistent, fraudulent, political, corrupt, poorly administered/managed, mismanaged funds, unfair, untrustworthy and burdensome to any taxpayer. However, others perceived SARS to be efficient, effective and that SARS is doing a good job as a State entity, but they are aggressive.

4.4 CONCLUSION

As many as 30% of the respondents were neutral, when asked whether they saw the benefit in paying taxes, 25% were both in agreement and disagreement; whereas 9% strongly agreed and 7% strongly disagreed. 4% chose not to respond. 37% of the respondents disagreed when asked whether they believed that revenue authorities were to be used for the benefit of the general public, 29% were neutral, 16% agreed, 9% strongly disagreed and 7% strongly agreed. Only 3% chose not to respond.

As many as 37% of the respondents were neutral, when asked whether they considered SARS an institution that collects taxes effectively and is managed well; 26% agreed, while 25% disagreed, 12% strongly agreed, and 7% strongly disagreed. Only 1% chose not to respond. 36% of the respondents disagreed that they believe that SARS has achieved its strategy of building public trust and confidence in the tax administration system; while 26% were neutral, 25% agreed, and 5% both strongly agreed and strongly disagreed. A mere 3% chose not to respond; while 37% of the respondents disagreed that they perceived the South African tax system to be fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality, 24% disagreed, 18% agreed, 11% strongly disagreed; and 8% strongly agree. 3% chose not to respond. 42% of the respondents

strongly agreed that they were truthful in their tax declarations, 36% agreed, 5% were neutral, and 1% both disagreed and strongly disagreed. 14% chose not to respond.

Therefore, based on the content analysis of the responses, the following factors affected taxpayers' perceptions of SARS:

- Corruption within government and the revenue authority;
- Taxpayer-government exchange, which also links to service delivery of the revenue authority;
- Fairness;
- Efficiency and effectiveness of the revenue authority
- Tax administration of SARS

The factors found above are supported by the current factors evident in the literature, as discussed in Chapter 2.

CHAPTER 5: CONCLUSION

5.1 INTRODUCTION

This chapter summarises the findings of the study, in order to present the conclusions in accordance with the objectives of this study. This chapter brings the study to a conclusion with a summary of the findings of the study, an explanation of the limitations of this study and remarks for future researchers, who want to explore this topic, as well as concluding remarks, in order to present the conclusions in accordance with the primary and secondary objectives of this study.

5.2 SUMMARY OF THE FINDINGS AND CONCLUSION

The primary objective of this study was to determine taxpayers' perceptions towards SARS during 2009 - 2017. The study had the following secondary objectives:

- To determine those factors that affect taxpayers' perceptions, determining South African taxpayers' perceptions during 2009 - 2017 by distributing a questionnaire; and
- To analyse the responses and conclude the study.

A questionnaire was issued; whereby 100 responses were received. This questionnaire covered taxpayers' perceptions during all 3 periods researched post-apartheid. Of these 100, 76 related to the 2009 - 2017 period based on the filters applied. The questionnaire dealt with understanding the taxpayer in terms of demographics, assessing taxpayers' perceptions and open-ended questions on their perceptions of SARS.

The literature highlighted the following factors:

- Tax compliance and the perceptions of taxpayers
- Fairness
- Trust in the tax authority
- Taxpayer-government exchanges

Content analysis was used to analyse the open-ended questions; and the following main themes were found:

- Corruption
- Efficiency and effectiveness of the revenue authority
- Taxpayer-government exchange

In addressing the primary research objective, the study found that based on the responses analysed, taxpayers' perceptions towards SARS were inconclusive; due to the fact that there is no clear indication of the taxpayers' perceptions; as they have diverse views. Some taxpayers appeared to have a positive perception, and some appeared to have a negative perception. There are taxpayers that are satisfied with SARS and taxpayers that are not. In conclusion taxpayers have different opposing perceptions of SARS: positive, negative and mixed. The main driver of the declined perceptions during this period related to increased corruption levels and mismanagement of taxpayers' funds by government.

It was found that the factors affecting taxpayers' perceptions in South Africa are corruption, taxpayer-government exchange, fairness, efficiency and effectiveness and the tax administration of SARS.

