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CLIENTS' EXPECTATIONS REGARDING THE ATTRIBUTES OF A TAX ADVISOR: AN ESKOM CASE STUDY

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We have nothing to fear for the future, except as we shall forget how the Lord has led us, & His teaching in our past history. Ellen G White.

SUMMARY

CLIENTS' EXPECTATIONS REGARDING THE ATTRIBUTES OF A TAX ADVISOR: AN ESKOM CASE STUDY

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Taxation is the most commonly used method of financing government expenditure in many countries. South Africa is not an exception. Tax advisors are one form of intermediary link in the tax collection process. Tax advisors assist taxpayers to interpret the tax legislation and thus render their dues to the revenue collectors. This study seeks to investigate what individual taxpayers expect from tax advisors as service providers. The expectations and attributes identified will hopefully assist in closing the so-called 'expectation gap'.

Although similar research has been done in the past, this study extends prior research in that it investigates the expectations of the employees of Eskom Holdings, as they are a small part of the taxpaying population. This study was thus primarily be aimed at investigating what the expectations of people who use tax consultants are.

This study is significant in that it builds on prior research done on taxpayer perceptions, but localises it to South Africa. The significance is also emphasised by the fact that expectations are continuously evolving and service providers need to periodically redefine what clients expect from them (Burke, 2007:18).

The research data was collected from registered individual taxpayers employed by Eskom Holdings in the different Johannesburg offices in South Africa. A questionnaire was used as the data collection tool. The scope of the study was limited, as the purpose was not to generalise the findings to the greater South African population. A further limitation was that the study did not attempt to quantify the findings nor suggest ways of managing these expectations.

The research found that taxpayers expect the tax consultants to be knowledgeable in tax matters, be competent in tax consulting, have a good working relationship with the South

African Revenue Services and have plenty of soft skills. The study also concluded that the ideal tax practitioner should be a tax minimiser, problem solver and someone that does not take unnecessary risks. Creative tax consulting was rated as the least important attribute. Accounting and tax graduates may thus need to develop a broader set of skills beyond the traditional technical skills.

Future researchers may consider extending the research to the greater South African population and to finding out how taxpayers form these mentioned expectations. Other researchers may wish to investigate ways of how to manage these expectations to the satisfaction of both the client and the tax practitioner.

OPSOMMING

KLIENTE SE VERWAGTINGE RAKENDE DIE EIENSKAPPE VAN ‘N BELASTINGADVISEUR: `N ESKOM GEVALLESTUDIE

deur
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Die betaling van belasting is die mees algemene metode vir die finansiering van ‘n regering se uitgawes. Suid-Afrika is geen uitsondering nie. Belastingadviseurs is een vorm van vele skakels in die belastinginvorderingsproses. Belastingadviseurs verleen hulp aan belastingpligtiges om belastingwetgewing te interpreteer en dus hul verpligtinge aan die belastinginvorderaars na te kom. Hierdie studie poog om vas te stel wat individuele belastingpligtiges verwag van belastingadviseurs as diensverskaffers. Die verwagtinge en eienskappe wat geïdentifiseer word sal waarskynlik help om die gaping wat bestaan te verklein.

Alhoewel soortgelyke navorsing alreeds in die verlede gedoen is, sluit hierdie ondersoek by vorige navorsing aan deur die verwagtinge van Eskom werknemers te ondersoek. Hierdie ondersoek was dus primêr gemik op die verwagtinge van mense wat van belasingskonsultante gebruik maak.

Hierdie ondersoek is betekeninsvol in die sin dat dit voortbou op vorige navorsing wat gedoen is om die persepsies van belastingpligtiges vas te stel en dit vir Suid-Afrika te lokiliseer. Die belangrikheid van hierdie ondersoek word ook beklemtoon deur die feit dat verwagtinge voortdurend verander en diensverskaffers behoort voortdurend te herdefiniëer wat kliënte van hulle verwag (Burke, 2007:18).

Die navorsingsdata is verkry vanaf geregistreerde individuele belastingpligtiges in diens van Eskom Holdings in verskeie kantore in Johannesburg, Suid-Afrika. ‘n Vraelys is gebruik as die data-invorderingsmeganisme. Die omvang van die navorsing was beperk, aangesien die doelwit nie was om die bevindinge te veralgemeen met verwysing na die

groter Suid-Afrikaanse bevolking nie. ‘n Verdere beperking was dat die ondersoek nie gepoog het om die bevindinge te kwantifiseer of om maniere voor te stel wat hierdie verwagtinge moet beheer nie.

Die navorsing het bevind dat belastingpligtiges verwag dat belastingadviseurs kundig moet wees in belastingsake, bevoeg moet wees om belastingadvies te gee, ‘n goeie werksverhouding met die Suid Afrikaanse Inkomstediens moet hê, asook genoeg mensekennis. Die ondersoek het ook tot die verdere gevolgtrekking gekom dat die ideale belastingadviseur belasting moet beperk, probleme moet oplos en nie onnodige risiko’s moet waag nie. Kreatiewe belastlingadvies is gereken as die minste belangrike eienskap. Rekekeningkundige- en belastinggegradueerdes sal, afgesien van die tradisionele tegniese vaardighede, ‘n breër spektrum van vaardighede moet ontwikkel.

Toekomstige navorsers mag dit dalk oorweeg om die navorsing uit te brei na die Suid-Afrikaanse bevolking as geheel, om uit te vind waarop belastingpligtiges hierdie genoemde verwagtinge baseer. Ander navorsers mag dalk navorsing doen oor maniere om hierdie verwagtinge tot die bevrediging van beide die kliënt en die belastingadviseur te bestuur.

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CHAPTER 1

INTRODUCTION AND PROBLEM STATEMENT

1.1 INTRODUCTION

Taxation is the most commonly used method of financing government expenditure in many countries. South Africa is not an exception. The country's budgeted expenditure that is announced every year by the Minister of Finance is funded by taxes collected by the South African Revenue Services (SARS). In light of the above, it is very important that governments maintain or seek ways to expand the tax base, as it is the main source of revenue.

Tax advisors are one form of intermediary link in the tax collection process. Tax advisors assist tax payers to interpret the tax legislation and thus render their dues to the revenue collectors. Tax is forced, through legislation, upon residents of a country and is therefore not always a welcome donation by the payers (University of Pretoria, 2005). Were it not for the legislation, taxpayers would be retaining one hundred percent of their earnings. For this reason, taxpayers tend to be reluctant to pay the maximum tax. Unfortunately, governments that rely on taxes for income have a goal of maximising these tax collections. A tax advisor often finds himself or herself trying to balance government's objective of maximising tax income and the taxpayer's objective of paying the least tax possible.

1.2 BACKGROUND TO THE STUDY

According to Burke (2007:14), expectations are the underpinning of our society, particularly in business. Business owners have expectations of their clients, employees and vendors. Clients have expectations of the companies with which they do business. Employees have expectations of their employers and, to a certain degree, customers. Problems arise because the expectations are often unknown. A businesses cannot predict what a client is thinking; if a business therefore wants to know what clients expect they have to ask because, ultimately, business is all about the creation and subsequent management of expectations (Burke, 2007:14).

The notion that consumers can form realistic expectations about a product or service may be too idealistic. Financial services are inherently difficult for customers/clients to evaluate because of their intangibility and credence attributes (Tam, 2007:281). Taxation, however, is an annual event and the services rendered by tax advisors help clients perceive and realise the benefit of these services. Assisting taxpayers to complete tax returns, interpret legislation and also educating taxpayers about what the collected taxes are used for are some of the services that practitioners can render to their clients.

From the standpoint of the provider, setting adequate expectations can attract the right clients and get them to make a purchase of the service. Meeting these expectations will then reinforce the clients' beliefs that they have made the right choice, and increase the likelihood that they will maintain the relationship between the tax advisor and the client. Success in developing relationships with clients may depend on how well the provider understands and manages customer expectations. (Tam, 2007:282.)

Tax advisors play a significant role in helping governments in that they help clients to adhere to tax legislation. Compliance to tax legislation helps to protect the government's tax base and helps ensure that the revenue targets are achieved. Maintaining and expanding the tax base is important for the country as government expenditure is funded by the taxes collected. Research, however, indicates that satisfying a professional code and a personal code, meeting the expectations of clients and achieving financial success may not always be compatible drivers for tax practitioners' behaviour (Sakurai & Braithwaite, 2004:3). At the same time, insufficient understanding of a client's expectations can have a detrimental effect on the client's perceptions of the quality of service they will be offered (Hillmer & Kocabasoglu, 2008:51).

