

Evaluating the use of international tax planning for South African businesses in pursuit of strategic growth

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ABSTRACT

This research examined the importance of international tax planning for South African businesses seeking to expand, hoping to address a noticeable lack of research on the topic in literature which calls for country-specific investigations. The aim was to investigate whether international tax planning is a crucial business strategy for South African businesses, identify key factors influencing their engagement in cross-border tax strategies, assess techniques commonly used by these businesses and contrast challenges encountered with those faced by their global counterparts. The study argues that there is a need for country specific investigations that demonstrate a nuanced understanding of the South African context in particular.

Using qualitative data from tax advisors, the research reveals that while South African businesses adopt many of the same international tax planning techniques as global businesses. South African businesses face unique challenges due to local factors like exchange controls, political influences and aggressive tax collection by SARS. The findings underscore the need for tailored strategies that account for South Africa's unique regulatory environment while leveraging global tax practices to optimise business performance and sustainability. Future studies should focus on regional challenges faced by South African businesses in Africa.

Keywords: International Tax Planning, Cross Border Tax Planning, Tax Avoidance, Tax Optimisation, Strategic Growth

DECLARATION

I declare that this research project is my own work It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to perform this research.

Howmera Parak

Date

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LIST OF ABBREVIATIONS

BEPS	Base Erosion and Profit Sharing
CFC	Controlled Foreign Corporation
FDI	Foreign Direct Investment
IMF	International Monetary Fund
IP	Intellectual Property
OECD	Organisation for Economic Co-operation and Development
POEM	Place of Effective Management
SARS	South African Revenue Service
SARB	South African Reserve Bank

CHAPTER 1: INTRODUCTION

1.1. Introduction to the research problem

The purpose of this research was to evaluate the importance of international tax planning for South African businesses that are pursuing strategic growth. Given the increased complexity of the South African tax system, the heightened determination and efforts by the South African Revenue Service (SARS) to prioritise tax collection and the globalisation of markets, this study sought to assess how international tax strategies could help South African businesses to mitigate their overall tax obligations and maximise growth opportunities in offshore markets while overcoming tax challenges that typically arise from executing international tax planning strategies.

By conducting a review of the established body of literature on lawful international tax planning techniques adopted by growing businesses across the globe and their impact on business strategy, the study sought to understand what prompts businesses to engage in international tax planning as well as techniques commonly adopted in this process, including challenges experienced. Drawing on literature, the interest of South African businesses in international tax planning were explored taking into account the ‘internationalisation theory’ initially developed by Jan Johanson and Jan-Erik Vahlne, which deals with domestic issues as drivers for strategic offshore expansions of an organisation into foreign jurisdictions (Murtinu & Scalera, 2016). This was achieved by interviewing international tax advisors to South African corporations. Tax advisors were interviewed on the benefits and hurdles South African corporations experience, an area that is currently under-researched.

In this way, the research was able to address the gap identified in literature, particularly as it pertains to international tax planning in the South African context. The aim was to understand if reasons for engaging in tax planning, including benefits and challenges are comparable to findings from established literature.

In this context, the research was aimed at providing insights on whether effective cross-border tax strategies are crucial for South African businesses looking to expand while remaining competitive. More importantly, to understand challenges they are likely to experience in implementing these strategies. Furthermore, the study

explored whether such tax planning is a necessity for all businesses or only those with explicit global aspirations, thereby enhancing the understanding of the strategic role cross-border tax planning plays in driving sustainable business growth.

1.2. Relevance of research topic

Taxes significantly affect most trading businesses in South Africa, often representing one of their largest annual expenditures (Cooper & Nguyen, 2020). According to the International Monetary Fund (2023), South Africa's tax system is considered burdensome by international standards. Compared to similar economies, it is characterised not only by high tax rates and a substantial tax-to-GDP ratio, but also by its complexity in the nature of the varied tax categories (World Bank, 2023). These complexities make compliance particularly challenging (Steenekamp, 2007).

A South African company would typically have to pay the following taxes in its day-to-day operations; income tax on revenue generated less permitted deductions and exemptions, value-added tax on goods and services purchased, employee tax, skills development levy and unemployment insurance fund contributions for all staff members and directors on its payroll as well as dividends tax to its shareholders (South African Revenue Service, 2024). In addition, if the company is contracting with non-resident entities, it may be subject to withholding taxes on payments made to these entities as South Africa has withholding tax on interest and a withholding tax on royalty dispensation (South African Revenue Service, 2024). If the South African entity engages in the import or export of goods, it may be subject to customs and excise levies. It will incur taxes on the purchase of fuel and if it emits greenhouse gas, it may be subject to carbon tax (South African Revenue Service, 2024). If a company were to dispose of any asset it may be subject to capital gains tax or donations as well as a transfer tax such as transfer duty if the asset transferred is immovable property, or if the asset is shares securities transfer tax (South African Revenue Service, 2024).

South African businesses not only face the substantial burden of encountering a myriad of taxes levied on most payments and transactions, they are also subject to rigorous oversight by premier regulatory bodies and revenue collectors in the form of National Treasury and SARS. According to the Organisation for Economic Cooperation and Development (OECD), SARS is on par with leading tax authorities

across the globe. South Africa was ranked thirty-third in the "Total Tax and Contribution Rate" category by the World Bank, which indicates that businesses in South Africa contribute a relatively high percentage of their profits to taxes and highlights the effectiveness of SARS in its revenue collection efforts (OECD, 2023).

SARS efficiency as a revenue collector can be illustrated through its collection figures over the past three years, where South Africa's total tax revenue has been showcased (National Treasury, 2023). In the 2021/22 fiscal year, the total tax revenue collected was R1.56 trillion, marking a 6.5% compound annual growth rate from the previous five years. The following year, 2022/23, saw tax revenue rise to R1.69 trillion, a 7.9% increase, driven by a recovery in tax bases and high commodity prices, value-added tax and corporate income tax being some of the main contributors. The 2023/24 fiscal year indicated further growth, with total tax revenue reaching R2.155 trillion, giving rise to a 3.2% increase from the previous year (National Treasury, 2023).

SARS has also adopted rigorous strategies to ensure tax compliance and tax collection by implementing enforcement measures that include thorough audits, inquiries and investigations while increasing their capacity to ensure compliance and the collection of tax debt (South African Revenue Service, 2024). These recovery mechanisms include third-party appointments where banks are instructed to pay funds of taxpayers to SARS without giving notice to taxpayers as well as through imposing severe penalties or criminal sanctions on any form of non-compliance (South African Revenue Service, 2021). SARS is exploiting its available tax sources considerably well and outperforms comparable countries (World Bank, 2022). Against this backdrop, as South African businesses start to realise profits and develop objectives to expand their operations, they inevitably confront the challenge of having to manage one of their most significant expenditures, their tax liabilities (Jansen, Steyn, Ngobeni & Sithole, 2021).

The global phenomenon of cross-border corporate tax planning, where corporations lawfully and strategically structure their shareholding construct, key assets or business operations across the globe to take advantage of reduced tax rate jurisdictions in order to lawfully minimise tax expenses, is a major area of research

in a number of academic fields, including economics, accounting, finance and law (Armstrong, Glaeser & Kepler, 2019).

Literature indicates that tax rates and tax systems that a business is subject to are catalysts for corporate decision-making of an organisation (Khaoula & Ghardallou, 2019). These include decisions on where in the globe investments are made, the quantum of the investment, how that investment is funded, where operations are conducted, where key tangible and intangible assets are housed as well as where profits are recorded among other things (Cooper & Nguyen, 2020). Empirical evidence confirms that when properly incorporated into business plans, tax planning can offer significant fiscal benefits that raise profitability and ultimately shareholder value (Ting & Gray, 2019). However, integrating these tax strategies with general business objectives frequently presents challenges to businesses since they are required to balance tax optimisation strategies with rapidly evolving international and domestic laws, targeting international tax planning as well as moral corporate governance in a way that is in line with their strategic objectives (Tørsløv, Wier & Zucman, 2023).

1.3. Definition of the problem

The problem this research aims to address is the growing complexity that taxes pose on South African businesses (Cooper & Nguyen, 2020) and whether international tax planning, the established phenomenon adopted by multinationals around the world to ease their overall tax liability (Marques, Pinho & Montenegro, 2019), is not only beneficial but necessary for South African businesses who are on an upward trajectory to achieve sustainable growth in the global market.

International tax planning has been widely discussed and analysed in academic literature (Kemme, Parikh & Steigner, 2020), with recurring themes related to common strategies businesses employ when engaging in such planning (Armstrong et al., 2019). These strategies often focus on minimising tax liabilities, optimising cross-border transactions and leveraging tax treaties (Marques et al., 2019). However, researchers consistently recommend that factors which impact international tax planning must be evaluated on a country-specific basis, as each jurisdiction presents unique regulatory and fiscal challenges which influence a

corporation's decision (Mardan & Stimmelmayer, 2020). This highlights the need for further research on international tax planning as a key business strategy tailored to the specific contexts of individual countries (Chen & Lin, 2017). Despite the extensive literature on this topic, there is a noticeable gap in research, especially in the South African context.

South African businesses that do expand into global markets, whether for business or tax strategic reasons, face challenges not only owing to South Africa's body of tax and exchange control legislation targeting South African founded businesses engaging in outward foreign investment, but also from a rapidly evolving international tax landscape shaped by initiatives like the OECD's Base Erosion and Profit Shifting (BEPS) framework (Chen & Lin, 2017). Without adequate tax planning in general, South African businesses are at the of risk incurring excessive tax liabilities, suffering from tax inefficiencies and even facing penalties due to non-compliance with domestic tax regulations (Steenkamp, 2007).

Moreover, literature indicates that failure to adopt a strategic tax plan can hinder competitiveness, limit access to favourable tax jurisdictions and reduce profitability, ultimately threatening long-term growth prospects of the business (Kemme, Parikh & Steigner, 2022). It is in this context that this research investigated the extent to which international tax planning can serve as a critical tool for South African businesses to mitigate their tax obligations, reduce risks and enhance their ability to compete in an increasingly interconnected global economy.

This research therefore not only intends to contribute to the academic discourse on international tax planning by addressing a notable gap in the South African context, but it also seeks to provide practical guidance for businesses. Academically, it delves into the specificities of international tax planning to an understanding from the established body of literature on factors that motivate businesses to engage in tax planning, key tax planning strategies implemented and risks which businesses may encounter when engaging in international tax planning. This analysis therefore aims to contribute valuable insights to the broader field of international tax research, and it does so from a country-specific perspective as recommended by literature (Cooper & Nguyen, 2020). From a business perspective, this research intends to serve as a

resource for South African businesses aiming to navigate the complexities of international expansion. By exploring the appetite of South African businesses for international tax planning, motivating factors, planning strategies and potential pitfalls in engaging in international tax planning, the study intends to aid South African businesses to acquire the knowledge and tools necessary to make informed decisions on international tax planning.

1.4. Research objective

As set out in 1.1 above, this study was aimed at addressing the gap identified in literature by exploring whether South African businesses can leverage international tax strategies to support their global expansion efforts, thereby contributing to the broader body of knowledge on the benefits and challenges inherent in tax planning. The research explored the importance of international tax planning for South African businesses that are pursuing strategic growth, including benefits and challenges that South African businesses experience should they elect to engage in an international tax planning exercise as part of their expansion strategy.

By providing a comprehensive review of established literature on international tax planning techniques employed by businesses wishing to expand globally and analysing their influence on business strategy, this research provides a detailed understanding of diverse international tax planning practices implemented globally and considers whether they are adopted, or can be adopted by South African businesses. Insights into the appetite for international tax planning, along with associated benefits and challenges for South African businesses were obtained by interviewing international tax advisors who work with South African corporations.

The main objective was to address the gap in literature by offering a South African perspective on international tax planning for businesses seeking growth. Additionally, the research evaluated whether effective cross-border tax strategies are critical for all South African businesses aiming for expansion or only for those with explicit global aspirations. Ultimately, providing a deeper understanding of how international tax planning can play a strategic role in promoting sustainable growth and maintaining the competitiveness of South African businesses. The research holds significance both globally and locally by offering valuable insights both to contribute to existing

academic research on international tax planning in general and for practical business application.

1.5. Research scope

The research scope entails an exploration of the triggers for South African businesses to engage in international tax planning techniques using the internationalisation theory and specific challenges and opportunities they present for South African corporations.

The study used qualitative data collected through interviews with international tax advisors which advise South African businesses. International tax advisors offer expert advice on cross-border tax matters, drawing on their extensive knowledge of both domestic and international tax legislation (Jones, Temouri & Cobhan, 2018).

Their core responsibility is to help clients navigate complexities of global tax regulations by either developing tailored tax strategies or evaluating the viability of client-proposed solutions (Kemme et al., 2020). Additionally, tax advisors possess key insights into benefits, challenges and risks associated with implementing international tax strategies (Wang, Cheng, Chen & Yao, 2023). Given their in-depth understanding of how businesses manage tax planning across various jurisdictions and their ability to identify factors that prompt such efforts (Chen & Lin, 2017), they were an ideal sample group for this research project. While the research was supported by literature, which predominantly addresses global contexts, this study helped in bridging the gap by examining whether the same motivations, advantages and challenges apply to South African businesses, thereby contributing a localised perspective to the broader discourse of international tax planning.

It is worth noting that this research did not deal with any form of “tax evasion” schemes which are unlawful, but, instead, focused exclusively on lawful “tax avoidance” practices, which denotes legally taking advantage of provisions of tax legislation to better one's tax position (Kemme et al., 2020).