The research question for this study was "*What were taxpayers' perceptions towards SARS during the 2009 - 2017 era?*"

The study found that many taxpayers do not see the benefit in paying taxes, do not believe that revenue authorities are used for the benefit of the general public, do not believe that SARS achieved its strategy of building public trust and confidence in the tax-administration system, and do not believe that the South African tax system is fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality. Most taxpayers declared that they were truthful in declaring their taxes; while taxpayers agreed and disagreed evenly with the fact that they considered SARS an institution that collects tax effectively and is managed well. The main theme that resulted in a perception that appeared to be negative was the increased levels of corruption causing state capture during this period.

Furthermore, taxpayers' perceptions towards SARS were inconclusive; as there appeared to be both positive and negative perceptions of SARS during the 2009 – 2017 period. The main driver for the change in perceptions is the increased levels of corruption, which resulted in State capture during this period.

5.3 LIMITATIONS

The limitations of the study are:

- An important limitation of this study is the possible overlapping of taxpayers' perceptions of another era, due to the fact that the age groups were split per tax brackets, rather than per era. This study was done over a period of 2009 - 2017, leaving out a large number of years in the study. This presents another limitation; since there could be valuable contributions, which were in the years prior to 2009 and post 2017, which could have provided valuable insights in the study, but were not consulted.
- Lastly, this research focused on taxpayers' perceptions towards SARS with respect to general taxes; but it did not focus on taxpayers' perceptions towards SARS on a specific tax type. The outcome of the perceptions cannot be generalised to the entire population of South Africa; since the study was only limited to a sample of respondents that participated in the questionnaire.

5.4 FUTURE RESEARCH

The current study explored taxpayers' perceptions towards SARS during the 2009 – 2017 period. This study could provide a starting point for future studies:

- Each factor affecting taxpayer perceptions can be explored separately;
- The period of research in analysing taxpayers' perceptions could be broadened;
- Assisting SARS in understanding the factors that affect taxpayers' perceptions and potentially decrease tax revenue collection;
- Focus on perception affecting each individual tax type; and
- Focus on corruption as a factor affecting taxpayer perception.

5.5 CONCLUDING REMARKS

The issue of corruption is a concern for many South African taxpayers, and this was seen in the media. The outcome of this study is that the majority of taxpayers, despite their demographic background, are of the opinion that corruption is what caused a decline in taxpayers' perceptions during this period. This spirals into not seeing the benefit of the taxes being paid, which ultimately decreases the level of trust in government. The findings of this study build on previous research conducted on taxpayers' perception ins South Africa, by Oberholzer in 2005 and 2007. These studies explored the perceptions of individual taxpayers' and found that the majority of the respondents were of the opinion that a large portion of taxes were used for meaningless purposes; and waste and corruption were high. Based on the results obtained from the questionnaire distributed, it was found that taxpayer perception towards SARS is inconclusive as there appears to be both positive and negative perceptions of SARS during 2009 - 2017. The main driver for the change in perception is the increased levels of corruption, which resulted in State capture during this period. However, taxpayers highlighted the efficiency and effectiveness of SARS and there are taxpayers that see the benefits in taxes being paid.

“One of the most effective tools for making people more positive is to empower them with knowledge. It is submitted that there is no better tool for government to positively influence the taxpayers of a democracy than to provide them with knowledge on how taxpayers' money is being utilised.”

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APPENDIX A:
Declaration of plagiarism



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):	Khatija Fatima Suliman
Student number:	15331084

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.

KF Suliman

Signature

**APPENDIX B:
Questionnaire**

Questionnaire

Background to the questionnaire

The questionnaire is part of the project to determine taxpayers' perceptions towards SARS during the post-apartheid era. This questionnaire will form part of a mini dissertation for an MCom degree at the University of Pretoria. The questionnaire will be sent out using Google Forms.

This questionnaire is anonymous, confidential and your participation is voluntary. Therefore, there will be no penalty or loss of benefit if you decide not to take part. You have the right to withdraw from the research at any time without having to explain why, the opportunity to ask questions about the proposed study before signing consent and the rights of access to your data. Your answers provided will be used for research purposes only and will be aggregated with other responses. There are no right or wrong answers. The questionnaire should not take more than 15 minutes to complete. We thank you for your participation in this questionnaire, should you wish to participate.