Although past research has produced conflicting results about the behaviour and expectations of taxpayers, the picture is not complete until the situation in South Africa is reviewed. This study thus attempts to complete the picture by focusing on a segment of the taxpaying population that makes use of tax advisors; namely employees of Eskom Holdings.

The results of this exploratory research will be used as a recommendation for future research.

1.3 PROBLEM STATEMENT

The main question to be answered in this study is: What do individual taxpayers (employees of Eskom) expect from tax advisors as service providers? The identification of these expectations will hopefully lead to a list of specific attributes that the taxpayers expect these practitioners to have. An understanding of the expectations and attributes will hopefully assist in closing the so-called 'expectation gap' and hopefully reduce the incidence of non-compliance to tax legislation.

1.4 RESEARCH OBJECTIVES

The main aim of this research is to establish what type of services Eskom employees, as taxpayers, expect from tax advisors and whether these expectations differ from individual to individual.

This study is guided by the following specific research objectives:

- investigate what the expectations of people who use tax consultants are;
- evaluate the results of similar surveys done in other parts of the world and compare these to the results of this South African based research; and
- make recommendations for further research.

1.5 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

Expectations are continuously evolving. This means that service providers need to periodically redefine what clients expect from them (Burke, 2007:18). This study will help tax advisors manage these changing expectations and improve their service. An improvement of the relationship between the taxpayer and the tax advisor will inevitably result in increased compliance levels to tax legislation.

This study will make the further valuable contributions to the global taxation body of knowledge, in that the study extends previous research on taxpayers' perceptions of the ideal tax advisor (Sakurai & Braithwaite, 2004:1), but localises it to South Africa. The results of the study can be used as a background for future research, for example, qualitative research, such as in-depth interviews with clients, should be undertaken to gain more insight into how clients form their expectations. This study may also be used as a reference document for students and other researchers. Lastly, the results of this study could be used to influence government tax policy and legislation.

1.6 DELIMITATIONS

The study will be limited to employees of Eskom Holdings located in the Johannesburg area in South Africa. The expectations of these employees that are identified during the study will be listed and grouped into similar classes. The study will not attempt to quantify the findings nor suggest how the expectations should be managed. The study will not analyse similar research in other parts of the world.

1.7 TAX ADVISORS AND TAX ADVISORY IN SOUTH AFRICA

1.7.1 The use of tax advisors

Economic theory would suggest that when it costs more in time or money to perform an action yourself than to hire someone else to do so, you would hire help (Stephenson, 2006:6). Taxpayers thus make use of tax advisors to prepare their annual tax returns and offer tax advice on an *ad hoc* basis. With the constant amendments in the tax legislation already existing in South Africa, the relationship between a taxpayer and a tax advisor is bound to increase in importance. Most taxpayers would rather outsource tax provision services to a tax advisor than keep up with the many changes in the legislation.

Most taxpayers consider taxation to be a specialist area that is best left to tax advisors. In light of the above stated reality, this study seeks to add to existing literature by examining what it is exactly that taxpayers expect from tax advisors.

1.7.2 Tax advisory in South Africa

Having acknowledged that taxpayers do make use of tax advisors, it is interesting to note that the advisory service is still not strictly regulated in South Africa. The registration with the South African Revenue Services (SARS) does not currently require or specify any minimum academic qualifications or minimum experience required. The tax advisor only has to specify the area in which they will be offering the tax advice, for example, estate duty or income tax.

Those tax advisors, however, who are members of other professional bodies, like the South Africa Institute of Chartered Accountants, are expected to abide by the code of ethics of the respective body.

If one of the reasons taxpayers make use of tax advisors is to file accurate returns, as confirmed in a recent study (Sakurai & Braithwaite, 2004:1), the question whether this goal is achieved can be raised. Unfortunately, most of the time the taxpayers' wish for accurate returns is coupled with a desire to pay the lowest tax possible. On the other hand, government relies almost entirely on the honesty of the taxpayers for the collection of the taxes that are expected.

Tax advisors, on the other hand, operate in a competitive market and are under pressure to comply with the tax acts, for example, the Income Tax Act 58 of 1962. Compliance with enacted legislation should be the ultimate driving force for the tax advisor and the latter should not bow to any other pressures. Client expectations should be managed and remain within the boundaries of the law.

This research extends prior research on the apparent 'expectation gap' and seeks to find out if this gap actually exists in South Africa.

1.8 DEFINITIONS AND ABBREVIATIONS

1.8.1 Definitions

The section below defines and expands on the terms used repeatedly in the study. These terms are part of the problem statement addressed by this study.

Tax practitioner

The Income Tax Act 58 of 1962 refers to a tax practitioner as a natural person who:

- provides advice to any other persons with respect to the application of any act administered by the Commissioner; or
- completes or assists in completing any document to be submitted to the Commissioner by any other person in terms of any such act.

Tax advisor/professional/consultant

In this study, the above words are used interchangeably to refer to anyone who renders a tax advisory service. An example of such a person would be someone who assists an employee to complete the annual income tax return.

Expectation gap

This term refers to the difference between client expectations and the tax professionals' perceptions of those expectations, and vice versa (Stephenson, 2006:5).

Tax

In the Concise Oxford Dictionary, the 9th edition, tax is defined as "a contribution to the state revenue compulsorily levied on individuals, property or businesses". In this study, tax will be used to describe the collective taxes levied and administered by SARS (Income tax, value-added tax, Pay-As-You-Earn and other taxes). The main focus will, however, be on income tax, as it is in this area that individual taxpayers usually seek professional tax services. Furthermore, focusing on income tax makes sense, as the research is targeted at Eskom employees and their expectations when they make use of tax advisors to assist them with the filing of the annual income tax return.

1.8.2 Abbreviations

Abbreviation	Meaning
SARS	South African Revenue Services
CGT	Capital gains tax
SAIT	South African Institute of Tax Practitioners

1.9 RESEARCH DESIGN AND METHODOLOGY

1.9.1 Description of the overall research design

A detailed literature review was conducted on similar, yet existing research already conducted. This literature review would be used as a basis for conducting the case study research on the target population, i.e., Eskom employees.

The research design applicable to this study consisted of a case study strategy which was executed mainly through a qualitative research strategy. A case study of employees of Eskom Holdings who are registered individual taxpayers was undertaken.

1.9.2 Sampling

The research data was collected from ten (10) registered individual taxpayers employed by Eskom Holdings and based in Johannesburg, South Africa.

Only Eskom employees based at the different Johannesburg offices in 2010 were included in the study. In addition, only those taxpayers/employees required to return an income tax return for the 2010 year of assessment were included in the study. According to the SARS 2010 Guide for Tax Practitioners, taxpayers earning up to R120 000 per annum, who have a single employer and no additional income or deductions to declare are not required to submit an income tax return (SARS website, 2010:9).

1.9.3 Data collection

A questionnaire with open-ended questions was used to collect the data from respondents. Reference was made to previous research undertaken in compiling the questionnaire. The data collected was analysed. To avoid any bias in interpreting the data collected, a senior colleague from the Eskom Corporate Tax division assisted the researcher in analysing the results.

1.9.4 Assessing and demonstrating the quality and rigour of the proposed research design

An evaluation of the qualitative research for quality and rigour was undertaken as part of the research process. The small sample size enabled the researcher to focus on the content of the information that needs to be gathered and analysed, thus enhancing the credibility of the research. Consistency was maintained during the data collection process and also during the interpretation of the results/findings.

1.9.5 Assumptions/Biases

The first assumption of this study was that taxpayers do have expectations, positive ones, when they engage the services of tax consultants. The second assumption was that tax consultants may not necessarily exactly be aware what these expectations are. The third assumption was that the target population will be willing to participate in the survey and free to respond to the questions asked without reservations.

1.10 OUTLINE OF THE STUDY

Chapter 1: Introduction and problem statement

This chapter introduces the topic under research by giving the background to the study. The problem statement and research objectives are identified and discussed. This section is followed by a review of the importance and benefits of the study, after which the

delimitations and terms used in the study are described. A summary of the research design and methodology concludes this chapter.

Chapter 2: Tax advisory practice in South Africa and requirements for tax practitioners

Chapter two details the literature review relating to this study. After a brief introduction, the incidence of tax advisory in South Africa is considered in detail, including the legislative requirements for tax practitioners. The next section considers the reasons why taxpayers make use of tax consultants. Findings from previous studies done around the world are then considered, after which a short chapter summary is presented.