1.6. Overview of the report

The research comprises of seven chapters. This chapter, as the introduction to the research study, sets out the background of the research problem, its relevance, research objectives and the research scope. The second chapter contains a comprehensive literature review conducted to investigate theories behind international tax planning. The third chapter provides a detailed outline of the research questions to this study. The fourth chapter discusses the research methodology applied to obtain answers to research questions. Chapter five presents results from the research. Chapter six contains an analysis and discussion of the results and chapter 7 provides the conclusion to the research and suggests possible further research topics.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Literature recognises the importance that tax planning plays in business strategy and key decision-making (Armstrong et al., 2019). A growing interest in researching this field is influenced by the fact that taxes often represent one of the largest, if not the most substantial expense of a business (Cooper & Nguyen, 2020). In addition to the financial burden that taxation presents, if a business does not adhere to tax regulations and honour its tax obligations as stipulated by revenue authorities, it potentially faces challenges (Chen & Lin (2017). Khaoula and Ghardallou (2019) contend that these include but are not limited to the levying of punitive interest and penalties by the revenue authority, a judgment debt against the business's name, being subject to the experience of execution of a judgment debt, reputational harm, and even criminal liability for those holding fiduciary responsibility for the organisation.

Effective tax planning has been a crucial component of both business operation models and business strategies (Kemme et al., 2020). Using tax planning as a focal business strategy has been found to significantly benefit a firm by enhancing after-tax profits and boosting cash flows (Blaufus, Möhlmann & Schwäbe, 2019). DeZoort, Pollard and Schnee (2018) found that since tax avoidance strategies can liberate cash flows, they are linked to enhancing positive firm value. In addition to immediate cash flow benefits, effective tax optimisation plans have been proven to, in certain instances, elevate shareholder and other key stakeholder's expectations of the future financial performance (Chen, Ge, Louis, & Zolotoy, 2019). This, in turn, has been found to positively impact investment and expansion prospects (Beer, De Mooij & Liu, 2020). These dynamics have offered compelling incentives for businesses to engage in tax avoidance strategies, given the financial advantages they provide (Wang et al., 2023).

For this reason, many businesses have either invested in employing tax specialists with necessary tax-related skills or outsourced this capability to tax specialists in order for decisions to be made that optimise tax efficiency (Foss, Mudambi & Murtinu,

2019). The exploitation of tax systems in different countries has proven to be one of the most effective tax optimisation strategies from a tax-saving perspective (Ftouhi & Ghardallou, 2019). The phenomenon of large corporations employing international tax strategies as a form of tax planning to shift resources, services, intellectual property and components to their overall value chain outside their home country, in order to legally reduce tax liabilities had gained significant media attention in the past decade (Foss et al., 2018).

International tax avoidance has also been getting the attention of researchers as businesses across the world try to diversify their longer-term global value creation through the shifting of businesses, assets and revenue generation to countries with lower tax rates, less complicated tax regimes, and/or more tax incentives (Duhoon & Singh, 2023). Complex tax structures used by well-known multinationals such as Caterpillar, Amazon, Google, Starbucks and Apple, where key group entities and assets are strategically placed in low tax jurisdictions around the world to reduce tax liabilities, also received historic media coverage resulting in the world being privy to the notion of strategic tax planning cross-country (Ting & Gray, 2019).

The expanding literature on international tax planning has further been fuelled by persistent efforts of revenue authorities and intergovernmental organisations such as the OECD and the United Nations, who are committed to regulating international taxation, underscoring its ongoing significance (Wilde & Wilson, 2018). Literature consistently emphasises that the decision to engage in international tax planning must be carefully considered on a per-country basis, as tax regimes, regulatory frameworks and economic conditions vary widely across jurisdictions (Cooper & Nguyen, 2020).

2.2. Concept of tax planning and international tax planning theories

The concept of “tax planning” has been widely used to describe activities and major corporate decisions which businesses undertake as part of a strategic approach to legally reduce their tax obligations (Wang et al., 2023). Historically, much of the research has referred to this as "tax avoidance," which denotes activities that are

performed by a company to legally reduce its tax liabilities (Khan, Srinivasan & Tan, 2017).

In academic and professional discussions, the terms "tax planning", "tax management" and "tax avoidance" are often used interchangeably (Kemme et al., 2020). According to Cooper & Nguyen (2020), the concept of tax planning suggests the strategic nature of tax itself and speaks to the capacity of businesses to apply discretion in decision-making and strategy execution, taking into account the general business strategy of the organisation (Khuong, Liem, Thu & Khanh, 2020)) argue that effective tax planning seeks to achieve the shift of business funds, usually paid to government as taxes, to remain with the business through legal means. Proper tax planning strategies that are formulated to reduce the overall tax burden are not unlawful if they are constructed to take advantage of tax opportunities and loopholes without intentionally defrauding the fiscus (Blaufus et al., 2019).

Tax evasion, on the other hand, has been coined as the illegal practice of not paying taxes through the execution of deliberate tactics to violate the law, such as deceiving a revenue authority, underreporting income, inflating tax deductions, destroying documentation or concealing income (Driffield, Jones, Kim, & Temouri 2021). According to Kemme et al. (2017), unlike tax avoidance, it involves deceitful tactics to escape tax liabilities intentionally, which is considered a criminal offense and generally punishable by law.

International tax planning involves strategies to optimise tax efficiency across different jurisdictions by taking advantage of varying tax laws around the world (Brad et al., 2013). In academic and professional discussions, the terms "international tax planning" and "cross-border tax planning" are frequently used interchangeably (DeZoort et al., 2019). This practice has been applied by corporations to reduce their overall tax liabilities through legal methods that involve strategic placement of entities and assets in jurisdictions that levy taxes at lower rates when compared to their domestic tax rates, or in jurisdictions that have favourable double tax treaties with the country of incorporation (Kay et al., 2019). A double tax treaty is a treaty concluded between two nations that aims to prevent the double taxation of income or gains arising in one jurisdiction and paid to residents of another (Margues et al., 2019).

These treaties establish rules on how the two countries tax certain items of income or gains, and they typically involve reductions in tax withheld from interest, dividends and royalties paid across borders (Khaoula & Ghardallou, 2019). The primary goal is to encourage cross-border investment, trade and movement of individuals by reducing fiscal obstacles associated with international activities. Each treaty specifies which taxes are covered and methods for eliminating double taxation, for instance, by providing tax credits or exempting the income from tax in one of the countries (Foss et al., 2018).

The outcome of the application of a double tax treaty is either that a taxpayer only pays tax in one of the two countries and that it may be permitted to pay tax at a reduced rate (Duhoon & Singh, 2023). Unlike domestic tax planning, which focuses on reducing tax liabilities within a single country by adhering to local tax laws and regulations, international tax planning requires a nuanced understanding of multiple tax regimes and the interaction between them (Cooper & Nguyen, 2020). This process often involves availing to treaty provisions, differences in corporate tax rates, rules regarding residency and regulations on foreign income and repatriation (Ting & Gray, 2019). It has also been proven to entail organising key business, structural and financial activities in response to tax differences between countries in a way that ultimately lawfully lowers tax payments (Drake, Lusch & Stekelberg, 2019). International tax planning has been said to leverage these differences to minimise global tax burdens while ensuring compliance with all applicable laws (Armstrong et al., 2019). Choy, Lai and Ng (2017) argue that various international tax theories provide frameworks for understanding how taxpayers have made use of policy initiatives in respect of international taxation as loopholes to reduce their overall tax expense. “Capital Export Neutrality” theory states that a country’s tax system should not influence the decision of domestic businesses as to where to invest abroad (Mason, 2020). The goal is for domestic investors to face the same tax rate on investment returns, whether they invest at home or offshore. This benefit can be accessed through international tax planning strategies (Mason, 2020). “Double Taxation Theory” supports the use of tax treaties when two different jurisdictions tax the same income in an effort to encourage cross-border economic activities (Khaoula & Ghardallou, 2019).

Tax treaties are one of the key tactics used in international tax planning strategies (Beer & Loeprick, 2019). “Tax Competition Theory” is used to examine how countries compete against one another to attract foreign direct investment (FDI) by offering lower tax rates and providing attractive fiscal incentives (Jones et al., 2018). Corporations have used tax competition theory as a tool to optimise their tax positions, influencing global capital allocation and corporate strategies in the process (Wang -et al., 2023).

While theories provide a broad understanding of tax planning, literature suggests that the application of these strategies must be tailored to specific tax laws and economic environment of each country (Armstrong et al., 2019). This reinforces the need for a country-specific approach to international tax planning (Cooper & Nguyen, 2020).

2.3. Key drivers for international tax planning

International tax planning is driven by a combination of factors (Drake et al., 2019). Various studies have explored the importance of understanding these drivers for businesses, particularly those looking to expand and remain competitive (Beer et al., 2020). Studies show that motivating factors for international tax planning are influenced by both internal business objectives as well as national economic conditions (Choy et al., 2017). Driffield et al. (2021) argue that unlike domestic tax planning, international tax planning is motivated largely by the complexity and rates of taxation of the home country of the corporation.

According to Murtinu and Scalera (2016), internationalisation theory provides a valuable framework for understanding the complex process involved in how and why businesses expand beyond their founding jurisdictions into foreign markets. Internationalisation theory states that through global expansion, an MNE is able to overcome both naturally occurring and government-imposed imperfections in external markets (Cooper & Nguyen, 2020). Since taxation is perceived as an expense burden imposed by the government, it is perceived to be a state-imposed imperfection (Chen & Lin, 2017).

Businesses have internationalised their operations to the extent that doing so keeps costs below benefits under what is termed an “efficiency threshold” (Cooper & Nguyen, 2020). International tax planning has been utilised to decrease the tax burden of corporations, thereby allowing them to increase after-tax profits (Beer et al., 2019). According to internationalisation theory, businesses seek to minimise transaction costs and maximise efficiency by offshoring their operations across borders, taking advantage of more favourable economic, regulatory and fiscal environments (Paul & Feliciano-Cestero, 2021). When domestic circumstances such as high tax rates and complex regulatory frameworks become burdensome, businesses have sought to expand or migrate to countries that offer more competitive advantages, including lower corporate tax rates (Desai & Hines, 2002).

These cross border strategies have helped businesses reduce their overall tax liabilities, optimise their capital allocation and reinvest the savings into business growth or innovation (Ftouhi & Ghardallou, 2020). The eclectic paradigm, a core component of internationalisation theory, posits that businesses are motivated to expand into foreign markets by three primary factors; ownership, location and internalisation advantages (Dunning, 1980). Among these, location advantage has been established as being crucial in driving businesses to offshore operations to low-tax jurisdictions as businesses seek to capitalise on favourable tax conditions in different countries (Mardan & Stimmelmayer, 2020). This decision is reinforced by the need to mitigate domestic pressures, such as high tax rates or regulatory burdens, prompting businesses to pursue more financially advantageous and stable environments abroad (Tørsløv et al., 2023).

Thus, internationalisation theory has provided a valuable framework for understanding how businesses respond to domestic tax constraints by offshoring operations to optimise financial performance and navigate regulatory challenges (Driffield et al., 2021). Increased scrutiny and tax measures levied by revenue authorities has been an apparent pull factor for businesses to engage in international tax planning (Beer & Loepnick, 2018). Certain governments have faced intense pressures to increase revenue collection (Campbell, Cecchini, Cianci, Ehinger & Werner, 2019). Tax authorities in both developed and developing economies around the world have been adopting more stringent tax enforcement and collection measures (Hansson, Olofsdotter & Thede, 2018). This has included tightening

regulations, closing loopholes, increasing audits on businesses engaging in cross-border tax planning and adopting more aggressive tactics to collect taxes (Graham, Hanlon, Shevlin & Shroff, 2014). These enhanced tax collection efforts have made it increasingly burdensome for businesses to remain compliant without proper tax planning (Jones et al., 2018)

Kemme et al. (2020) contend that the compliance burden has been growing for businesses as they face an increasing number of regulations and reporting requirements from both local tax authorities and international bodies like the OECD. This is notwithstanding the fact that corporate income tax rates have reduced on a per-country basis across the globe (Azémar, Desbordes & Wooton, 2020). Categories of taxes imposed by revenue authorities has increased and the compliance burden imposed on taxpayers (Wang et al., 2023). Costs associated with complying with complex tax regulations, such as those related to the Common Reporting System (CRS), have become prohibitively high, especially for businesses with global operations (Kemme et al., 2020). Mardan and Stimmelmayer (2020) argue that certain countries already have a relatively high corporate tax rate, and when coupled with additional compliance costs, businesses have faced an overall significant tax expense.

This high tax burden has impacted profitability, operational budgets and cash flows, making it difficult for businesses to remain competitive without implementing strategic tax planning solutions (McGaughey & Raimondos, 2019). Many businesses are finding that without effective international tax planning, cumulative tax expenses across the spectrum of categories of tax are becoming unsustainable (Tørsløv et al., 2023). On the contrary, Azemar et al. (2020) argue that certain countries have used low tax rates as an incentive to attract FDI, with the aim of boosting economic growth, creating jobs and increasing their overall competitiveness in the global market. These countries are referred to as “low tax jurisdictions” or “tax havens” (Jones et al., 2018).

These governments have sought to create an attractive tax environment for foreign corporations, which are increasingly looking for tax-efficient jurisdictions to maximise their returns (Kemme et al., 2020). Countries such as Mauritius, Jersey, Guernsey,

the British Virgin Islands, Cyprus, Ireland, Singapore and Luxembourg have long-established reputations for offering low or even 0% corporate tax rates on revenue and no or reduced withholding tax rates on after-tax profits expatriated, making them attractive hubs for FDI (Mardan & Stimmelmayer, 2020). This strategy has been shown to not only aid the stimulation of growth in these countries but to also encourage technology transfer, infrastructure development and skills enhancement (Beer et al., 2020). Low tax rates have been known to reduce the overall cost of capital for foreign investors, enabling businesses to allocate more resources toward expansion, innovation and improving operational efficiency (Marques et al., 2019).