Background

This study focuses on the post-apartheid era broken down as follows:

Period 1: 1994-2008

The dawn of the democratic South Africa. The first time in history where democratic elections were held, and Nelson Mandela was elected as the first democratic president of South Africa in 1994. Mandela was succeeded by Thabo Mbeki in 1999 (Miti, 2012:30).

SARS was established as a public institution outside of the Minister of Finance's office in terms of the SARS Act and Pravin Gordhan was appointed as the first post-apartheid Commissioner.

Period 2: 2009-2017

Mbeki's reign came to an end and was succeeded by Kgalema Motlanthe as interim president until the elections in 2009 which brought Jacob Zuma to power (Miti, 2012:36).

Gordhan was succeeded by Oupa Magashula as SARS Commissioner, who resigned in May 2009. After the resignation of Oupa Magashula, Ivan Pillay acted as Commissioner until the appointment of Tom Moyane in September 2014.

Period 3: 2018-present (2022)

Cyril Ramaphosa was elected as president after Jacob Zuma resigned in 2018 (Nkosi, 2018). President Cyril Ramaphosa terminated Tom Moyane’s contract in May 2018 (Nugent, 2018:22). Mark Kingon acted as Commissioner until the appointment of Edward Kieswetter in May 2019 (Mjo, 2021).

1. Are you willing to participate?

Yes	
No	

Understanding the taxpayer:

2. Are you below the age of 18?

Yes	
No	

3. Are you a registered taxpayer?

Yes	
No	

4. Please indicate your age group

18 – 35 years	
36 – 45 years	
46 – 64 years	
65 and older	
Prefer not to answer	

5. Please indicate your gender

Male	
Female	
Other	
Prefer not to answer	

6. Please indicate your population group:

African Black	
Coloured	
Indian/Asian	
White	
Other, please specify	

7. Indicate which type of settlement your house is situated in

Rural	
Urban	

8. Indicate which province is your house situated

Free State	
Gauteng	
KwaZulu-Natal	
Limpopo	
Mpumalanga	
Eastern Cape	

Western Cape	
Northern Cape	
North West	

9. Please indicate your net income per annum; **i.e., after any deductions**

R1 – R152 000	
R152 001 – R350 000	
R350 001 – R550 000	
R550 001 – R1 000 000	
R1 000 001 and above	
Prefer not to answer	

Assessing the taxpayer perception:

Based on your understanding of tax and the functioning of the government since 1994, choose the appropriate response to the following statements for all periods. Please select N/A if you were not a taxpayer during a specific period.

10. I see the benefit in paying taxes

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A
Period 1: 1994 – 2008						
Period 2: 2009 – 2017						

Period 3: 2018 - present						
Prefer not to say						

11. I think that tax revenues are used for the benefit of the general public

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A
Period 1: 1994 – 2008						
Period 2: 2009 – 2017						
Period 3: 2018 - present						
Prefer not to say						

12. I consider SARS an institution that collects tax effectively and is managed well

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A
Period 1: 1994 – 2008						
Period 2: 2009 – 2017						
Period 3: 2018 - present						
Prefer not to say						

13. I was/am truthful in my tax declarations to SARS

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A
Period 1: 1994 – 2008						
Period 2: 2009 – 2017						
Period 3: 2018 - present						
Prefer not to say						

14. SARS has achieved its strategy of building public trust and confidence in the tax administration system

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A
Period 1: 1994 – 2008						
Period 2: 2009 – 2017						
Period 3: 2018 - present						
Prefer not to say						

15. I perceive the South African tax system to be fair and contributing to the broad government objectives of reducing unemployment, poverty and inequality

Options	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	N/A

Period 1: 1994 – 2008						
Period 2: 2009 – 2017						
Period 3: 2018 - present						
Prefer not to say						

16. What was your initial perception towards SARS from 1994 until today? Has your perception changed throughout this period?

Period 1: 1994 – 2008	
Period 2: 2009 – 2017	
Period 3: 2018 - present	

17. In addition to the above, please provide any further comments relating to the way SARS operates (tax collection, refunds, process of auditing, etc) and your perception towards SARS

Operation of SARS
Perception towards SARS