Chapter 3: Expectations of taxpayers versus the attributes of tax consultants

The third chapter gives a detailed discussion of what the expectations of taxpayers are. The chapter proceeds to detail the attributes that a tax practitioner needs to have in order to be able to meet the expectations of tax payers.

Chapter 4: Questionnaire

Chapter four concentrates on the content of the questionnaire that was used to collect information for the research.

Chapter 5: Results of the research study

Chapter five concentrates on the actual results of the research. The responses and findings of the study are discussed.

Chapter 6: Discussion of the results

The results of the study are further analysed and discussed. Recommendations for future studies are also discussed in this chapter.

Chapter 7: Conclusion

The last chapter concludes the study by linking the results of the study to the objectives set out in chapter one and summarising what the taxpayers' expectations are.

Chapter 2

TAX ADVISORY PRACTICE IN SOUTH AFRICA AND REQUIREMENTS FOR TAX PRACTITIONERS

2.1 INTRODUCTION

This chapter explores the practise of tax advisory in South Africa, namely understanding the prevalence of the use of tax advisor services in South Africa. The tax advisory practice in South Africa is evaluated against other similar studies done in other parts of the world. The discussion then focuses on the legislative requirements for tax practitioners in South Africa.

2.2 TAX ADVISORY IN SOUTH AFRICA

In South Africa, the tendency among taxpayers is to make use of tax advisors as their income increases. This is due to the fact that taxpayers suspect that tax gets complicated as more income is earned.

Nyamongo and Schoeman (2007:478) confirm that many more 'new' higher income taxpayers have entered the tax net. After South Africa gained independence in 1994, the tax net continued to widen as the Employment Equity Act 55 of 1998 ensured that previously disadvantaged South Africans were allowed to enter the job market. Although the tax net has widened, previous studies indicate that there is still a need for tax education amongst mainly previously disadvantaged South Africans (Oberholzer, 2007:25).

Stephenson (2006:6) proved that use of a tax consultant increases with income, age, self-employment and complexity of the tax return. There are several reasons for this trend, namely, the tax return becomes more complex with self-employment and increased income, this fact coupled with the fact that time becomes scarce due to increases in commitments, makes it more cost effective for a tax payer to make use of a tax consultant.

The complexity of the tax laws and the number of tax payers who have businesses, investments, dependents or other circumstances all increase the cost of self-preparation.

The situation in South Africa is not expected to be very different as significant amendments have also been made to the tax legislation, making it more complex and not user-friendly to the ordinary man on the street. Inevitably, those individuals in the tax consulting field have seen a steady increase in the number of tax payers seeking tax advice. It would be beneficial if future research can extend this research by concentrating on quantifying this increase in use of tax consultants, as this information can then be used to manage the expectations of these clients.

An increasing tax base and consequent client base implies increased expectations.

An interesting dynamic about the South African population is that the majority is still tax illiterate. Oberholzer (2006:25) states that there is a need for tax education among previously disadvantaged South Africans. Her study further reveals that although the majority of previously disadvantaged South Africans are paying taxes, they are unable to list the different types of taxes without assistance (Oberholzer, 2006:25). In her conclusion, Oberholzer (2006:25) states that “the study identified a need for more knowledge regarding tax systems and the application thereof. The South African Government has the opportunity to empower previously disadvantaged South Africans, by providing information sessions to them regarding taxation”. A recommended method of harnessing this opportunity might be to include programmes on taxation in schools.

With such high levels of tax illiteracy, the question of how a client would be able to assess or evaluate the service that they are getting from a tax practitioner is formed. With such a background and previous research proving that these taxpayers are ill-equipped to assess the tax preparation services, this research seeks to further investigate this relationship between taxpayers and tax consultants. If clients are ill-equipped to evaluate the service that they are getting, the further question whether their expectations are being met is formed. Christensen (1992:65) states that the services that a tax practitioner gives a client are based on the practitioner’s perceptions of client expectations. The question therefore begs a further investigation of what exactly these expectations of clients are, and this is what this research aims to find out.

Seeing that clients are unqualified to evaluate the service that they receive from tax practitioners, what, then, do they use to measure the level and quality of the service that they are receiving? In her research, Stephenson (2006:8) indicates that "when consumers are unable to evaluate the skill level of a professional, they use convenience factors as proxies such as personal referrals, close proximity, or appearance of facilities". Recipients of the tax advisory service are no different – where they struggle to assess a tax consultant's competency, convenience factors will be used. In this case, tax payers will consider factors like personal referrals to the tax practitioner, the location of the tax practitioner, the hours that the tax practitioner is available versus the client's time to consult with or consult the tax practitioner, the price that the tax practitioner asks for his/her services and/or his/her certification.

2.3 REQUIREMENTS FOR TAX PRACTITIONERS

Although discussions about regulating tax practitioners commenced as early as 2002, the tax advisory service in South Africa is still not strictly regulated. However, significant strides have been made to formalise this advisory service. Appropriate regulation of tax consultants will undoubtedly promote compliance and ensure that tax payers receive advice that is consistent with tax legislation. Two significant measures towards regulating tax practitioners, as they are referred to in the Income Tax Act, will be discussed below.

2.3.1 Provisions in the Income Tax Act 58 of 1962

Section 67A of the Income Tax Act deals with the registration of tax practitioners. Subsection (1) provides that any natural person who:

- provides advice to any other person in regard to the application of any act administered by the Commissioner of SARS; or
- completes or assists with the completion of any document to be submitted to the Commissioner in terms of any such act,

must register with the Commissioner as a tax practitioner.

Subsection (2) gives details of the persons and circumstances that are excluded from the requirement to register, for example, people that do not get a fee for the tax advisory service are not required to register with SARS.

Section 75 imposes penalties on any person who fails to register as a tax practitioner, as required by section 67A discussed above.

Section 105A provides measures of how to handle complaints that relate to unprofessional conduct by "a person who carries on any profession".

One of the objectives of section 67A of the Income Tax Act is to collect information that is required to make better informed decisions regarding the system of regulating tax practitioners (SAIT website). Therefore, this piece of legislation is a means to an end and not an end in itself. Deficiencies have, however, already been identified in this piece of legislation in that:

- there are no minimum qualification criteria to register as a tax practitioner in terms of section 67A;
- there is no minimum experience criteria to register as a tax practitioner; and
- there is no examination that one needs to write before registering as a tax practitioner.

2.3.2 The South African Institute of Tax Practitioners (SAIT)

The South African Institute of Tax Practitioners (SAIT) is a non-profit, voluntary body that provides a wide range of services to its members and the general public (SAIT website). As it is not a statutory body, SAIT membership is voluntary. The Institute was established because a need was identified in South Africa to constitute a professional body that focuses on the needs of the tax profession and the general public. The Institute was established in line with international best practice and is also a member of the International Tax Director's Forum (ITDF).

Unlike the SARS registration, SAIT registration and membership is divided into three levels that are based on academic qualification and work experience. After grading its members

into classes according to professional competence, SAIT requires all members to maintain their professional knowledge and skill, and to adopt a programme of continuing professional development (CPD). Like most reputable professional bodies, SAIT also has a code of conduct to which its members are expected to abide by. Such controls will go a long way in ensuring that the quality of the tax advisory service in South Africa remains of high quality.

2.4 WHY TAXPAYERS USE TAX CONSULTANTS

For most taxpayers, taxes are an expense that they can do without. Good tax planning is thus important for any taxpayer, as keeping taxes to a minimum is the goal of most taxpayers.

The number of tax acts and tax legislation that an individual has to comply with, coupled with the annual tax changes to the legislation, do not make it easy for any ordinary taxpayer to do effective tax planning. The requirement to keep abreast of changes to legislation is a tall order even for the tax professionals themselves. In his research, Nienaber (2007:5) alludes to this fact by stating that a proficient tax advisor needs an in-depth knowledge of the multiple tax acts that are constantly changing.

The reality of the situation is that tax issues are quite complex and are thus better left to tax experts. As indicated in Chapter 1, the other reason for making use of tax consultant services is that the majority of previously disadvantaged South Africans are still deficient in tax education. In an earlier research done in South Africa, it was found that only 37,69% of the respondents believed that tax is not complicated and that they know how to calculate their own tax liability (Oberholzer, 2007:217).

Taxpayers expect the tax advisor to keep abreast of all the changes in the tax legislation, this including new acts being promulgated and amendments being made to existing legislation. When capital gains tax was introduced in South Africa in October 2001, many taxpayers sought the advice of tax practitioners concerning the implications of the then new amendment. Tax practitioners thus play an important role in tax compliance, as they will usually be the first stop for taxpayers seeking advice on a new amendment or on new

legislation. It is the aim of regulatory bodies like SAIT to ensure that tax practitioners are abreast of all changes in tax legislation through continuing professional development.