While incentives to attract foreign direct investment through low tax rates can lead to economic benefits for host countries, they also contribute to tax competition globally, where jurisdictions compete to offer the most favourable terms, sometimes at the cost of domestic tax revenue (Ftouhi & Ghardallou, 2020). Nevertheless, for many of these low-tax jurisdictions or tax havens, long-term benefits of increased FDI outweigh short-term revenue loss, making it a popular tool for economic development and a pull factor for countries in higher-tax jurisdictions to participate in international tax planning (Driffield et al., 2021).

With the existence of low tax jurisdictions and tax havens, the benefits of taking advantage of tax rate arbitrage is a key inducing factor for businesses to engage in international tax planning (Graham et al., 2014). Tax rate arbitrage has been proven to be a strategic manoeuvre where businesses exploit differences in tax rates between different countries or jurisdictions (Ftouhi & Ghardallou, 2020). It has also entailed keeping expenses and losses in high tax jurisdictions to reduce taxpaying businesses' taxable incomes (McGaughey & Raimondos, 2019). Businesses have done this with an objective to minimise their overall tax burden by shifting profits or activities to locations with lower tax rates (Paul & Feliciano-Cestero, 2021). Ting and Gray (2019) established that what triggers a desire to engage in tax rate arbitrage is that the home country of the corporation has tax rates that are perceived to be too high (Wang et al., 2023).

Businesses are attracted to jurisdictions offering tax incentives such as tax holidays, reduced tax rates for specific industries, or research and development credits. This

has been recognised to help minimise tax liabilities and enhance business competitiveness (Tørsløv et al., 2023). Investment flows from MNEs to offshore financial centres have surged significantly in recent years (Foss et al., 2019). This trend is said to be evident not only for businesses headquartered in OECD countries but also for those based in developing, emerging and transition economies (Kemme, et al., 2020). These organisations originate from diverse regions, including the United States of America, the Netherlands, Brazil, China and sub-Saharan Africa (Cooper & Nguyen, 2020).

Companies have engaged in tax planning to improve cash flow, reduce financing costs and enhance overall operational efficiency, which can have a significant impact on their financial performance and capital structure (Duhoon & Singh, 2023). By optimising their tax obligations, businesses have freed up capital that can be reinvested into operations, expansion plans or used to reduce debt, ultimately strengthening their financial position (Armstrong et al., 2019). Tax planning also plays a crucial role in supporting cross-border mergers and acquisitions and optimising global supply chains (Driffield et al., 2021). Furthermore, businesses have been known to leverage tax planning as a key component of their internationalisation strategies, influencing market entry decisions and helping to navigate the complexities of operating in multiple tax jurisdictions (Beer et al., 2020).

Tax planning strategies are found to generate positive net shareholder value, particularly when associated risks are low (Blafus et al., 2019). Shareholders respond positively to low-risk tax planning, as it helps boost post-tax profits, aligning with their expectations. Duhoon and Singh (2023) argue that taxation decisions are crucial management decisions, with managers often adopting tax avoidance tactics to meet shareholder expectations for increased post-tax income. They highlight how firm characteristics, political connections and corporate social responsibility (CSR) activities influence taxation decisions. Blaufus et al. (2019) also note that the legality of tax planning plays a critical role in shaping corporate tax strategies, with managers needing to navigate the fine line between legal and illegal practices.

Furthermore, Duhoon and Singh (2023) emphasise the pressure managers feel from owners, and particularly shareholders, which leads them to the implantation of tax

avoidance tactics to boost post-tax income. However, businesses with different ownership structures, such as family-owned or state-owned businesses, tend to engage in lower-risk tax avoidance strategies (Chen, Chen, Cheng, & Shevlin, 2010). In contrast, businesses with strong CSR profiles are more cautious about engaging in aggressive tax avoidance, viewing it as irresponsible behaviour toward society (Paul et al., 2020). The rise of the digital economy, where businesses can operate with minimal physical presence, has also created greater opportunities for businesses to select tax-favourable jurisdictions (Blafus et al., 2019).

Key drivers that prompt businesses to engage in international tax planning have been influenced by local tax policies and economic pressures, highlighting that such strategies ought to be customised for each jurisdiction's unique landscape (Kemme et al., 2020).

2.4. International tax planning techniques

To formulate international tax planning strategies, multinationals make use of different techniques which require detailed knowledge of the different tax systems and tax treaties of varying jurisdictions (Ftouhi & Ghardallou, 2019). In the literature, the terms "tax planning techniques" and "tax planning strategies" are often used synonymously (Duhoon, A. & Singh, M. (2023) Key techniques highlighted in the literature are set out below:

2.4.1. Transfer mispricing

Amongst other researchers, Kemme et al. (2020) studied the concept of transfer mispricing utilised by multinationals around the world and found that it occurs when group entities deliberately manipulate prices of goods, services or intangible assets relocated between related group entities in different countries in order to achieve a lower taxation on profits.

Empirical evidence confirms the presence of tax-motivated transfer pricing, establishing that the primary objective behind transfer mispricing is for a firm to move revenue from high-tax jurisdictions to low-tax or no-tax jurisdictions, thereby reducing

their overall tax liability (Foss et al., 2019). Ftouhi and Ghardallou (2019) use as an example of transfer pricing a holding company in a particular jurisdiction that deliberately incorporates two wholly owned subsidiaries, with one located in a high-tax jurisdiction that is required to service the customer base and another in low tax jurisdiction.

The entity in the low tax jurisdiction is designated with a particular tax for the group and deliberately charges the company in the high tax jurisdiction higher fees. This allows the company in the low tax jurisdiction to secure higher taxable profits (at a low or zero tax rate) and the company in the high tax jurisdiction to get a deduction for costs paid to the subsidiary in the low tax jurisdiction (Ftouhi & Ghardallou, 2019). The objective ultimately is to, through careful planning around the pricing of intergroup transactions, reduce tax liabilities of the group in high-tax jurisdictions whilst permitting the profit generation in low or no-tax jurisdictions (Scholes et al., 2005).

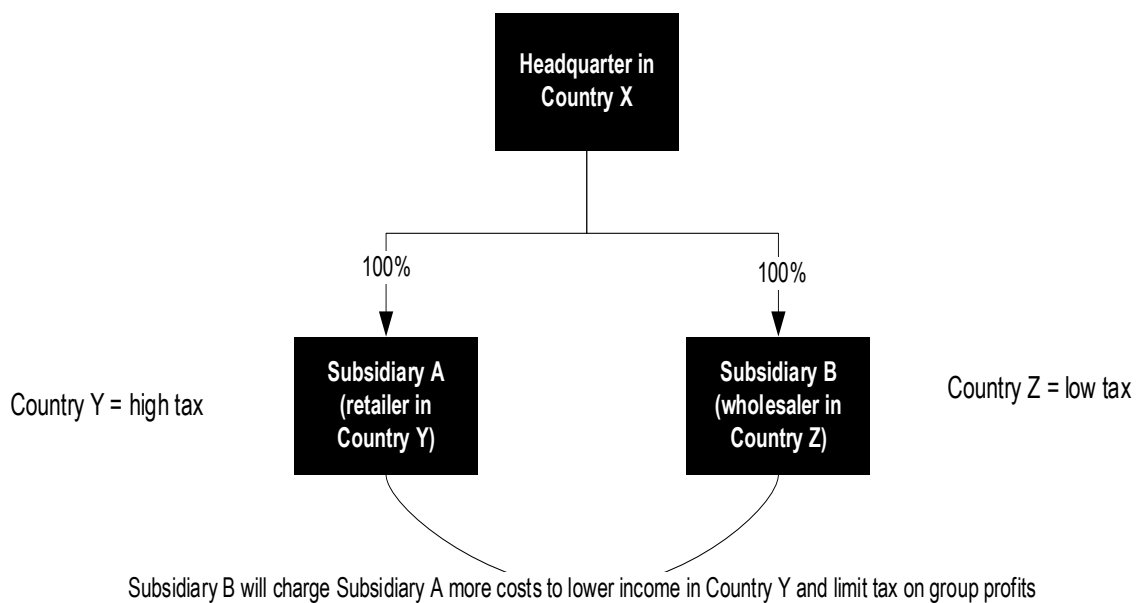


Figure 2. 1: Transfer mispricing

Source: Bruce et al. (2007); Ftouhi & Ghardollu (2019)

2.4.2. Entity migration

Ting and Gray (2019) identify entity migration as a strategic tool in cross-border tax planning. It involves a company relocating its legal domicile from one country to another, usually from a high tax jurisdiction to a low tax jurisdiction (McGaughey & Raimondos, 2019). Marques and Montenegro (2019) argue that by migrating to a more tax-friendly jurisdiction, the company can benefit from lower or even zero taxes on certain forms of income. A primary driver for entity migration from a high tax to a lower tax country has often been to benefit from a more favourable tax regime in the new jurisdiction (Mardan & Stimmelmayer, 2020). Empirical evidence shows that businesses that operate in multiple countries find entity migration useful in centralising management or intellectual property ownership in tax-efficient locations (Kemme et al., 2020).

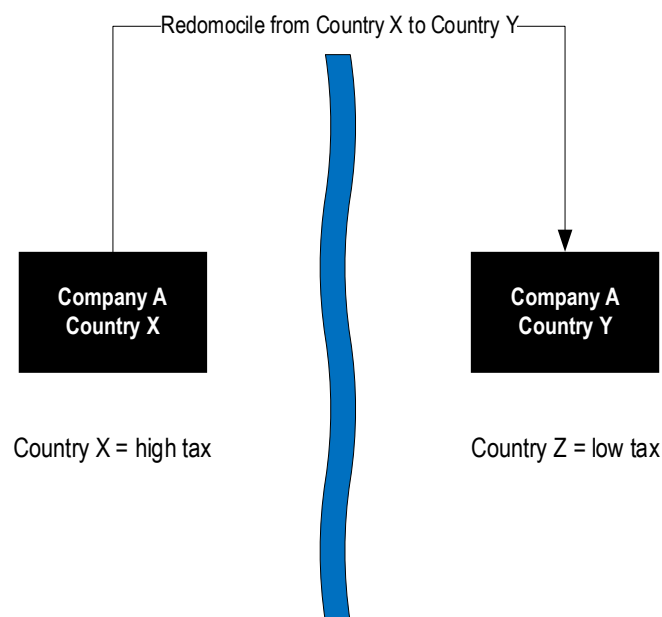


Figure 2. 2: Entity migration

Source: Mardan and Stimmelmayer (2020)

2.4.3. Tax treaty shopping

More than 3000 bilateral tax treaties have been entered into between countries around the world to deal with issues of taxing rights (Beer et al., 2018). Companies

have utilised treaty shopping for decades as an opportunity to select treaties that offer the best relief for transacting entities (Khan & Srinivasan, 2017).

Tax treaty shopping refers to a strategic practice where businesses structure their transactions or establish entities in a particular country primarily to take advantage of the benefits of a tax treaty between that country and another (Foss et al., 2019). According to Driffield et al. (2021), the aim is to obtain tax benefits that would not have been available if the transaction or entity were located directly in one of the treaty countries. Businesses analyse tax treaties between different countries to identify those that offer advantageous provisions, such as reduced withholding tax rates (Beer & Loeprick, 2018). Businesses have structured their cross-border transactions or established entities in a third country (commonly referred as the "conduit country") that has a favourable tax treaty with one or both of the countries involved in the transaction (Azémar et al., 2020). By routing the transaction through the conduit country, empirical evidence shows that businesses can access the tax benefits provided by the treaty, even though they may have limited or no economic substance in that country (Choy et al., 2017).

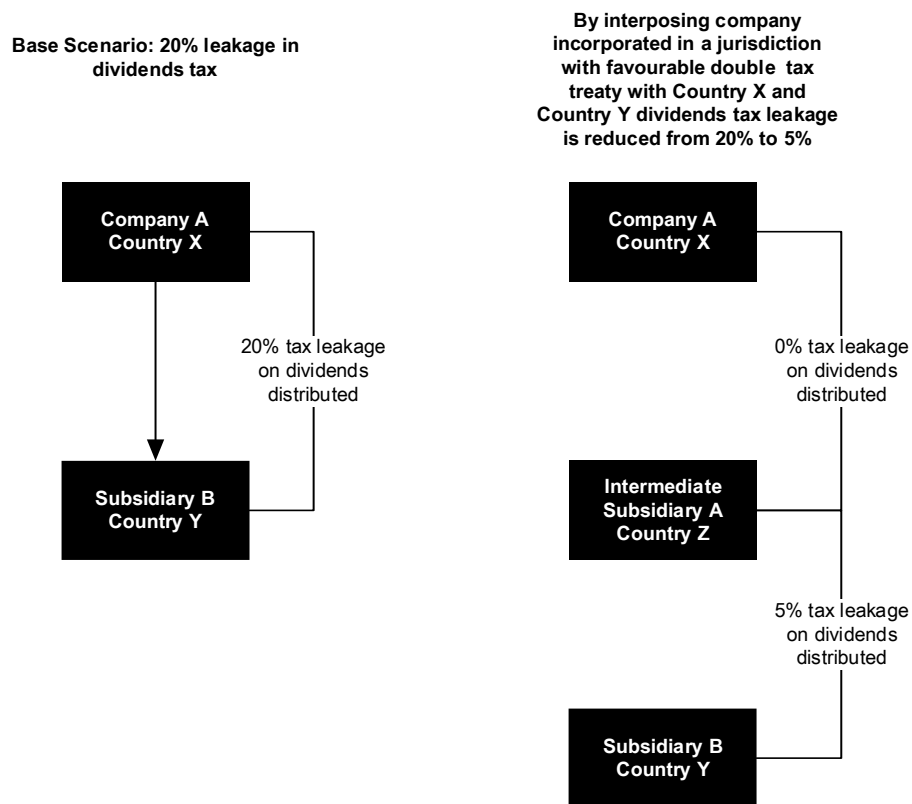


Figure 2. 3: Tax treaty shopping

Source: Beer et al. (2020).