2.5 CONCLUSION

Several dynamics are evident in the current tax advisory service in South Africa. Although significant strides have been made in the last few years, there are still challenges in regulating tax advisors in South Africa. Weaknesses in the current legislation make it possible to be a tax consultant without being a tax practitioner. This means that one can be providing the services of a tax consultant in the field and yet remain unregistered with SARS, if the individual is providing this service for free. A risk thus exists that unqualified tax practitioners can also be operating in the market – giving tax advice and providing tax planning services. In a country like South Africa, where a significant part of the population is tax illiterate (see above), taxpayers are bound to rely heavily on the advice and recommendations of tax practitioners, as the clients do not know any better. The compliance levels will still remain suspect though, as there is also an apparent gap in a system that does not strictly regulate the tax advisors. What the clients expect may not necessarily correspond with the practitioner's capabilities. This study was born out of realising such shortcomings in the overall tax system and aims to add to existing literature by investigating a small part of the tax system. It is hoped that this study will contribute to increased client retention and satisfaction.

As will be seen in the next chapter, the other dynamic is the number of tax payers which continues to increase. This increase in the tax base inevitably results in an increase in the variety of tax payer expectations, all of which have to be satisfactorily met.

Regular tax legislation amendments are another feature of the South African tax advisory environment. Future researchers may wish to research ways of balancing these ever-changing dynamics in the tax advisory environment.

CHAPTER 3

EXPECTATIONS OF TAXPAYERS VERSUS THE ATTRIBUTES OF TAX CONSULTANTS

3.1 INTRODUCTION

The results of a study by Tan (1999:1) show that there is a tendency for those taxpayers who disagree with their practitioner's advice to terminate that service. If a taxpayer terminates their service, it is because their expectation has not been met, not satisfactorily at least. The communication lines between the taxpayer and the tax advisor thus have to be managed very well if both parties have to be satisfied that their expectations have been met.

The statutory and legislative nature of taxation requires that the expectations of any individual taxpayer be managed within the boundaries of the law. This is essential, as enormous areas in tax compliance will result in differing tax liabilities due to the different interpretations of the tax legislation by different tax practitioners. Keeping to the boundaries of the law will ensure that both taxpayer and tax consultant are responsible citizens of the country and will also ensure that the tax consulting service is an effective method of assisting the South African government in achieving its aim of closing the tax gap (Stephenson, 2006:27).

The aim of the research therefore is to investigate some of these expectations regarding services from tax consultants. The research also aims to evaluate whether the expectations are realistic and are within the boundaries of what is legally acceptable in South Africa. The results of the research will hopefully influence decisions that need to be made regarding continued taxpayer education and communication. As part of the literature review, previous research done about determining the needs and wants of customers is considered. Some of the methods used in prior research to obtain information to improve the service between taxpayers and tax consultants are incorporated into this research.

3.2 EXPECTATIONS

Experience shows that the need for accurate income tax returns is the main reason why taxpayers make use of tax advisors. This view is supported by the study referred to earlier, in which seventy percent of the taxpayers listed accuracy as their primary reason for hiring a tax preparer (Stephenson, 2007:411).

In an earlier study done to determine client expectations and tax professionals' aggressiveness, the researcher found that accuracy was denoted as a primary motivation to hire a tax consultant. Accuracy, in this context, was explained as the desire to have one's taxes prepared in such a way as to pay the closest amount possible to the 'correct tax'. This research also showed that lower tax knowledge is correlated with a stronger desire for an accurate return. (Stephenson, 2006:4.)

Sakurai and Braithwaite (2004:10) show that most taxpayers want a low risk, no fuss preparer who is honest and risk averse. In an earlier study, Sakurai and Braithwaite (2003:375) identify the following taxpayer expectations:

- a tax advisor who is a creative, aggressive tax planning type; a person who is well networked and familiar with the tax office (SARS in this case); and intelligence and enforcement priorities; and
- a tax practitioner who is engaged in cautious minimisation of tax.

Taxpayers have these high expectations because they rely heavily on the recommendations of their tax advisors and will consequently hold them responsible for the decisions made (Stephenson, 2006:12). This is the case even though the previous Minister of Finance, Trevor Manuel (2005:10), emphasised that the final responsibility for the contents of the tax return legally rests with the taxpayer and that the tax advisor has limited responsibility for the advice given (Nienaber, 2007:5).

In summarising the findings and concluding her study done in South Africa, Oberholzer (2007:216) adopts the viewpoint that "South African taxpayers' perceptions influence their attitudes towards tax compliance and it is important to concentrate on changing taxpayers'

perceptions with regard to taxation in order to achieve a more positive attitude towards tax compliance".

In other parts of the world, limited studies have been conducted on taxpayer expectations, as detailed below.

In a survey performed by CFO Research Services, in collaboration with Deloitte Tax, they found that tax practitioners want to contribute more and their clients also want to get more from tax consultants (Deloitte Tax Services: 2008). In order to meet these increased expectations, the research concluded that tax practitioners would need to modify their own behaviours and be more assertive.

In another study, Lim and Patton (2006) explore the relationship between the expectations clients have of tax advisors and the perceptions that the service providers have of these expectations. The results of the study assisted in recommending solutions to manage the gap that had been identified between the expectations and the perceptions.

Brooks (2008:5), in his research, concluded that "what clients want is not necessarily a learned skill, set of skills or even knowledge of a product. Instead, it is something much different: self management and character. Self management and character mean the ability to:

- be empathetic, patient and focused;
- have impeccable integrity;
- meet all commitments;
- be answerable for your successes or failure;
- work hard to meet commitments;
- have a proactive, positive and resourceful attitude; and
- hold trust and confidentiality".

Taxpayers expect more tax planning advice and strategies, and most taxpayers will "disconnect with their tax return after hiring a tax practitioner" (Stephenson, 2006:13). This statement is supported by the results of a study done by Sakurai and Braithwaite (2004 :6), namely that:

- eighty-five percent of respondents stated that they were absolutely confident of the legitimacy of the deductions they claimed despite most of these respondents not being fully competent to do their own return; and
- seven percent of the respondents claimed that they did not have a clue about the legitimacy of the deductions and rebates because someone else did it for them.

In their research, Sakurai and Braithwaite (2004:10-14) also show interesting findings on the expectations of taxpayers, namely:

- that while some taxpayers trade off honesty for tax minimisation, others do not;
- for some taxpayers, at least, finding a tax practitioner who is cautious, honest and clever at minimising tax is the ideal. In the minds of taxpayers, these expectations are not necessarily incompatible; and
- the attribute that taxpayers most strongly associate with their tax practitioner is honesty.

A little lower than honesty, but also important to taxpayers, are the following with regard to the tax practitioner (Sakurai & Braithwaite, 2004:5-18):

- the ability to interpret grey areas of the tax law;
- cleverness in minimising tax; and
- providing warnings against tax planning schemes.

Few respondents reported that their tax agents suggested complicated schemes to avoid. (Sakurai & Braithwaite, 2004:5-18).

In short, all taxpayers expect to be treated fairly, professionally and with integrity.

For taxpayers, the nature of tax consulting is of such a nature that this is a service that they seek once a year, as most tax payers only consult for issues relating to the annual tax return. Being, mostly, a once-off annual event demands that this service be rendered with the utmost care and ensuring that things are done right the first time. Therefore, tax practitioners need to take professional care of their client's interests and ensure that the service delivered to the client matches the client's expectations.

If there is a discrepancy between what the taxpayer as the client expects and what the tax advisor thinks the client expects, then there is a hidden cost of risk of audit and penalties being passed onto the taxpayer without their knowledge (Stephenson, 2006:3).

3.3 ATTRIBUTES

The Oxford dictionary defines 'attribute' as:

- a quality ascribed to a person or thing; or
- a characteristic quality.

In this research, the word 'attribute' is taken to mean a characteristic or quality that a tax practitioner needs to have. Without limiting these qualities, this study seeks to investigate and list what these requisite qualities are. Previous studies identify some of the attributes as follows:

- aggressive tax planner – this is a creative accountant who can deliver on aggressive tax planning;
- well-networked with SARS office – this tax practitioner knows exactly what the tax office is checking and what SARS expects. This practitioner uses his/her influence to resolve tax issues speedily;
- honesty – this tax practitioner cautiously stays on the right side of the law while cleverly minimising the tax liability;
- no risk taker – this is a tax advisor who does not take risks and only claims for things that are clearly legitimate;
- tax minimiser – this is an advisor who can minimise the tax paid by taking advantage of the grey areas of the law; and
- problem solver – this attribute ensures that the tax practitioner can deal with any problems that may arise, while at the same time cautiously avoiding conflict.

As mentioned earlier in Chapter 1, SARS is currently engaged in several educational programmes around the country aimed at widening the tax base and reducing the tax gap. Examples of the educational programmes include reminders on television about critical submission dates and critical information that taxpayers need to have or keep in order to substantiate their tax deductions. This year (2010), SARS ran several advertisements in

different types of media reminding taxpayers to keep a log book if they needed to claim a deduction for business kilometres.

To this end, professionals like tax consultants play a critical and important role in ensuring that the information that is eventually submitted to SARS is accurate and reliable. For the information to be accurate and reliable, the tax consultant at least needs to be trustworthy and have a high level of integrity. Many areas of the tax law are ambiguous, in that the tax owed depends on the interpretation of complex provisions of the law. The role of third party consultants has become a critical part of the present system of voluntary compliance in determining the tax owed in these areas. (Ayres, 1988:300.)

Taxation involves complex questions of policy, law and practice (Lamb, 2005:20). Therefore, another important characteristic is the training and education of the tax practitioner. This is necessitated not only by the complexity of the tax legislation, but also by the various tax acts that exist. The complexity of these tax acts is compounded by the many amendments that occur to these pieces of legislation. Some of the acts and legislation that an individual taxpayer has to comply with in South Africa are the:

- Income Tax Act 58 of 1962;
- Transfer Duty Act 40 of 1949; and
- Value-Added Tax Act 89 of 1991.

The Income Tax Act on its own has several complex sections that need to be complied with, for example, the Capital Gains tax effective from 01 October 2001 and the effects of the secondary tax on companies and the individual investor. Continual education on the new amendments is therefore critical for the tax practitioner. The complexity of the South African tax system is increasing, owing to the number of acts being promulgated. This results in application and compliance that is increasingly becoming more difficult. (Huxham & Haupt, 2010:3.)

Tax practitioners that belong to professional bodies, such as the South African Institute of Chartered Accountants (SAICA) and the South African Institute of Tax Practitioner (SAIT), would typically be expected to have a better and up-to-date knowledge of the tax legislation, than tax practitioners that do not belong to a regulated body.

Another important attribute of a tax practitioner is their ability to bargain with SARS and resolve tax issues to the benefit of the client. This bargaining power would come about as a result of regular interactions with the revenue officials on behalf of tax clients. This ability to interpret the law and bargain on behalf of the client results from the in-depth knowledge of the tax legislation relating to negotiating settlements, obtaining rulings etc. This service will inevitably result in more value added to the client, and better relations between the client and the practitioner. According to Ayres (1998:303), if a tax practitioner can effectively argue that there was reasonable support or substantial authority for a particular tax law interpretation, penalties will not be assessed. Even after the assertion of a penalty, these practitioners tend to be more successful in obtaining abatements for their clients.

Tax practitioners are in business and as such cannot afford to lose their good reputation. The tax planning methods should thus not only comply with legal requirements, but with ethical standards too. Again, compliance to ethical standards would naturally be higher for those tax advisors that belong to professional bodies, as there would be a code of conduct with which they must comply. Having good ethics is an attribute that will not only benefit the clients being serviced by the ethical tax practitioner, but is an attribute that has benefits for the greater society. Ethics, as defined by the Oxford Dictionary (1995), are:

- moral principles; or
- rules of conduct.

Behaviour can be classified as ethical when it is good for the self and is also to the advantage of others. An action is unethical or immoral if the actor (the person performing the action) is concerned only with what is good for himself/herself, with no consideration of how others will be affected. Being ethical, therefore, does not require a person to totally disregard his/her own interests. It does, however, require that a person should not consider only what it is good for himself/herself, but for others too (Nienaber, 2007:13).

Being creative, aggressive at tax planning, well-networked and familiar with the SARS office are all attributes that a tax practitioner should have, but they all fall under the big umbrella of ethics. The other aim of this research thus is to prove or disprove the above-mentioned hypothesis, i.e., while taxpayers want an effective tax practitioner, they also

want someone who does the right thing, and the right thing is defined by what the tax law says.

In his research, Nienaber (2007:17-18) states that *ubuntu* (human dignity) is a familiar concept in South Africa and is one of the core ethical values that African cultures provide. As an ethical principle, *ubuntu* therefore emphasises sound human relations.

The importance of ethics to the greater society is also indicated by the requirements of such a study to comply with ethical standards. Honesty and integrity are expected of the researcher, while informed consent and the right to privacy are expected by the individuals participating in the research. Ethical sensitivity thus influences every aspect of the tax environment.

When concluding his research on ethics, Nienaber (2007:29) states that an important challenge for tax advisors in today's environment is how to integrate ethical dimensions into the business and tax advice provided across cultures and borders.

In prior research done, Stephenson (2006:7) state that taxpayers feel that their reputation is more important than charging a low fee. This stresses the significant influence that tax practitioners have on clients and compliance levels.

The above-stated attributes are not comprehensive.

3.4 CONCLUSION

Tax advisors operate under different pressures. The relationship between the client and the tax advisor needs to be managed well, as it has a direct impact on the satisfaction of both parties and the success of the *fiscus* in collecting the tax revenue is partly dependent on this relationship. In her research, Stephenson (2006:27) concludes that an expectation gap exists between tax consultants and the taxpayers that hire them.

Previous studies have indicated an increase in the use of tax professionals, but not much has been done to investigate what taxpayers' expectations are and how taxpayers choose

their tax practitioner. A lot of resources are being channelled toward compliance and corporate governance the whole world over. Tax compliance is but a small part of the compliance legislation, but is very significant in importance.

The relationship between tax payers and tax practitioners is a major driver in ensuring tax compliance and therefore warrants this exploratory study.

CHAPTER 4

QUESTIONNAIRE

4.1 INTRODUCTION

The primary objective of this research study is to investigate the expectations of South African taxpayers regarding tax practitioners. A questionnaire was designed as a tool to measure and collect information regarding these expectations. Factors identified in earlier studies on taxpayer expectations were highlighted and then tested against a small sample of the South African taxpaying population, namely the employees of Eskom Holdings. It is important to highlight that the purpose of this study is not to generalise the results of this study to the rest of South Africa. This is an exploratory research aimed at recommending areas for future research.

Tax practitioners' general opinion of their clients' primary motive is that they want their taxes minimized, while those same tax-paying clients paradoxically think the practitioners' primary responsibility is to prepare their tax returns accurately (Nienaber, 2007:37). The measurement tool (questionnaire) that was developed for this study, focused on collecting information about both the expectations of taxpayers and the attributes of the ideal tax practitioner.

4.2 RESEARCH DESIGN

The theory obtained from the literature review of previous similar studies is used as a basis for the research design employed in this study. The research design section details the specific things that are done in the research and essentially answer the "how" question. As indicated earlier, the research is exploratory in nature and has as one of its main objectives the recommendation of areas that may be focused on by future research. The researcher collected the information from the selected respondents herself and did not make use of field workers. The questionnaire was divided into two sections intended to collect information relating to the two broad areas under investigation, namely expectations and attributes.

4.2.1 Data collection on taxpayer expectations

The research undertaken was founded on the acknowledgment that clients, taxpayers in this case, have expectations when they engage a tax consultant.

A questionnaire with open-ended questions was used to record the responses for this part of the study – part A of the questionnaire. As the study seeks to understand taxpayer expectations, it is envisaged that such expectations or human behaviour cannot be meaningfully expressed in numbers, hence the choice of a qualitative research design method. This method enabled the respondents to express their expectations in their choice of words by responding to a questionnaire that asked them open-ended questions that are not suggestive of any particular answer.

This research design was most appropriate to the research problem and objectives, because the research was exploratory and "case study strategy is most often used in explanatory and exploratory research" (Saunders, Lewis and Thornhill, 2007:139).

Qualitative research was also chosen because typically it produces a wealth of detailed data about a much smaller number of people or cases. Therefore, the researcher was able to concentrate and manage a small sample of her colleagues in the data collection process. This greatly reduced the costs associated with research of this nature, without compromising the quality of the research. A similar research approach has also been used by leading researchers in other parts of the world, such as Sakurai (2004), Niemirowski, Baldwin and Wearing (2002), and Stephenson (2006).