2.4.4. Strategic location of intellectual property

Intellectual property (IP) is a valuable asset and has been transferred to low-tax jurisdictions by multinationals as a tax planning mechanism (Ftouhi & Ghardallou, 2020). These intangible assets, such as patents, trademarks and copyrights have generated significant profits in the form of royalties, licensing fee and capital gains (Cooper & Nguyen, 2020). Choy et al. (2007) assert that in order to minimise tax liabilities, businesses frequently house their IP in jurisdictions with favourable tax regimes. The transfer of IP assets to subsidiaries or holding businesses located in low-tax or no-tax jurisdictions has been proven by empirical results to result in income derived from the IP being taxed at significantly lower rates (Beer et al., 2020).

Certain countries offer "patent boxes" or special IP regimes that provide reduced tax rates on income derived from qualifying IP assets (DeZoort et al., 2018). These regimes are designed to incentivise innovation and attract IP-heavy businesses by offering favourable tax conditions for income derived from patents and other intellectual property (DeZoort et al., 2018). In response, empirical studies confirm that multinationals often engage in IP migration, strategically relocating ownership of their IP to countries that provide better tax incentives (Foss et al., 2019). This usually involves assigning or selling the IP to a holding company in a favourable jurisdiction, thereby optimising the company's tax structure (Duhoon & Singh, 2023).

While the practice of shifting IP to low-tax jurisdictions is not new, Ftouhi & Ghardallou (2019) argue that it has become more prevalent with the rise of digital business models. For modern MNEs that rely heavily on intangible assets like IP, the mobility of these assets offers significant opportunities for tax optimisation through complex legal and financial structures (Cooper & Nguyen, 2020).

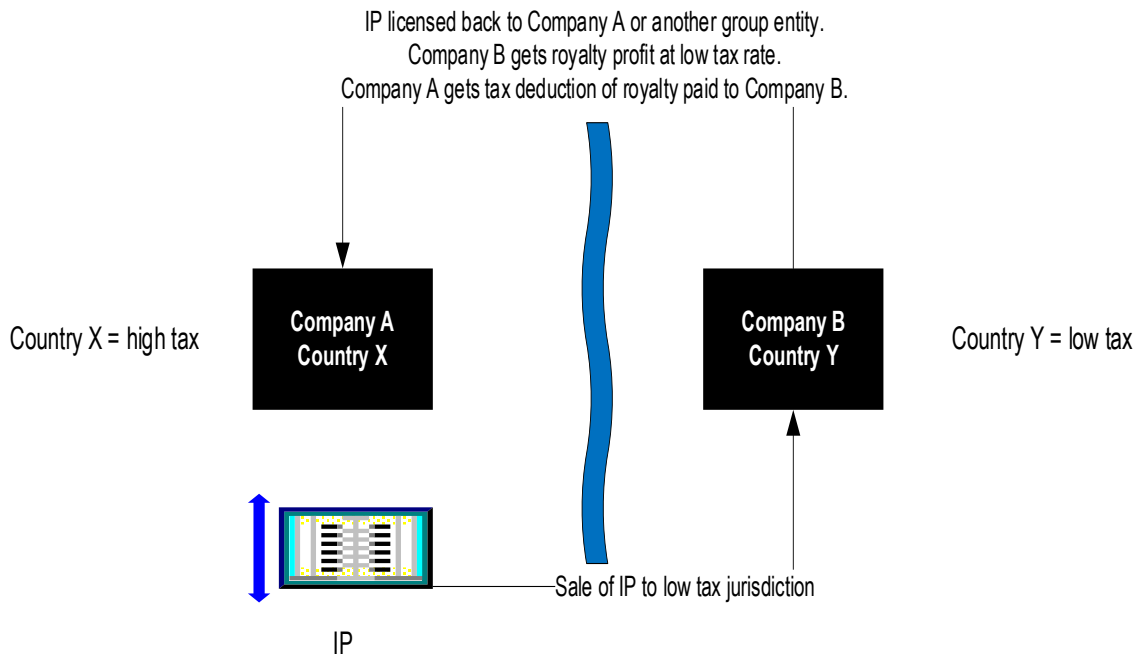


Figure 2.4: Strategic location of IP

Source: Driffield et al. (2021)

2.4.5. International debt shifting and round-tripping

International debt shifting entails the strategic use of intercompany loans between subsidiaries in different countries to shift profits from high-tax to low-tax jurisdictions (Duhoon & Singh, 2023). Research shows that the arrangement takes advantage of cross-country differences in corporate income tax rates (Beer et al., 2018). Balakrishnan, Blouin and Guay (2019) provide as an example of this strategy a company in a high-tax jurisdiction borrowing money from a related entity in a low-tax country and paying interest on the loan which can be deducted from its taxable income (Fee & Loerick, 2018). This interest payment reduces taxable profits in the high-tax jurisdiction while simultaneously increasing profits in the low-tax jurisdiction, where the interest income is taxed at a lower rate (Balakrishnan et al., (2019). Armstrong et al. (2019) found that debt shifting is particularly common in international tax planning because it provides flexibility in financing while also offering tax advantages.

Round-tripping occurs when capital that originates from one country is moved offshore, often through a series of complex transactions and then reinvested back into the original country as foreign investment (Balakrishnan et al., 2019). This practice has allowed businesses to take advantage of tax breaks or incentives designed to attract FDI (Atwood, Drake, Myers & Myers, 2012). Round-tripping has been found to often exploit the differences in tax treatment between domestic and foreign investments, allowing businesses to benefit from reduced tax rates or other financial incentives (Duhoon & Singh, 2023).

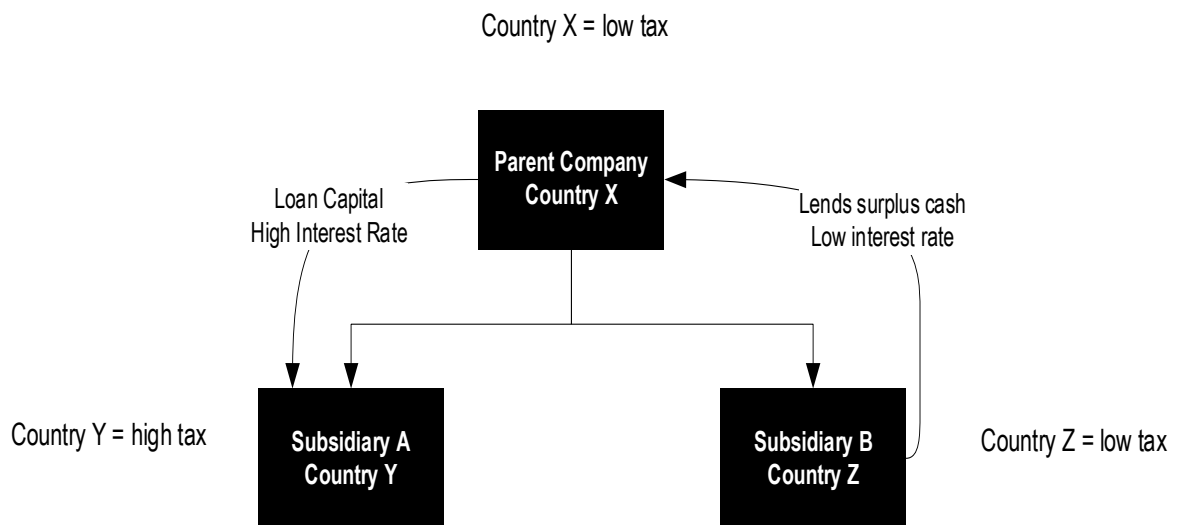


Figure 2.5 : Roundtrip financing

Source: Duhoon and Singh (2023)

Although techniques of international tax planning are widely utilised, Armstrong et al. (2019) argue that their effectiveness and legal implications are largely dependent on tax regulations of each country, underscoring the importance of a per-country evaluation of the international tax strategies utilised.

2.5. Risks and challenges with international tax planning

The taxation of cross-border tax planning strategies remains a significant concern for policymakers (Foss et al., 2018). Over the years, international tax planning practices have come under increasing scrutiny, with both national regulators and international organisations devising mechanisms to investigate and regulate aggressive tax avoidance practices (Chen et al., 2019). Initiatives like the OECD’s Base Erosion and

Profit Shifting (BEPS) have led to the imposition of stricter regulations designed to curb profit-shifting and tax base erosion, further complicating compliance for multinational businesses (Cooper & Nguyen, 2020). As noted by Choy et al. (2017), this growing regulatory focus has created significant challenges for businesses, which must stay continuously updated on compliance requirements, particularly those operating in multiple jurisdictions.

Foss et al. (2019) highlight that the heightened focus of global tax authorities on aggressive tax avoidance has led to increased enforcement, audits and the implementation of various anti-avoidance measures. Countries have strengthened their domestic tax laws, including the introduction of Controlled Foreign Corporation (CFC) rules, aimed at taxing the global income of group entities with ties to the home country (Duhoon & Singh, 2023). Furthermore, transfer pricing is now regulated under arm's-length principles, while debt shifting is subject to hybrid debt and thin capitalisation rules (Kemme et al., 2020). In addition, many jurisdictions have enacted general anti-avoidance rules to address tax avoidance (DeZoort et al., 2018).

Another challenge lies in the reputational risks associated with tax planning. Kemme et al. (2020) warn that businesses perceived as engaging in unethical or overly aggressive tax strategies may face significant reputational damage. Back (2013) further argues that negative public perception can erode brand value, diminish customer loyalty and undermine investor confidence. This underscores the importance of balancing tax efficiency with ethical considerations.

Additionally, implementing complex international tax planning structures presents practical difficulties (Chen et al., 2019). According to Cambell et al. (2019), businesses must navigate cross-border coordination, develop specialised tax expertise and manage potential operational disruptions, all of which can make international tax planning burdensome and resource-intensive. Chen and Lin (2017) point to the inherent uncertainty in international tax planning due to frequent changes in tax laws, political instability and economic fluctuations. These factors can significantly impact the long-term effectiveness and sustainability of tax strategies, leaving businesses vulnerable to unexpected financial consequences.

Finally, Cooper and Nguyen (2020) highlight financial costs associated with international tax planning, which include professional fees, compliance costs and potential penalties for non-compliance. Moreover, there are opportunity costs related to the diversion of resources towards tax planning, which may detract from core business activities or inhibit investment in growth opportunities. Driffield et al., (2019) contend that risks and challenges in international tax planning are not necessarily universal and ought to be researched on a per country basis.

2.6. Conclusion

The literature indicates that the practice of corporations deliberately structuring their operations, assets and investments to take advantage of the benefits of international tax planning has grown significantly in recent years (Cooper & Nguyen, 2020). There are both push and pull factors driving businesses to engage in cross-border tax planning (Drake et al., 2019). Push factors, which tend to dominate, include high tax rates and complex tax systems in a company's home country (Foss et al., 2019). In contrast, pull factors arise from low tax rates, tax incentives and accessing favourable tax treaties in other jurisdictions, encouraging businesses to migrate assets, entities, and portions of their supply chain to low-tax environments (Ftoui & Ghardallou, 2020).

Research shows that mechanisms and arrangements used by entities worldwide in implementing international tax planning are often similar, as are inherent risks involved in executing such strategies (Higgins et al., 2015). A recurring theme in the literature highlights that cross-border tax planning is significantly influenced by the nationality of the corporation, as highlighted by Driffield et al. (2021).

While some literature exploring recent models of tax competition suggests that countries are somewhat symmetric in their tax policies, leading to similar motivating factors and outcomes for international tax planning across jurisdictions (Azemar et al., 2020). Although international tax planning among developed nations has been thoroughly investigated, there is a noticeable gap in research focused on the practice within developing and emerging economies. To the researcher's knowledge, there is no specific literature researching this important issue that has a significant bearing on

businesses in the context of South African businesses in particular, highlighting a critical area for further exploration.

Research on businesses in developed markets has been thorough and well-documented (Duhoon & Singh, 2023), but there is limited understanding of how South African businesses leverage international tax planning techniques to optimise their tax obligations and manage complex regulatory environments. Gaining insight into the extent to which South African businesses engage in international tax planning, as well as their tax avoidance behaviours, is critical, particularly given the scarcity of research on this subject. Addressing this gap will contribute valuable knowledge to the global discourse on tax planning strategies in emerging markets.

This research aims to fill that gap in the international tax planning literature by taking heed to the call on the popular topic amongst businesses but on a country-specific basis (Cooper & Nguyen, 2020), focusing on how South African businesses structure their global operations and tax strategies, considering both domestic tax challenges and opportunities offered by international jurisdictions. The study contributes to the ongoing debate on benefits and costs of tax planning strategies, providing valuable insights into the role of international tax planning in fostering growth and sustainability (Kemme et al., 2020). Furthermore, this study responds to calls for further research on the topic in developing and emerging countries (Cooper & Nguyen, 2020) and complements the existing literature by being the first known to the writer, to focus specifically on South African businesses in this context.