In order for the research to be as objective as possible and to allow the respondents to adequately express their expectations, the questionnaire was made up of short, open-ended questions.

Part A of the questionnaire thus consisted of a total of six open-ended questions:

1. Would you recall a recent tax consultant whose services you engaged that, in hindsight, you have been particularly pleased with. What qualities make this person an exceptional consultant?
2. Recall a recent tax consultant who turned out to be a disappointing consultant. What qualities were lacking in this person?
3. What particular technical skills do you want every tax consultant to possess?
4. What non-technical skills do you want every tax consultant to possess?
5. What does your tax consultant need to do in the future to retain your business?
6. Is there anything else you would like to tell us about tax consultants that you think may be relevant to your needs as a client?

4.2.2 Data collection on tax practitioner attributes

Part B of the questionnaire concentrated on what attributes the taxpayers are specifically looking for in a tax advisor. The questionnaire set out a list of attributes that could describe their preferred tax practitioner. The researcher acknowledged that some of these attributes may well have already been alluded to in Part A of the questionnaire. Respondents were asked to indicate the importance that they would place on each attribute if they were in a situation where they had to choose a tax advisor. Responses were given on a scale of 1 to 4 (1 = least important, 2 = medium importance, 3 = important, 4 = very important).

List of attributes:

1. Aggressive tax planner – this is a creative accountant who can deliver on aggressive tax planning.
2. Well-networked with SARS office – this tax practitioner knows exactly what the tax office is checking and what SARS expects. This practitioner uses their influence to resolve tax issues speedily
3. Honest – this tax practitioner cautiously stays on the right side of the law while cleverly minimising the tax liability.
4. None risk taker – this is a tax advisor who does not take risks and only claims for things that are clearly legitimate.
5. Tax minimiser – this is an advisor who can minimise the tax paid by taking advantage of the grey areas of the law;

6. Problem solver – this attribute ensures that the tax practitioner can deal with any problems that may arise, while at the same time cautiously avoiding conflict.

The analysis of the results focussed on the attributes that were ranked the most important by the most respondents.

4.3 CONCLUSION

The questionnaire was designed as the sole measurement tool for this exploratory research. The responses of the respondents were analysed and captured in the following chapter.

CHAPTER 5

RESULTS OF THE RESEARCH STUDY

5.1 INTRODUCTION

This chapter presents the findings of this study. As mentioned in the previous chapter, the primary objective of this research is to determine the perceptions of tax consultants amongst South African tax payers making use of tax consultants. It is important to note that this is a study that aims at highlighting areas for future research. It is not the purpose of this study to generalise the findings and conclusions made to the greater South African population.

Qualitative research was chosen because, typically, it produces a wealth of detailed data about a much smaller number of people or cases. Therefore, the researcher was able to concentrate and manage a small sample of colleagues in the data collection process. This greatly reduced the costs associated with research of this nature, without compromising the quality of the research.

5.2 SAMPLE SELECTION

The research attempted to obtain the expectations of a sample of South African taxpayers, i.e., employees of Eskom Holdings. The sample population thus consisted of individuals employed by Eskom Holdings who are expected to be registered taxpayers and would ordinarily make use of tax consultants. A case study of the employees of Eskom Holdings in Johannesburg earning more than one hundred and twenty thousand rand (R120 000) per annum was considered adequate to provide the detailed answer to the problem statement and research objectives.

The Eskom population was selected because of the large size of employees in this organisation, more than thirty nine thousand (39 000) in 2010, of which about ten thousand (10 000) are employed in Johannesburg (Eskom Annual Report, 2010:3), they earn more than one hundred and twenty thousand rand (R120 000) and are therefore taxpayers. The

researcher is also part of this population, making the data collection a cost effective and convenient exercise.

The research involved data collection from ten (10) registered individual taxpayers employed by Eskom Holdings that are based in Johannesburg, South Africa. The target population and sample size selected were influenced by the fact that this was a qualitative study and sample sizes thus do not necessarily have to be huge. The sampling unit therefore was the employees of Eskom Holdings in Johannesburg that are liable for tax, as indicated by the requirement to submit an income tax return for the 2010 tax year. The units of analysis were the individual taxpayers who would or are currently making use of tax advisors/consultants.

The methods used to select respondents encompassed all the criteria listed below:

- only employees of Eskom Holdings based in the different Johannesburg offices in 2010 were included in the study;
- only those taxpayers/employees required to complete an income tax return for the 2010 year of assessment were included. According to the SARS 2010 Guide for Tax Practitioners (SARS website, 2010:9), taxpayers earning up to R120 000 per annum, who have a single employer and no additional income or deductions to declare are not be required to submit an income tax return;
- use was made use of convenience sampling. This is a sampling method where the researcher selects participants on the basis of access and availability. The access and availability of the potential respondent were determined by prior verbal inquiry;
- the aspects of the study were verbally communicated to the identified respondent during the initial inquiry in which the respondent was invited to participate. This personal contact with the potential respondent was aimed at clearing any ethical concerns that the potential respondent may have had; and
- written consent was obtained from the participants as part of the data collection process, that is, each respondent was asked to sign the cover page of the questionnaire as a declaration of their consent and willingness to participate in this study. The signature also confirmed that they understood that they could withdraw from the research project at any time.

5.3 DATA ANALYSIS METHODS

The data collected was analysed by the researcher with the assistance of a colleague from the corporate tax department – these two individuals therefore were the analysts. Two people analysed the data to avoid any bias that the researcher may have had in interpreting the data collected.

The analysts checked the questionnaire log to confirm that all questionnaires sent out had been received back. The next step entailed going through the individual questionnaires to confirm that all questions had been answered as requested. A method of analysing qualitative responses was then employed, which is detailed below.

5.4 ANALYSES AND RESULTS

5.4.1 Part A of the Questionnaire

Question1: Would you recall a recent tax consultant whose services you engaged that, in hindsight, you have been particularly pleased with. What qualities make this person an exceptional consultant?

Although the responses to this question were varied, the one quality most recognised by taxpayers is professionalism. Forty percent (40%) of the respondents highlighted this as a quality that would make a tax consultant stand out as exceptional.

The ability to handle confidential matters and excellent customer service were also highly rated. Excellent customer service was measured by the fact that the client received their tax refund within a few days of having their tax return submitted. Whether or not this was a fair standard to measure customer service is debatable, as the efficiency could more be as a result of SARS' electronic filing system. This debate may, however, not be relevant to an ignorant tax payer who is just happy to have received a tax refund.

Knowledge of the tax legislation and the ability to use this knowledge for the benefit of the taxpayer were also raised as valued qualities by the respondents. Some respondents

expressed this as the ability to stay up-to-date with the annual SARS changes, either in legislation or the administrative changes. Twenty percent (20%) of the respondents also mentioned competency in what a consultancy does as a quality they valued. Although not defined in the questionnaire, competency in preparing tax returns might be related to the feeling that one has done the right thing (Sakurai & Braithwaite, 2004:6).

Thirty percent (30%) of respondents mentioned that they recognised a tax consultant that makes use of the SARS e-filing system as an exceptional consultant. This was mentioned alongside a tax consultant that is well networked with the SARS office, as this relationship is believed to result in the fast resolution of problems.

The other qualities identified by the respondents in response to this question are listed below. These are not considered less important, but are listed here to highlight the fact that they were mentioned only once by a single respondent. Only slight grammatical changes were made to the responses:

- efficiency in the tax consulting they do;
- confidence in the legitimacy of the tax deductions claimed;
- consulting services were not limited to tax consulting only, but they were of a broader range of services, like accounting and business advice – everything under one roof;
- the ability to accurately advise how much to expect as a tax refund;
- not taking unnecessary risks;
- interest in ensuring compliance with the tax legislation; and
- efficiency and confidence in what he/she does.

Question 2: Recall a recent tax consultant who turned out to be a disappointing consultant. What qualities were lacking in this person?

The responses to this question were not as varied as those of question one. Ten percent (10%) of the respondents did not answer this question as they had no prior experience with a disappointing tax consultant. The ninety percent (90%) that responded to this question seemed very sure of what makes an incompetent or a disappointing tax

consultant. This incompetence or disappointment was expressed in the following responses:

- lack of update in terms of the tax legislation;
- lack of professionalism;
- lack of customer service;
- inability to use the SARS e-filing system;
- lack of ethics, for example, advising clients to cheat;
- inability to advise on how else to legitimately reduce the tax liability; and
- not sure of deductible amounts.

Lack of customer care or customer service was one of the reasons why taxpayers were dissatisfied and was mentioned by forty percent (40%) of the respondents. This would indicate the importance that clients place on this attribute and how they expect to be treated by tax consultants. This expectation confirms that customers or clients have similar expectations of being treated as king, regardless of the service that is being offered.

Question 3: What particular technical skills do you want every tax consultant to possess?

In this question, taxpayers were asked to indicate the technical know-how that they expected a tax consultant to have. A substantial portion of the respondents, namely seventy (70%) to be specific, indicated that they would be comfortable with an academic qualification. This result confirms that taxation is an area that the layman would rather leave for those specifically trained for it. This may also be the reason why these taxpayers make use of tax consultants. Thirty percent (30%) of the respondents went on to specify that the consultant must have a post graduate qualification in taxation, while twenty percent (20%) indicated that someone who has specialised in taxation would be preferred as a tax consultant.

These responses may be an indicator of the reliance that taxpayers place on tax consultants. Clients, i.e., taxpayers in this case, would be more comfortable and confident with outsourcing the tax consultancy to someone that has at least studied taxation at a tertiary institution. If these are the clients' expectations, then the bodies that regulate tax practitioners in South Africa will have to consider ways of meeting these expectations. The

professional bodies may have to specify minimum academic requirements for one to be a tax consultant.

The balance of the responses regarding tax practitioners was as follows:

- the ability to use the tax legislation for the benefit of the taxpayer;
- tax knowledge so that they can update clients on upcoming changes in the tax legislation;
- professionalism in handling client matters; and
- the ability to keep up to date with the annual tax changes.

Question 4: What non-technical skills do you want every tax consultant to possess?

Honesty came out as the one most valued non-technical attribute that tax payers expect a tax consultant to possess. This was mentioned by fifty percent (50%) of the respondents. Integrity was the next popular attribute, being mentioned by forty percent (40%) of the respondents. Overall, at least eighty percent (80%) of the respondents mentioned either honesty and/or integrity as an essential non-technical skill. These results are a clear indication that the majority of taxpayers in the sample are not obsessed with tax minimisation. For some, finding an honest tax practitioner is more important and this group of tax payers will not trade off honesty for tax minimisation.

Good customer care was also repeated in this question by twenty percent (20%) of the respondents. Competency in what the tax consultant does was also mentioned as an essential attribute by twenty percent (20%) of the respondents.

Taxpayers also value a consultant who is approachable, easy to work with and provides good advice on all tax related matters. There was no further detail on what would be regarded as good advice by tax payers, but judging from the weighting given to honesty, one can conclude that good advice is honest advice. Whether the advice results in lower taxes or not is irrelevant.

Other respondents indicated that the respondent would prefer the following non-technical skills:

- a low risk tax advisor, for example, one who claims only for things that are clearly legitimate;
- the ability to avoid conflicts with SARS;
- a good personality;
- the ability to simplify the complex tax issues for the ordinary tax payer;
- the ability to handle confidential client issues;
- reliability; and
- a proactive tax consultant who alerts clients of prospective changes in the tax legislation, or advises clients on how they can minimise tax liability on the future.

Question 5: What does your tax consultant need to do in the future to retain your business?

The responses to this question were as extremely varied. No two responses could be grouped together as identical. This may be an indication of how different the taxpayers' expectations and needs are, and the challenges that may be experienced in trying to satisfy each of these. The responses provide evidence of the different pressures that tax practitioners experience from their clients.

Nonetheless, for the purpose of this study, these responses were all noted. The long list of things that tax practitioners need to do to retain the business of this small sample of tax payers is as follows:

- send reminders to taxpayers when the filing season starts;
- assist with maintaining records of tax returns;
- always be up to date with the latest changes in tax legislation;
- utilise skills to minimise tax payable within the framework of the law;
- ensure that tax issues are communicated clearly to taxpayer;
- understand the need for excellent tax planning advice;
- continue studying, so that the tax consultant does not lose touch with the tax field;
- give proper tax advice in line with the tax legislation;
- advise the taxpayer on how to reduce the tax liability;

- charge less than other consultants;
- ensure that the taxpayer gets a tax refund;
- submit tax returns early via e-filing;
- keep in touch with changes in the taxpayer's life so that they can advise on the tax implications of any ventures;
- advise the taxpayer on how to save tax in the future;
- update the taxpayer on the tax legislation changes; and
- add value by giving advice on other matters instead of just limiting their advice to that which is related or linked to the tax return.

Question 6: Is there anything else you would like to tell us about tax consultants that you think may be relevant to your needs as a client.

This last question was included in the questionnaire as a form of information gathering. The responses to this question are thus expected to be very different from respondent to respondent, because every respondent was free to air their opinion on tax consultants. These opinions may or may not be indicative of the current relationship between a respondent and their tax consultant. However, they may be an indication that tax payers, like any other client, will attempt to find tax practitioners that meet their specific needs.
The responses from the seventy percent (70%) of the respondents that responded to this question are as follows:

- the advisors' knowledge should be up to date;
- advisors should not take unnecessary risks that will result in the tax payer being in trouble with SARS;
- tax consultants need to belong to a properly regulated tax body, like auditors and chartered accountants, in order to give assurance to their clients that they are being monitored;
- tax consultants should not engage in creative accounting or aggressive tax planning at the expense of the client;
- tax consultants need to be confident that the taxpayer will get the tax deduction;
- if tax consultants give the incorrect advice, they should be held responsible and not the taxpayer; and
- tax consultants should charge cheaper rates than what they currently charge.

5.4.2 Part B of the Questionnaire

This part of the questionnaire required respondents to attach a level of importance to a list of attributes that could describe their preferred tax practitioner. The responses were given on a scale of 1 to 4 (1 = least important, 2 = medium importance, 3 = important and 4 = very important).

Refer to Chapter 4 for the list of attributes and the explanation of what each attribute means.

- **Aggressive tax planner**

This attribute was rated as very important by only ten percent (10%) of the respondents. Twenty percent (20%) rated it as of medium importance, while the majority (70%) were of the opinion that this is one of the least important attributes they would require a tax consultant to have. Overall, having a creative tax consultant had lower ratings.

- **Well-networked with the SARS office**

Having a tax consultant who knows what the SARS office requires and is checking for, was rated as very important by fifty percent (50%) of the respondents. Twenty percent (20%) thought this attribute was important, while a similar number of respondents gave it a rating of medium importance. Only ten percent (10%) thought being networked with the revenue services office was not important.

- **Honest and a tax minimiser**

The importance of these two attributes was confirmed again in this part of the questionnaire, where one hundred percent (100%) of the respondents rated these attributes as very important. This is in line with the assumptions made earlier in the study that tax payers have tax minimisation as one of their objectives when they engage the services of a tax consultant.

- **None risk taker**

A tax advisor who does not take risks and only claims for things that are clearly legitimate was rated as very important by sixty percent (60%) of the respondents. Thirty percent

(30%) attached a rating of three to this attribute, meaning that they considered this attribute as important. Only ten percent (10%) thought that this attribute was not important.

- **Problem solver**

This attribute also had very high ratings as ninety percent (90%) of the respondents felt that this was a very important quality for a tax advisor.

5.5 SUMMARY OF FINDINGS

The results detailed above give an indication of what the taxpayer's expectations are regarding tax consultant services. Honesty, tax minimisation and problem solving are highly valued by taxpayers. Creative tax consulting was rated the least important attribute. A future researcher may then confirm these findings by extending the research further.

CHAPTER 6

DISCUSSION OF THE RESULTS

6.1 INTRODUCTION

As highlighted in Chapter 1, all relationships result in expectations – known or unknown. Finding out what these expectations are is the first step towards managing these expectations. Expectations that are met confirm to the client that they have made a correct choice of a tax advisor. When expectations are managed well, it is hoped that the relationship between taxpayer and advisor will be maintained and inevitably SARS will benefit from this relationship. When SARS benefits then the whole country benefits, as the tax revenue collected is ploughed back into the South Africa's social development projects. The expectations documented in the study consisted of technical and non-technical expectations. These expectations have been grouped into four broad classes of related qualities and are discussed below.