Having reviewed the existing literature on international tax planning, this research will use the collected data to examine the subject from the perspective of South African businesses. The research questions and subsequent analysis aim to compare motivations, experiences and challenges faced by South African businesses with those established in the literature discussed in this chapter. Using this approach, the study will provide valuable insights into the prevalence of international tax planning amongst South African businesses and how South African businesses' tax planning strategies align with, or diverge from, global practices, offering a nuanced understanding of the country-specific factors influencing cross-border tax decisions.

In shedding light on the practical experience of South African businesses in respect of international tax planning and drawing comparisons to the literature on the topic, this research may also offer valuable insights to South African businesses seeking to optimise their global tax position. The findings may assist businesses in making informed decisions about cross-border investments and expansion exercises, how to structure their operations efficiently and manage tax risks effectively. As a result, it may contribute to the development of best practices for South African businesses engaging in international tax planning. Chapter 3 will detail the research questions to be explored further in this study.

CHAPTER 3: RESEARCH QUESTIONS

3.1. Introduction

This chapter explores research questions in the context of the existing literature. The objective is to present a detailed and comprehensive analysis of the main research question and to detail the rationale for the importance of each research question. By examining the research problem from multiple perspectives, this research aims to offer fresh insights and contribute meaningfully to the existing body of knowledge in the field of international tax planning.

3.2. Research question 1

Is international tax planning an important component of business strategies of South African-founded businesses that are experiencing growth and enhanced profitability?

Despite the global relevance of international tax planning and the growing focus in academic literature on the topic (Cooper & Nguyen, 2020), there is a noticeable gap in research focused specifically on the appetite for South African businesses to engage in cross border tax planning. Most studies centre on multinational enterprises in developed markets, leaving the strategic role of tax planning for South African businesses underexplored (Ftouhi & Ghardallou, 2020). Addressing this gap is essential, as it will provide insights into whether businesses in emerging markets (Armstrong et al., 2012) like South Africa use international tax planning to optimise their operations and foster sustainable growth.

3.3. Research question 2

What are the factors that motivate South African businesses to engage in international tax planning?

Whilst literature has explored motivations for international tax planning, much of the research focuses on developed markets (Beer et.al., 2020), emerging economies like South Africa face unique challenges that warrant further exploration. Understanding these motivations will provide valuable insights into how South African businesses in developing or emerging countries such as South Africa utilise international tax planning

as part of their business strategy. Understanding specific factors that drive South African businesses to engage in international tax planning is essential to comprehend the strategic decision-making processes of South African businesses and assess the effectiveness of current tax policies (Mardan & Stimmelmayer, 2020). By identifying key motivations behind such practices, this research can provide valuable insights for businesses, policymakers and the academic community, ultimately contributing to a better understanding of how international tax planning can facilitate sustainable growth and competitiveness for South African businesses.

3.4. Research question 3

What are tax planning techniques adopted by South African businesses and are they similar to the techniques adopted globally?

There is a growing body of literature reflecting techniques used by businesses in engaging in cross-border tax planning (Foss et al., 2019). While literature indicates that techniques are relatively standardised notwithstanding the domicile of the business (Hanlon & Heitzman, 2010), researchers emphasise that this ought not to be generalised and that literature on international taxation ought to be assessed on a per country basis (Ftouhi & Ghardallou, 2020). Specific techniques employed by South African businesses in this international context remain underexplored. Understanding these practices is crucial for assessing the effectiveness of South Africa's tax policies, identifying areas for improvement and providing businesses with insights to enhance their tax efficiency and competitiveness in the global marketplace.

Moreover, this comparative analysis sheds light on unique challenges and opportunities faced by South African businesses in navigating the complexities of international tax planning.

3.5. Research question 4

Are the challenges faced by South African businesses in cross-border tax planning are similar to those of MNEs around the world?

This research question is important for understanding how South African businesses compare with their global counterparts in navigating complex tax environments. Although the literature indicates that these challenges may be inherently global in

nature, a repeated theme in literature is that the specific context of each country can significantly influence the nature and severity of these obstacles (Ftouhi & Ghardallou, 2020). South African businesses, operating within a unique economic and regulatory environment (Jansen et al., 2021), may encounter distinct challenges in their international tax planning endeavours. This research question seeks to explore these challenges and compare them to those faced by multinationals globally. By understanding similarities and differences in the obstacles encountered, this study can provide valuable insights to South African businesses, policymakers, and the international tax community. Such insights can inform the development of tailored solutions, facilitate effective tax planning strategies and contribute to a fairer and more efficient global tax system (Marques et al., 2019).

3.6. Conclusion

This chapter outlined key research questions that form the foundation of this research, focusing on the appetite, role and impact of international tax planning on South African businesses. Each research question was carefully designed to explore various dimensions of the topic, from the significance of tax planning as a business strategy of South African businesses to motivations driving South African businesses to engage in cross-border tax strategies, planning techniques and the challenges South African businesses face in navigating complex international tax regulations. The research also aimed to explore the similarities and differences of these factors to the experience of international tax planning by businesses that are founded in other countries as demonstrated in the literature review.

In systematically collecting data to address these questions in subsequent chapters, the study will provide meaningful insights into the strategic importance placed by South African businesses on international tax planning. In doing so it will contribute valuable knowledge to both the existing academic discourse on this topic as well as practical applications in the growing field of international tax planning. Chapter 4 will set out the research methodology utilised to obtain answers to each research question.

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction

A qualitative exploratory approach was employed to address research questions set out in Chapter 3, using semi-structured interviews with tax advisors to South African businesses, that specialise in or advise on international tax planning. As Saunders and Lewis (2012) suggest, an exploratory approach is well-suited for topics where comprehensive analysis is lacking, and where the researcher seeks to gain in-depth insights into under-explored areas. This method allows for flexibility in probing experiences and perspectives of professionals, providing a deeper understanding of the subject matter while remaining open to uncovering new themes or patterns throughout the investigation (Shaw, 2012).

4.2. Research design

The analysis of the research was qualitative, highlighting themes from the data collected (Ritchie, Lewis, Nicholls & Orsmtom, 2013). Findings were compared to the literature reviewed in order to identify themes which existed (Salkind, 2010). As detailed below, the research philosophy was founded in interpretivism, the approach to theory development was deductive, the methodological choice was mono-method qualitative, the strategy was grounded theory, the time horizon was cross-sectional and data collected was analysed using thematic analysis (Saunders & Lewis, 2018).

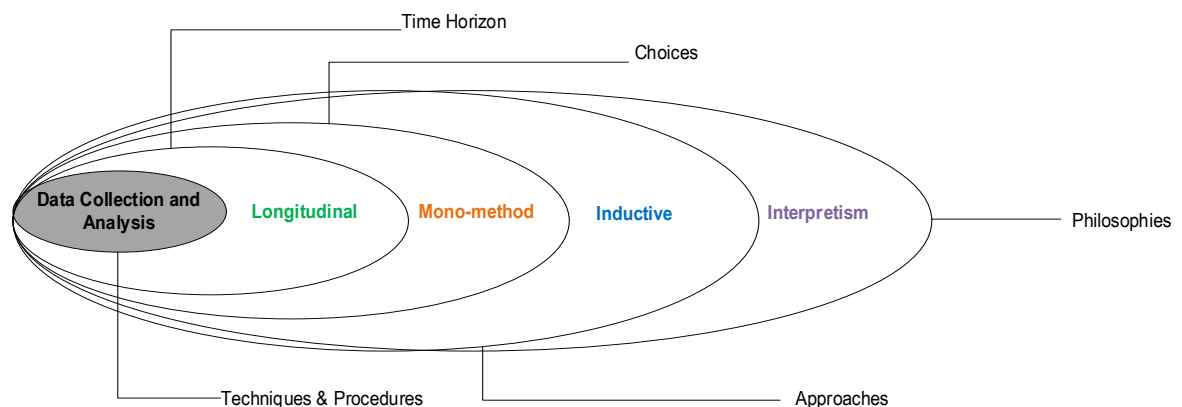


Figure 4.1: Research design

Source: Adapted from Saunders and Lewis (2018)

The research design entailed the collection of data from semi-structured interviews with tax advisors from a variety of tax consulting or law businesses in South Africa. This was an appropriate research design for several reasons. Tax professionals that advise South African businesses possess expert knowledge and practical experience on motivating factors for South African businesses to engage in cross-border tax planning. They also have an understanding of what is required to navigate the complexities of international tax planning, particularly in the context of South African businesses.

Unlike interviewing in-house finance and tax personnel from businesses, the experience of tax advisors was not limited to perspectives of a single business but covered the depth of experience of an array of South African businesses that each of the tax advisors consult. Their insights provided rich, nuanced data that would have been difficult to capture through quantitative methods or general surveys (Guenther & Matsugna, 2017). Tax advisors have firsthand experience with real-world challenges and strategies employed by businesses as well as technical know-how on tax planning, allowing for a more in-depth exploration of the motivations, risks and outcomes associated with international tax planning.

Additionally, interviews allowed for flexibility in the conversation, enabling the researcher to probe deeper into areas of interest or clarify emerging themes, which is particularly useful in exploratory research (Graham et al., 2014). This method aligns with the study's aim to uncover detailed insights and fill the gaps in the current literature on international tax planning in South Africa. The qualitative nature of interviews also helped to capture complexities and subtleties of how different businesses and different tax advisors approach tax planning, which might not have been fully captured through other research methods (Saunders and Lewis, 2018).

4.3. Philosophy

The research philosophy is embedded in interpretivism, which is predicated on the investigation of subjective interpretations, social phenomena, nuanced contexts and a range of viewpoints (Saunders & Lewis, 2018).

Interpretivism is the most appropriate research philosophy for this study as it allows for the exploration of subjective experiences and contextual meanings within the complex field of international tax planning (Shaw, 2012). This philosophy is well-suited to understanding how tax advisors perceive client's appetites for international tax planning and how they interpret and navigate various legal frameworks, economic pressures and client strategies, which are all highly influenced by the specific social and professional contexts in which they operate. By focusing on the co-construction of knowledge between the researcher and participants, interpretivism enabled a deeper exploration of motivations, challenges and strategies employed in international tax planning (Shaw, 2012).

The application of the research philosophy highlighted that multiple perspectives from tax advisors were crucial to gaining a nuanced understanding of the topic (Graham et al., 2014). Furthermore, interpretivism aptly aligned with qualitative methods used in this study, that is, semi-structured interviews with tax advisors, which are designed to capture rich, detailed responses (Saunders & Lewis, 2018). This philosophy supported the study's goal of exploring subjective meanings and in-depth insights rather than searching for universal, objective truths (Shaw, 2012).

4.4. Universe / population

In this study, the research universe comprised of international tax advisors who provide international tax planning and advisory services to South African-founded businesses. These advisors were selected based on having a sound understanding of South Africa's domestic tax framework, as well as experiential knowledge of cross-border tax strategies and implications. The advisors all had practical experience in advising a diverse client base on international tax planning. Geographically, the research universe encompassed advisors based in South Africa. The population was limited to finance professionals and lawyers specialising in tax and who have advised a client base, which includes South African founded businesses, on matters concerning international tax planning. The advisors had a range of between four and thirty years of experience ensuring they have adequate expertise and insight into the challenges and strategies involved.

The complete set of subjects in this research (Saunders & Lewis, 2018), were tax advisors of businesses across South Africa. The population group was further defined to ensure that these tax advisors had a thorough understanding of international tax and have advised South African businesses on international tax planning. The advisors work at a variety of audit, law and tax consulting businesses, having a varied South African client base. These professionals have direct experience in navigating both South African tax regulations and international tax frameworks for South African businesses.

Advisors were selected based on their professional qualifications, with a minimum of four years of experience in the field, ensuring that they possess the expertise required to provide in-depth insights into international tax planning practices. This population is key to addressing research questions, as these advisors play a critical role in shaping and executing tax planning strategies for South African businesses. The selection of a population with relevant expertise, as emphasised by Ritchie et al., (2013) is crucial for effectively addressing the research questions. This rationale justifies the choice of population for this study (Shaw, 2012).

4.5. Sampling method and size

A non-probabilistic sampling method was used, specifically purposive sampling (Saunders & Lewis, 2018). Non-probabilistic sampling was appropriate for this research as the study sought to gain specialised insights from a selected group of participants based on their specific expertise, rather than aiming for a statistically representative sample of the population (Saunders & Lewis, 2018). In purposive sampling, participants are intentionally selected for their knowledge, skills, and relevance to the research topic, which aligns with the goal of gathering in-depth, qualitative data (Saunders & Lewis, 2018; Graham et al., 2014).

The non-probabilistic approach aided in the study focusing on participants who met the predefined inclusion criteria, ensuring that each participant could contribute meaningful, experience-based perspectives across the range of each of their respective range of client base.

The sampling method used for this study was purposive sampling, as it allowed for the selection of participants based on their expertise in advising South African businesses on international tax planning (Saunders & Lewis, 2018). As it was important to make a determination on which individuals were suitably equipped to provide data that would aid in answering research questions completely, a purposive sampling method was used. (Graham et al., 2014). Saunders and Lewis (2018), also point out that purposive sampling in qualitative data collection is used for a selection of a small sample, which was the case in this research study.