6.2 EXPECTATIONS OF TAXPAYERS

6.2.1 Knowledge of tax legislation

The tax practitioner's knowledge of taxation was expressed as the need to have a minimum of a tertiary qualification in taxation. This academic qualification is expected to translate into the tax advisor's ability to use tax knowledge for the benefit of the taxpayer. The academic qualification is thus a foundation that will enable the tax practitioner to be confident in the legitimacy of the tax deductions claimed and will also enable the advisor to advise the client on the amount of the expected tax refund. Under this broad category of expectations, the tax advisor is also expected to keep abreast of changes in the tax legislation so that they can, in turn, advise the clients on upcoming changes in the legislation. Taxpayers also expect a tax practitioner with a sound knowledge of taxation to have an interest in ensuring compliance with the tax legislation. Although good advice was not defined per se, taxpayers expect a tax practitioner with a tertiary tax qualification to be able to offer good advice.

Knowledge of taxation will not add value to any client if it is not up to date. The tertiary qualification is thus a foundation upon which the tax practitioner will continue to build. Professional bodies like SAIT make continual professional development a condition for membership. Such need for continued professional development confirms that the clients' expectations of current tax knowledge are valid and realistic. Compliance to the tax legislation will be compromised if the tax knowledge is not updated as the legislation changes regularly.

6.2.2 Competency in tax consulting

Efficiency and confidence in what a tax practitioner does are the main expectations in this category. The academic qualification and continued updating of this qualification are the main sources of such confidence. Competence in preparing a tax return is one other expectation that taxpayers have of tax practitioners. Sakurai and Braithwaite (2005:6) define such competence as the feeling that one has done the correct thing as required by the tax legislation. A competent tax practitioner was also defined as one with an ability to simplify complex tax issues for the ordinary taxpayer. As mentioned in the preceding paragraph, taxpayers also expect a tax consultant to be proactive in alerting clients of prospective legislation changes and how to minimise tax liability in future. An example of such competency may be the following – in the 2010/2011 tax year there will be major changes to the taxation of employees' travel allowances. In order to add value to the clients, a tax practitioner would have advised their clients of these pending changes and the need to maintain a log book as a way of minimising the tax liability in the future.

6.2.3 Relationship with SARS

The survey results indicate that a tax practitioner that makes use of the SARS e-filing system is considered an exceptional tax consultant. This is probably linked to the efficiency of this filing method versus the traditional manual submissions. A tax practitioner is also expected to be well networked with the SARS office as this is believed to ensure that any problems are speedily resolved. A good relationship with the revenue office is also expected to minimise conflicts with the SARS office, as taxpayers would not want to be in conflict with SARS.

SARS also values the importance of this relationship with tax practitioners as evidenced by the special services dedicated to tax practitioners. A dedicated call centre and dedicated walk-in-centres for tax practitioners are examples of efforts made by SARS to strengthen this relationship. All these efforts are geared towards faster resolution of tax matters to the benefit of the taxpayer.

Although taxpayers appreciate the efficiency provided by the e-filing system, they also appreciate the reality that technology can never fully replace human beings – hence the expectation of a good relationship with SARS.

6.2.4 Soft skills

Tax practitioners are professionals and as such are expected to handle their relationship with their clients in a professional manner. This would partly mean that the tax practitioner is expected to be able to handle the clients' confidential matters.

Honesty and integrity are also expected of tax practitioners, as taxpayers do not wish to be in conflict with SARS. Tax practitioners deal directly with their clients so they are expected to be approachable and have excellent customer service. It follows, therefore, that the tax practitioner should have a good personality and be someone that can be relied on or depended on.

This class of expectations indicates that taxpayers also value non-technical skills. This result highlights the need for accounting and tax graduates to develop a broader set of skills, beyond the traditional technical skills. A successful career as a tax consultant may thus need to be supported by strong soft skills.

6.3 RECOMMENDATIONS

Future researchers may extend the research to the greater South African population to determine if the results will be consistent or different from the results of the Eskom case study documented. Another researcher may wish to investigate how taxpayers, as clients,

form these expectations. Are they based on facts, prior experience, other influences or factors like physical proximity to the tax practitioner and/or family relationships with the tax practitioner?

This study did not intend on finding nor suggesting ways of meeting these expectations, neither did it evaluate if the expectations are realistic or not. A future researcher may be interested in extending the study to explore these areas.

The SAIT may well wish to sponsor an extension of the study so that they can use the results to influence their policies and strategies, as they manage the professional body of tax consultants. The information collected might be beneficial in assisting how best to regulate this profession going forward.

Institutions of higher learning may well want to modify their curriculum to accommodate what the market needs, as highlighted by the expectation to have softer skills in addition to the technical skills, acquired academically.

Finally, the dynamic nature of clients' expectations means that the service providers may need to conduct such regular information surveys in order to keep up to date with their clients' changing expectations.

6.4 CONCLUSION

This chapter documented a discussion of the expectations of taxpayers, as revealed by the findings of the study. These are:

- a knowledge of the tax legislation;
- competency in tax consulting;
- a relationship with SARS; and
- soft skills.

The chapter also recommended other related areas that future researchers may focus on. These are:

- extending the research to the greater South African population;

- investigating how taxpayers form these expectations;
- finding ways of managing these expectations to the satisfaction of both the advisor and the client;
- investigation whether these expectations are realistic or not;
- investigating ways to better manage the body of tax professionals; and
- investigating how these expectations have changed over time.

CHAPTER 7

CONCLUSION

7. 1 INTRODUCTION

The aim of this study was to investigate the expectations that taxpayers have when they engage the services of a tax consultant. The study only highlighted the expectations of a sample of the South African population.

In an earlier study, Nienaber (2007:45) found that there is a lower occurrence of tax adjustments on paid-preparer returns than on self-prepared returns. This fact was confirmed by some of the results in this study (see Chapter 5) which confirmed that taxpayers rely on their tax advisors for advice and are more concerned with an honest advisor who is confident of the tax deductions, than one who is aggressive and takes unnecessary risks.

The research results also indicated that taxpayers rely on their tax advisors for advice. This reliance is what drives the expectations that the taxpayers would then have of their advisors. In general, the results indicate that taxpayers prefer an honest, more conservative tax advisor than an aggressive one.

7. 2 SUMMARY OF THE EXPECTATIONS

Although they form a long list, the taxpayers' expectations were summarised into four broad categories, namely:

- knowledge of the tax legislation;
- competency in tax consulting;
- a good relationship with SARS; and
- at least some soft skills.

7. 3 OBJECTIVES VERSUS RESULTS

7.3.1 Problem statement

The problem statement, as introduced in Chapter 1, was the determination of what individual taxpayers, i.e., the employees from Eskom, expect from tax advisors as service providers. The identification of these expectations led to a list of specific attributes that the taxpayers expect these practitioners to have. An understanding of the expectations and attributes would hopefully assist in closing the expectation gap, and hopefully reduce the incidence of non-compliance to the tax legislation.

The results of a survey, as documented in Chapter 5, are a means to try and reduce the expectation gap towards greater compliance levels with the tax legislation.

7.3.2 Objectives

This study was guided by the following specific research objectives, as determined in Chapter 1:

- investigate what the expectations of people who use tax consultants are – this was discussed in Chapters 5 and 6 (paragraphs 6.1 and 6.2);
- evaluate results of similar surveys done in other parts of the world and compare these to the results of this South African research – this was discussed in Chapter 3; and
- make recommendations for further research – these were discussed in Chapter 6 (paragraphs 6.3 and 6.4).

7.3.3 Recommendations for further research

Future researchers may consider the following areas of research:

- extending the research to the greater South African population and comparing the results to the results of this study;
- how taxpayers form these identified expectations;
- how to manage taxpayer expectations to the satisfaction of both the client and the tax practitioner;
- the need for soft skills to augment technical skills that are acquired academically; and

- investigating whether or not these expectations will change over time.

7. 4 CONCLUSION

An ideal tax practitioner is one who would meet all the client's expectations, namely:

- be knowledgeable in tax matters and legislation;
- have a tertiary academic qualification;
- be confident of legitimacy of tax deductions;
- keep abreast of changes in tax legislation;
- have an interest in ensuring compliance to the tax legislation;
- be competent in tax consulting;
- be efficient and confident in what they do;
- be able to simplify complex tax issues;
- be proactive regarding tax matters;
- have a good relationship with SARS;
- be well networked with SARS office;
- have an ability and desire to minimise conflicts with SARS offices; and
- have a fair amount of soft skills, such as professionalism, good customer care, honesty, integrity.

The ideal tax practitioner is also expected to be:

- a tax minimiser;
- someone that does not take unnecessary risks especially regarding the grey areas of the tax legislation; and
- a problem solver.

Whether or not the ideal tax practitioner exists still remains an unanswered question. Until this question is answered and until the taxpayers' expectations stop changing; the taxpayers will have to make use of tax practitioners that meet their specific need at that particular moment.

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