The target sample size was 10 tax advisors, selected to achieve data saturation, where no new insights emerged from additional interviews (Guenther & Matsugna, 2017). Participants were required to meet the following inclusion criteria; a minimum of four years' experience in international tax advisory roles, familiarity with cross-border tax planning and experience advising a client base comprising of South African businesses. Recruitment took place through professional networks, industry referrals, and direct outreach to tax specialists. As tax advisors were from different businesses, having advised different South African businesses, they represented a variety of perspectives on the topic. This sampling approach was justified by the need to gather rich, specialised data from knowledgeable and appropriately skilled tax practitioners capable of providing deep insights into the research questions (Ritchie et al., 2013).

4.6. Data collection

Primary data for this study was collected through semi-structured interviews. Participants were thoroughly briefed on the study's purpose, scope and objectives before interviews. A consent letter was sent to each participant, outlining the study and requesting permission to conduct interviews. Data collection occurred either in person or via video conferencing, depending on the participants' availability. In-person interviews were conducted at convenient locations, such as restaurants or workplaces.

As Saunders and Lewis (2018) suggest, detailed exploration of participants' responses was crucial for obtaining data and the researcher was mindful of this throughout the interview process. A semi-structured interview format provided the flexibility needed to explore research questions in depth while allowing participants to offer insights and experiences beyond the structured questions (Graham et al, 2014).

Interviews varied in length and the process involved several formalities, including the use of printed checklists, pre-interview consent forms and preparation contracts. Interviews were carefully recorded and transcribed immediately using Microsoft Teams' recording and transcription features to ensure accuracy (Salkrind, 2010). As indicated in the assessment table, data saturation was achieved when the last three interviews yielded minimal new information or codes, confirming that no further significant themes were emerging.

4.7. Approach selected

As the research aimed to explore and uncover insights into international tax planning practices specific to South African businesses the approach to data analysis in this study was inductive,. Instead of testing established theories, the study allowed patterns and themes to emerge from the data. This enabled a nuanced understanding to emerge of the motivations, strategies and challenges that South African businesses encounter in contemplating engagement or executing cross-border tax planning strategies (Saunders & Lewis, 2018). An inductive approach was appropriate, as it enabled the research to focus on context-specific findings without the constraint of a predefined theoretical framework (Guenther & Matsunga, 2017).

In employing an inductive method, the study analysed qualitative data from semi-structured interviews with the objective of identifying whether and how the experiences of South African businesses align with or differ from broader global practices of foreign businesses. This approach facilitated the emergence of unique, locally relevant themes within the data, providing a richer perspective on the influence of South Africa's economic and regulatory landscape that impact international tax planning decisions. Instead of confirming or refuting specific expectations, the inductive analysis sought to build on existing knowledge by revealing insights that reflect the distinctive South African context in global tax planning frameworks (Ritchie et al., 2013).

4.8. Methodological choices

The research choice for this study is mono-method qualitative, meaning that a single data collection method, specifically semi-structured interviews, was used to gather data (Saunders & Lewis 2012). This approach is appropriate for exploratory research, where

the aim is to generate in-depth understanding rather than quantitative generalisation (Graham et al., 2014). This methodological choice was chosen because it allows for a deep exploration of the experiences and perspectives of tax advisors on international tax planning for South African businesses (Salkind, 2010). The mono-method ensured consistency in data collection and enabled focus on collecting rich, detailed qualitative data that directly addresses the research questions (Ritchie et al., 2013). By employing semi-structured interviews, the study was able to capture nuanced insights needed to understand the motivations, challenges and strategies employed in international tax planning.

The research strategy was founded in grounded theory since the research was exploratory, seeking to discover patterns, themes and relationships within the tax strategies used by South African businesses. Since the research involves collecting data on tax planning strategies, motivations and challenges from experts, this strategy allowed the researcher to build or refine theories based on what emerges from the data itself. Grounded theory is particularly useful when there is limited existing literature specific to your context, such as international tax planning among South African businesses.

4.9. Time horizon

The study was cross-sectional as data was gathered at a single point in time to explore current practices, strategies and challenges in international tax planning among South African businesses (Saunders & Lewis, 2018). A cross-sectional design was justified as the research sought to capture a snapshot of the participants' views and experiences, without the need to observe changes over time (Saunders & Lewis, 2018).

This design was appropriate as the research objective was to understand a particular phenomenon as it exists in a specific moment, rather than tracking the evolution of the phenomenon (Shaw, 2012). The limited period within which the researcher had to collect data warranted the efficiency of a cross-sectional study, as they do not require long-term follow-up with participants (Saunders & Lewis, 2018). Given the nature of this study, the cross-sectional approach allows for a focused and timely investigation. It is particularly useful in exploratory research, where the aim is to gather rich qualitative data from a specific group (in this case, tax advisors) to address the research questions

at a given time, rather than longitudinally monitoring their behaviour or attitudes (Guenther & Matsunga, 2017).

4.10. Data analysis

The analysis approach for this study utilised a combination of manual coding and the assistance of both Atlas ti. Software and GPT-4 for text analysis. Manual coding was central to the process, as it allowed the researcher to engage deeply with the qualitative data, identify key themes and assign codes based on their direct interpretation of the participants' responses. This hands-on approach ensures that subtle insights and nuanced meanings, which are essential in qualitative research, are thoroughly explored and accurately captured (Saunders & Lewis, 2018).

The coding process began with the transcription of interviews, followed by a careful perusal of the data. Initial codes were assigned to specific segments of the text that align with the research objectives, particularly focusing on recurring patterns related to appetite for cross-border tax planning, international tax planning strategies, risk and challenges. These initial codes were then organised into broader themes, which aided in interpreting the data and drawing connections to the study's theoretical framework (Saunders & Lewis, 2018).

To enhance the efficiency and depth of the analysis, artificial intelligence in the form of Atlas ti., was utilised to assist in identifying patterns, highlighting frequently recurring words or phrases and suggesting possible thematic connections. The software's natural language processing capabilities provide a fast and accurate way to sift through large amounts of text, made it easier to detect subtle patterns that might otherwise be overlooked. It also proposed alternative interpretations or relationships between codes, adding an additional layer of meticulousness to the manual coding process. This hybrid approach of combining human interpretation through manual coding with software powered insights from Atlas ti., allowed for a more comprehensive and nuanced analysis. Manual coding ensures that the researcher's subjectivity and understanding of the data's context are preserved, while the software provided efficiency and computational power to support the identification of broader patterns. This method aided in conserving the depth of qualitative research while leveraging technology to streamline the analysis process.

4.11. Unit of analysis

The unit of analysis for this study was each of the individual tax advisors who participated in semi-structured interviews. Each tax advisor was treated as a distinct entity from which data was collected, and their insights, experiences and perspectives in advising South African business on international tax planning formed the basis of the analysis.

In qualitative research, the unit of analysis often represents the primary subject being studied (Saunders & Lewis, 2018). In this case, it is individuals' interpretations and practices related to advising South African businesses on international tax planning, rather than entire organisations or broader populations. By focusing on these individual professionals' experience and insight in advising their South African business clients, the study sought to capture detailed insights into practicalities, challenges and strategies involved in cross-border tax planning, which was essential to answering the research questions.

4.12. Measurement instrument

The primary measurement instrument was the semi-structured interview guide applied as a guideline to collect qualitative data from participants (Ritchie et al., 2013). The interview guide was designed to elicit in-depth responses from tax advisors regarding their experiences and perspectives on international tax planning for South African businesses. The interview guide consisted of a set of open-ended questions aimed at exploring specific themes, such as triggers to engaging in tax planning strategies, constructs of tax planning arrangements as well as risk challenges. The guide was designed to allow for flexibility in probing new topics that may arise during the conversation (Saunders & Lewis, 2018).

The semi-structured format allowed the interview to remain focused on research objectives while also providing participants the freedom to express their views in their own words, thus capturing the richness and complexity of their experiences. (Guenther & Matsunga, 2017) Additionally, the guide was structured to maintain consistency across interviews, ensuring that all participants are asked similar questions, while

allowing room for follow-up questions based on individual responses (Saunders & Lewis, 2018).

The use of manual coding and external software in analysing interview data further enhanced the reliability of the measurement instrument, as it ensured a systematic and thorough approach to identifying and interpreting key themes emergent from the data. The flexibility of this instrument, combined with its structure of focusing on research questions, made it well-suited for capturing the nuanced insights necessary to address the research questions (Graham et al., 2014)

The questions from the Interview guide are set out in Appendix 1 together with corresponding research questions which they seek to elicit a response to.

4.13. Quality controls

The study employed multiple quality control strategies in line with the guidelines provided by Saunders and Lewis (2018) in order to enhance the reliability and validity of the data. Purposive sampling was used to select participants with specific expertise to yield the response to the research questions, ensuring that the data collected was both accurate and relevant (Saunders & Lewis, 2018).

To further reinforce the validity of the data, steps were taken during interviews to create a comfortable environment that encouraged transparency and openness from participants. Measures included ensuring confidentiality of responses and reassuring interviewees that their insights would remain anonymous, minimising potential biases stemming from discomfort or hesitancy in participants divulging their insights and experience on the subject matter.

Additionally, pilot testing of the interview questions was conducted to refine the questioning process and ensure clarity of the questions being conveyed to participants, allowing for adjustments that increased the reliability of the data. The data collection process also involved transcription and review for consistency, where transcripts were checked against audio recordings to confirm accuracy. This ensured that the qualitative data accurately reflected participants' responses and minimised errors in interpretation.

Lastly, data triangulation was applied, where findings were cross verified with existing literature and prior studies contained therein, thereby reinforcing the validity and robustness of the conclusions drawn.

4.14. Data storage

All data was reported anonymously and/or confidentiality observed. Data has been stored without any identifiers, securely to ensure the confidentiality and integrity of the information. Digital data, including audio recordings of interviews and transcribed texts, has been stored on password-protected devices and encrypted cloud storage platforms accessible only to the researcher. Physical documents, such as signed consent forms and handwritten notes, are also kept safely. To maintain participant anonymity, any identifying information was removed and anonymised. Data will be retained for a period of five years following the completion of the research study, in accordance with the University of Pretoria's Gordon Institute of Business Technology guidelines, after which all data will be permanently deleted or destroyed. Backups will be made to prevent data loss.

4.15. Ethical clearance

Before data collection began, ethical approval was secured for the study. All participants were informed of their right to decline or withdraw from the study at any point without consequence and were invited to participate voluntarily.

Their written consent was obtained. Participants were briefed on the research process and assured that only the protagonist's identity would be revealed, with all other data presented in aggregate form. The relevant documentation is included with this research submission.

4.16. Limitations

This study faced certain limitations that ought to be acknowledged. First, the relatively small sample size of tax advisors limits the generalisability of the findings, as insights gathered may not fully represent the broader population of South African businesses. The qualitative nature of the research introduces subjectivity, both in how participants

interpret questions and how the researcher interprets responses, potentially affecting data interpretation.

Response bias may also occur, as participants might provide socially desirable answers that reflect positively on their own practices. The cross-sectional design limits the ability to observe changes in tax planning strategies over time. Furthermore, the complexity of international tax laws means the study may not capture every relevant detail of how these laws impact businesses. Confidentiality concerns may prevent participants from sharing sensitive tax strategies in full, potentially limiting the depth of the data collected. Certain organisations may wish to keep their tax planning strategies confidential, however, interview questions allowed them the flexibility to not be in a difficult position of having to divulge information that they may be uncomfortable with sharing.

4.17. Conclusion

The research methodology was designed to comprehensively address the research questions and achieve the study's objectives with precision. By employing qualitative methods centred around semi-structured interviews, the study gathered in-depth insights from experienced tax advisors, offering valuable perspectives on international tax planning within the South African context. The inductive approach allowed for the emergence of themes directly from the data, providing a rich understanding tailored to the unique challenges faced by South African businesses.

Quality control measures, such as purposive sampling, confidentiality assurances, and iterative transcription review, were implemented to ensure data reliability and validity. Although certain limitations, such as the sample size and potential for interviewer bias and potential to not be entirely transparent (owing to the confidential nature of tax planning), were identified, efforts were made to mitigate these limitations through careful planning and consistent methodological rigor. Overall, the methodology provided a robust framework that sought to balance the need for depth in qualitative analysis with transparency and trustworthiness in data collection and analysis, setting a strong foundation for the findings drawn from the study, which are set out in Chapter 5.

CHAPTER 5: RESEARCH RESULTS

5.1. Introduction

The findings presented in this chapter set out the research results obtained from the data collected from interviews with tax advisors, shedding light on key themes and patterns that emerged regarding international tax planning for South African businesses. The interview guide set out in Appendix 1 was used to ensure that interviews yielded data that would provide responses to the research questions set out in Chapter 3.

5.2. Participants overview

Purposive sampling was used to select the participants for this study. This approach enabled the researcher to specifically target individuals who were most qualified to provide insights into the international tax planning strategies of South African businesses. For this study, the homogeneity of the population is defined by their professional roles and expertise in international tax advisory. The research focuses on capturing experiences and perspectives of tax advisors, executive and senior management from selected organisations that deal with cross-border tax strategies. To ensure the authenticity and validity of the data collected, a comprehensive and methodical approach was employed throughout the selection and interviewing process. Table 5.1 sets out the profile of the interviewed participants. It includes the numbers of years' experience each participants has in international tax planning, the nature of the organisation that they work for and the setting in which the interview was conducted.

Table 5. 1: Profile of participants interviewed

Participant	Numbers of years' experience in international tax advisory	South African Company / Sector	Title	Setting
1	5	Boutique Tax Consulting firm	Tax consultant	In person, at restaurant, fairly relaxed
2	4	Boutique Tax Consulting firm	Tax consultant	In person, at restaurant, fairly relaxed

3	12	Big 4, audit firm	Senior Tax Manager	Conference call, relaxed
4	6	Big 5 Law firm, Tax Department	Tax Associate	In person, in office, relaxed
5	7	Big 5 Law firm, Tax Department	Tax Associate	In person, at restaurant, fairly relaxed
6	8	Big 5 Law firm, Tax Department	Tax Associate	In person, at restaurant, fairly relaxed
7	32	International law firm, Tax department	Head of tax , partner	In person, relaxed
8	22	Law firm, Tax Department	Tax Partner	In person, relaxed
9	10	Big 5 Law firm, Tax Department	Tax specialist	In person, in office, relaxed
10	7	Big 5 Law firm, Tax Department	Tax specialist	In person, relaxed

To ensure the reliability of the data, defined by Saunders and Lewis (2018) as the consistency of results produced from a particular research design, the data collected from interviews using the interview guide was transcribed and analysed iteratively throughout the data collection exercise. There was no need for conversion of the data as the data was collected in audio format and transcribed simultaneously by Microsoft Teams. To maintain accuracy, the recordings were thoroughly reviewed against the transcriptions.

The following sections in this chapter present the findings from the data collected, aligned with the research questions. Recurring insights that consistently emerged during the analysis are explored, highlighting the key themes that developed from the data. As demonstrated from the graph below, data saturation was achieved around participant 8, indicating that subsequent interviews yielded minimal new themes.

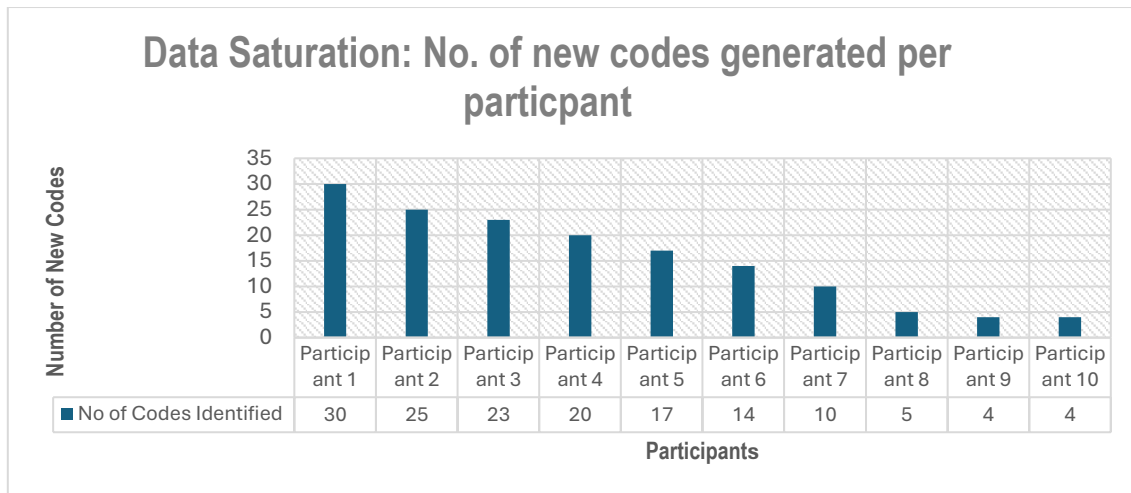


Figure 5.1: Data saturation: Number of new codes created per participant

5.3. Results for research question 1

Is international tax planning an important component of business strategies of South African-founded businesses that are experiencing growth and enhanced profitability?

Table 5. 2: Themes derived from responses to research question 1

Theme	Description
Strategic Importance of Tax Planning	Tax planning is considered an integral component of the overall business expansion strategy.
Competitiveness	International tax planning enhances competitiveness in global markets.
Risk Management	Effective tax planning helps businesses mitigate financial and reputational risks.
Proactive vs Reactive Planning	Businesses increasingly adopt proactive approaches to tax planning rather than reactive ones.
Appetite for Risk in Tax Planning	Some businesses exhibit a higher appetite for risk, leading to more aggressive tax strategies.

5.3.1. Value placed by South African businesses on tax planning in general

The literature review in Chapter 2 set out the academic overview to the general importance given by expanding businesses worldwide to international tax planning. To answer this question, the interview guide posed, as a first question, whether tax

planning is in general an important consideration for South African businesses that are growing.

This question sought to get a sense from tax advisors who advise a multitude of South African businesses, whether their clients do regard tax planning as an important consideration as their businesses expand and become more profitable in South Africa, thereby resulting in South African businesses having to potentially pay more taxes. Overall, participants agreed that tax planning is an important consideration. The following insights stood out;

Participant 3 stated that *“More and more we see the importance businesses are placing on tax planning. Not only growing businesses, start-ups, businesses of varied sizes, businesses under financial distress – tax planning is just becoming, and should continue to be, an important corporate strategy for businesses”*

In a similar vein, Participant 6 spoke to how businesses on their own are cognisant of the importance of tax planning, without tax advisors having to encourage them to engage in tax planning:

“We used to encourage clients to proactively engage in tax planning to ensure overall business efficiency but now you see that is key strategy of clients in any event. We rarely have to sell tax optimisation, businesses know that if they want to grow or even keep their head above the water the prudent thing is to have good tax planning”

Participant 7 spoke to how tax planning is key to remaining competitive, stating that *“When you speak to CFO’s and heads of tax they are quite emphatic that tax planning is integral to overall business strategy. If they don’t engage tax planners they will fall behind their competitors, local businesses and multinationals alike”*.

Participant 6 spoke to how clients now see a lack of tax planning as irresponsible corporate behaviour *“tax planning is so prevalent that for a business to not have a tax planning strategy in relation to its funding, its investment, its capital structure – would simply be seen as irresponsible”*.

Participant 9 confirmed what Participant 8 said and also spoke to representatives of South African businesses having varying tax planning appetites stating that *“there are some clients that want to push boundaries and have a greater appetite for risk, coming to us with reconceptualised tax planning strategies and others who are more conservative in their appetite for risk”*.

While agreeing that the majority of South African businesses want to engage in tax planning, Participant 10 provided interesting insight on how tax planning considerations can sometimes precede corporate strategy *“I have to sometimes warn my clients to not let the proverbial tax tail wag the commercial dog but I can confirm that no transaction or deal takes place in our firm without tax planning the deal, preparing the steps and signing off on it from an overall tax efficiency perspective. Failure to do this will make the deal simply inefficient and you would have to go back to the drawing board. Tax planning is the starting point of current transactions and then also there is long term tax planning. They are all the same important and regarded with similar importance by most of our clients.”*

5.3.2. Value placed by South African businesses on international tax planning

As a second question, participants were asked whether South African businesses place value on international or cross-border tax planning. Here responses were varied, some participants were of the view that international tax planning is becoming more popular owing to significant amounts of taxes that South African businesses are typically faced with.

Participant 1 spoke to being frequently approached by their clients to conceptualise more tax efficient offshore structures *“when businesses are making a lot of money in South Africa, they are taxed more and it simply becomes expensive to keep all assets and profits in South Africa. Clients come to us to devise mechanisms to have all of their profits taxed in South Africa”*.

Participant 2 concurred with Participant 1 and went on to say that *“whilst one would think that its more the businesses that are deliberately expanding offshore into other countries that would engage in tax planning, it is surprising that start-ups will approach you and indicate that they know their profitability will follow shortly and they want to*

ensure that they set up their operations efficiently from the get-go, through proper cross border tax planning”.

Participant 4 offered a different perspective by stating that *“whilst there are a lot of clients that will approach you to create an efficient group or operational structure that spans varied tax efficient jurisdictions and makes use of other international tax planning tricks, my experience is that international tax planning is a lot of the time used by South African businesses when they are either engaging in cross-border transactions such as if they get foreign investor funding or if they are transaction with a South African non-resident or if they are required to set up a presence in other countries to trade from those countries”.*

Participant 9 spoke to how international tax planning offers a further degree of complexity to domestic tax planning *“you need to remember that international tax planning carries with it more challenges than your ordinary tax planning. It is expensive to set up operations offshore and maintain substance requirements.*

Even if South African businesses are aware of it and wish to incorporate it into their strategy, the cost and compliance burden which it entails may result it certain businesses simply not having the appetite for it”.

Participant 10 expressed similar sentiments to Participant 9 by stating that *“I think it is known and it has become more prevalent and it is becoming more popular to create a structure in an offshore jurisdiction that you can use to invest, or route transactions or even house the ultimate owners of business personal estates, but even if it is known its not as easy to execute cross border planning structures as it carries a compliance and structuring cost, not to forget annual maintenance costs to keep these offshore structures. But it’s just a given that it’s an easy way to get your profits outside the South African tax net”.*

Participant 2 appeared to support this assertion by stating that *“it is a given for South African-founded multinationals or groups that are headquartered in South Africa with operational presence in different jurisdictions. If your South African businesses are already doing business offshore or engaging with an offshore customer base where they are in any event required to set up operations offshore, they are almost compelled to seek international tax planning advice to ensure that they set up their cross-border*

operations efficiently. There are too many intricacies involved and simply has to be done right”.

5.3.3. Sub-conclusion research question 1

Whilst several themes emerged from the data collected in order to obtain a response to research question 1, the findings indicate that tax planning is, in general, perceived as a critical component to South African businesses, particularly as they become more profitable. All participants highlighted the growing importance of tax planning not only in an effort to reduce their tax expenses but also to enhance their financial and competitive efficiency. This theme extended into the responses given for the importance of international tax planning where similar themes arose. The recurring emphasis on international tax planning across the participants underscores the uptick in its relevance to South African businesses as a mainstream business strategy.

5.4. Results for research question 2

What are the factors that motivate South African businesses to engage in international tax planning?

Table 5. 3: Themes derived from responses to research question 2

Theme	Description
High Domestic Tax Rates	The relatively high tax rates in South Africa motivate businesses to seek tax-efficient jurisdictions.
Regulatory Complexity	The complex domestic tax landscape drives businesses to engage in cross-border tax planning.
Political and Economic Environment	Political instability and economic uncertainty push businesses to seek more favourable environments.
Competitive Advantage	Tax planning provides a competitive edge in global markets by reducing overall tax liability.
Globalization and Expansion	The desire for global growth and international presence drives businesses to engage in tax planning.

5.4.1. Primary drivers behind South African businesses’ decisions to engage in international tax planning

When delving into this research question, a common theme arose of high tax rates, a complex tax system, aggressive tax collectors in the form of SARS and the poor political environment of South Africa as reasons behind South African businesses wanting to engage in international tax planning.

Participant 5 elaborated on this by stating that *“we have high tax rates in South Africa. Although our corporate income tax rate dropped two years ago, it is still high. There are still withholding taxes and employees tax and sin taxes and consumer taxes and transfer taxes and the list goes on. This makes countries with less tax burdens, more tax incentives and less aggressive regulators and tax collectors more appetising for a South African business that wants to flourish”*.

Participant 4 reiterated this by saying *“high tax rates, complicated tax rates, aggressive audits and investigations and difficulties obtaining refunds all contribute to wanting to move away from the South Africa tax system”*.

Participant 3 added an additional perspective to this by stating that *“its enough to have complicated tax dispensations and exchange control but the further hurdle is that SARS and SARB are aggressive in the audit, inquiry and investigation tactics. It just makes doing business much more complicated. It makes paying your tax and staying tax compliant more difficult.”*

Participant 7 added a further viewpoint that speaks to the political context of South Africa and how it has impacted South African taxpayers wanting to contribute to the South African fiscus *“now there are mentions of tax revolts, organisations where South African businesses are challenging contributing to the South African fiscus. There is a dissent to contribute to the state coffers with all the corruption in our country. Businesses don’t want to contribute to a fiscus where the money is allocated towards illegal actions. Businesses are becoming more reluctant to contribute their hard earnings to a government where they are told that it goes towards corrupt activities or they do not see the fruits of their tax monies. Our political situation is contributing towards South African businesses wanting to offshore operations and rather benefit a foreign revenue authority”*.

Participant 6 echoed this sentiment by stating that *“we can’t ignore that the rise in wanting to offshore operations and then to set up in low tax jurisdictions is that, like individuals who want to emigrate, South African businesses are becoming reluctant to contribute to the South African fiscus. Taxes are getting more but businesses are just not seeing the quid pro quo for the tax money they pay for government. Businesses resent this”*.

Participant 7 also added to this by suggesting that *“completely different perspective going on to state that “as businesses grow it is also a trend to be more competitive to engage in cross border tax planning”*.

Participant 8 delved into instances where one is required to engage in cross-border tax planning and where one does so voluntarily *“one has to distinguish between clients who are required to adopt international tax planning techniques because of the location of its transacting parties, its investors or its client base. Sometimes clients are already operating cross border and therefore approach us to structure those operations efficiently. Then you get clients who wish to deliberately offshore operations to reduce the tax they pay to SARS”*.

Consistent with this, Participant 9 stated that *“with how the world is globalising and South African businesses customer base growing beyond South African borders, clients approach us to inquire whether it would make sense for the entity that caters to the offshore client base be offshore and this then leads to what jurisdiction, how we structure the agreements between the South African entity and that entity and a full blown international tax planning exercise”*.

Participant 9 went on to say *“South African founded businesses also frequently get pressure from their foreign investors to set up offshore entities as investors preference is to hold into foreign entities rather than South African entities. This then leads to the same planning exercise of what jurisdiction, how we structure the agreements between the South African entity and that entity and therefore also a full blown international tax planning exercise”*.

5.4.2. Pull and push factors for South African businesses to engage in tax planning for South African tax businesses.

All participants mentioned similar pull factors of wanting to engage in tax planning these being; low tax jurisdictions, tax havens and the knowledge of how international tax planning can create overall business and corporate structural efficiencies.

Participant 3 mentioned that *“low and no tax jurisdictions are clear pull factor for South African businesses. Attractive tax incentives as well”*.

Participant 2 supported this contention by stating that *“many tax jurisdictions world-wide introduce attractive tax incentives, low tax rates along with ease of doing business to attract other countries to inward invest or to use their jurisdictions as the group’s headquarter jurisdiction. This creates a pull factor.”*

Participant 6 stated that *“the potential to reduce their overall tax bill by a fraction of what is being paid through spreading their profits, assets, and operations across various is an obvious pull factor and that is what careful cross border tax planning offers”*.

Participant 5 *“there are just a lot more tax jurisdictions that offer more attractive tax dispensations than South Africa. Low tax jurisdictions like Mauritius, Singapore and the United Arab Emirates that, in addition to having low tax rates, an easy tax compliance system and tax incentives, have extensive double tax treaty networks that provide comparatively lower tax rates on cross border transactions, makes these countries more attractive to do business out of than South Africa”*.

On the subject of availing to double tax treaties Participant 8 stated that *“South Africa’s own extensive tax treaty network allows South African businesses to engage in tax planning through setting up entities have compatible tax treaties with South Africa if these countries also have low in-country tax rates and more favourable tax regimes than South Africa”*.

Participant 8 also offered an interesting insight into how cross-border tax planning can be a pull factor *“Cross-border tax planning can also aid a South African business to be more global, it can facilitate its access to international markets and enable them to compete with other multinationals - their international counterparts. This can also be a significant pull factor”*.

Aligned with this, Participant 10 stated that *“the potential for tax planning giving rise to enhanced business and structural efficiency as well as competitiveness is a pull factor. Tax planning can also free up resources of South African businesses aiding their growth.”*

With push factors, a lot of the responses provided to the question in 5.4.1 were repeated here. The common theme of high tax rates, a complex tax system, aggressive tax collectors in the form of SARS and the poor political environment of South Africa were again expressed.

Consistently, Participant 1 stated *“The high corporate income tax rate in South Africa can be a significant burden for businesses, especially when compared to lower-tax jurisdictions such as Mauritius, the British Virgin Islands, Jersey, Guernsey or Cyprus. This can motivate South African businesses to explore international tax planning strategies to reduce their overall tax liability.”*

Similarly, Participant 7 stated that *“The complexity of South African tax legislation, with its frequent amendments and interpretations, can be a deterrent for businesses. This complexity pushes them to seek expert advice and consider structures that simplify their tax affairs, potentially through international tax planning.”*

Participant 8 made mention of exchange controls in South Africa as a different push factor stating that *“South African Exchange controls are generally a major obstacle for South African businesses wanting to invest or expatriate capital abroad. As exchange controls are unique to South Africa – and only some African jurisdictions – it may serve as a push factor to engage in cross border tax planning and utilise jurisdictions that are not subject to exchange controls.”*

Participant 10 mentioned South Africa’s tax incentives being comparatively less to other countries as being a push factor stating that *“Whilst South Africa extends certain tax incentives to South African businesses, they may not be as attractive or advantageous as those offered by other governments. This may encourage businesses to look beyond South Africa's borders for tax planning opportunities and incentives that can support their growth and expansion.”*

5.4.3. Sub-conclusion: Research Question 2

The findings demonstrate that South Africans are incentivised to engage in international tax planning through a combination of domestic (push) and global (pull) factors.

5.5. Research question 3

Research question 3: What are tax planning techniques adopted by South African businesses and are they similar to the techniques adopted globally?

Table 5. 4: Themes derived from responses to research question 3

Theme	Description
Use of Double Tax Treaties	Businesses leverage double tax treaties to minimize tax obligations.
Transfer Pricing	Transfer pricing arrangements are commonly used to optimize taxation in cross-border transactions.
Intellectual Property (IP) Structuring	Offshoring intellectual property to tax-friendly jurisdictions is a frequent technique.
Holding Companies in Low-Tax Jurisdictions	Setting up holding businesses in favourable tax jurisdictions is a standard practice.
Global Similarity of Techniques	Tax planning strategies used by South African businesses largely mirror global practices.

5.5.1. Specific international tax planning techniques commonly adopted by South African businesses expanding or conducting cross-border operations

International tax planning techniques mentioned by participants included setting up tax-efficient investment holding and trust structures, transfer mispricing, use of tax havens, offshoring of intellectual property and making use of favourable double tax treaties.

Participant 7 spoke to all of these techniques by stating that “*transfer pricing, treaty shopping, trust structures and transferring of intellectual property are fairly popular ones*”.

Like Participant 7, Participant 3 mentioned some of these techniques *“use of double tax treaties to reduce withholding tax rates, foreign trust structures, profiting shifting and transferring of key group entities or assets”*.

Participant 4 emphasised the use of tax havens and exploiting double tax treaties *“tax havens or low tax jurisdictions combined with the use of compatible double tax treaties are typical techniques use”*.

In addition to reiterating techniques mentioned by other participants, Participant 2 spoke to *“using offshore structures aids getting around anti-avoidance provisions such as controlled foreign company provisions”*.

Also speaking to the use of tax treaty networks, Participant 2 mentioned that *“a lot of our clients leverage the extensive network of double tax treaties which our government has entered into to reduce their tax liabilities. For example, they might use treaties to reduce withholding taxes paid to foreign group entities or foreign investors.*

We often advise clients on how to effectively access treaty provisions to optimize their tax position.”

In line with this Participant 4 mentioned that *“Setting up holding businesses in low-tax or no tax jurisdictions is a common technique used to manage a group’s overall tax bill. These holding businesses can serve as treasury businesses for the group and be used to centralize intellectual property, manage investments, or streamline financing arrangements. We help clients structure these holding businesses in a way that is both tax-efficient and compliant with international regulations.”*

Participant 10 mostly spoke to the prevalence of transfer mispricing *“BEPS and transfer pricing is a critical area for South African businesses with related parties operating in different countries. We assist clients in developing transfer pricing policies that comply with the arm’s length principle to minimize the risk of tax adjustments or penalties. SARS focus on transfer pricing over the years has increased. This often involves conducting benchmarking studies to support the chosen transfer pricing methodology. Quite a lot of work goes into risk mitigation for transfer pricing exposure”*.

Participant 6 mentioned the use of “loop structures” as a tax planning technique *“loop structures were previously not allowed by the SARB but since they were permitted two years ago, it is actively used by South African businesses to keep profits in an interposed foreign entity”*.

5.5.2. Comparison between tax planning strategies employed by South African businesses and by multinational businesses globally

The general sentiment was that tax planning techniques are similar globally but that exchange control which is not in existence in a lot of foreign countries, results in the planning being different. Mention was also made that South Africa does not permit entity migration. Apart from that the view was that techniques are indeed similar.

Participant 4 said that *"In many ways, South African businesses use similar international tax planning strategies to foreign entities. They utilise tax efficient holding businesses, access favourable tax treaties, and engage in transfer pricing planning, much like multinationals which are tax resident in other jurisdictions.*

The main principles of international tax planning are rather universal, and as tax advisors we are generally well-versed in these techniques."

Participant 6 confirmed this by stating *“I think they are largely similar worldwide”*.

Participant 8 also confirmed this *“Yes I think they are quite similar. International tax planning and has consistent key principles applicable worldwide”*.

Participant 5 expressed a different view by stating that *"While South African international tax planning techniques align with global trends in many ways, there are also certain nuances to consider that are specific to South Africa. This is because of the specific provisions in our tax and exchange control legislation that are created to ensure that offshore investment by South African entities either results in profits still being taxed in South Africa for example under place of effective management dispensation, or under the attribution rules set out in the controlled foreign company provisions as well as exchange control. This can impact how South African businesses structure their cross-border investments and transactions "*.

Participant 2 highlighted that the main difference is owing to South Africa having exchange controls *"While there are similarities, there are also some differences. South African businesses often face unique challenges due to exchange controls. This can lead to variations in the specific structures and techniques employed.*

For example, they may need to be more creative in their use of financing arrangements or consider alternative investment routes to navigate exchange control restrictions. Use of loop structures is an example of this".

5.4.3. Sub-conclusion: Research Question 3

The findings indicate that South African's implement a range of cross-border tax planning strategies that are consistent with the internationally recognised strategies. However, certain nuances were identified that appear to be owing to South Africa's unique fiscal environment.

5.6. Research Question 4

Research question 4: Are challenges faced by South African businesses in cross-border tax planning similar to those of businesses around the world

Table 5. 5: Themes derived from responses to research question 4

Theme	Description
Regulatory Compliance	South African businesses face similar regulatory compliance challenges as other MNEs
Anti-Avoidance Provisions	Anti-avoidance measures such as CFC rules and exit taxes present significant challenges.
Exchange Control Regulations	South Africa's strict exchange controls add a unique layer of complexity not faced by all MNEs globally.
Resource Constraints	Smaller South African businesses face resource limitations compared to larger global MNEs.
Global Tax Law Complexity	South African businesses experience the same complexities in navigating global tax laws as their international counterparts.

5.6.1. Domestic challenges faced by South African businesses in engaging in international tax planning

Similar challenges were mentioned including specific provisions in South African tax legislation which target South African businesses engaging in offshore business operations.

Participant 3 mentioned South Africa's robust legal framework that has specifically been formulated by National Treasury to enable SARS to continue taxing the offshore profits of a South African-founded group, notwithstanding the profit-generating entity being located offshore;

"there are specific tax and anti-avoidance provisions in place to allow SARS to continue taxing offshore profits such as under the place of effective management or controlled foreign company regime. Or even permanent establishments. One needs to carefully manoeuvre around these provisions to ensure that the profits of offshore group entities are on-shored by SARS".

Participant 5 echoed this by stating that *"we have to constantly remind our clients that they need to understand that they can't simply move their assets or businesses offshore without considering the tax implications. SARS is ahead of them. There are controlled foreign company rules, transfer pricing rules, exit taxes, and other regulations that can trigger significant tax liabilities if not properly managed. It's crucial for South African businesses to seek expert advice and structure these transactions carefully."*

In a similar vein Participant 7 stated that *"South Africa has stepped up its efforts to not only secure its taxation as much as possible in respect of South African groups but also to combat illicit financial flows and tax evasion. The income tax legislation around offshore trusts, foundations, and other structures have become more stringent. Clients need to be aware of these rules and ensure they are fully compliant in implementing planning initiatives to avoid penalties and reputational damage."*

Participant 2 stated that *"The constantly evolving tax landscape in South Africa can create uncertainty for businesses engaged in international tax planning. Every year, we get the tax amendment bill which follows the budget speech from the Minister of Finance where there is a specific section dedicated to international tax planning. Frequent changes to legislation, interpretations, and court rulings can make it challenging to stay*

compliant and predict the long-term implications of tax strategies. This uncertainty can discourage businesses from pursuing more complex international tax planning."

Participant 8 mentioned unique challenge to South Africa of exchange controls that makes international tax planning more complicated *"South Africa's exchange controls can pose a significant challenge to businesses seeking to engage in international tax planning. Exchange controls restrict the flow of capital, limit investment options, and create administrative burdens. One cannot ignore it. Navigating these regulations requires specialized knowledge and can add an additional degree of complexity to cross-border transactions."*

5.6.2. Other obstacles faced by South African businesses in engaging in international tax planning?

Similar obstacles were mentioned including international tax planning regulations, substance requirements, compliance risks and the cost entailed in cross border tax planning.

Participant 10 *"South African businesses face the same complexities as other multinationals in navigating the global tax landscape. This includes keeping up with evolving international tax laws, domestic tax laws of the jurisdictions that they choose to do business in such as BEPS, transfer pricing, and varying tax rates in different jurisdictions. A good offshore structure is not a once off fix."*

In line with this Participant 1 said *"sometimes a no tax jurisdiction can introduce taxes and then it no longer becomes viable to operate from there. The UAE is an example, although their income tax and VAT are new and at low rates, if you add to that the charge to set up and operate a company in the UAE, it just does not become viable."*

Participant 9 said that *"The OECD's Common Reporting Standards (CRS) and BEPS project has had a major impact on international tax planning. South African businesses ought to be aware of the implications of CRS and BEPS, especially around transfer pricing and profit shifting. Disclosures and documentation requirements have increased, and there's greater scrutiny from tax authorities worldwide that are working together to combat tax evasion."*

Adding to this Participant 8 stated that *"We've had to reassess our international tax planning strategies in light of the rate at which BEPS and other tax policies are on the rise. We need to ensure that our tax structures are aligned with our real economic activities and that we have a genuine presence in the jurisdictions where we operate. Substance is critical to international tax planning. Clients think that they can set up a company in Cyprus with no office and never go there. It does not work there, there needs to be a presence there."*

Participant 2 added an interesting perspective by stating that *"it is not just about a foreign country having lowing tax rates, if divisions of a South African business are moved there, one needs to ensure that they are satisfied with the ease of doing business there. Choosing offshore jurisdictions also requires selection of a country where there is ease of doing business and, to the extent relevant, will their investors and customers be comfortable with housing entities or assets in that jurisdiction"*.

Along with the same themes mentioned by other participants, Participant 4 state that *"its not a cheap exercise and so one has to weigh up the tax saving with the cost. Although long term it usually is the case that the tax saving is higher, one can't ignore that not all South African businesses, have the requisite resources and expertise to dedicate to international tax planning. This can make it difficult to keep up with changes in global tax laws, manage complex cross-border transactions, and access specialized advice. Finding the right balance between cost and compliance can prove to be a challenge. It is a balancing act."*

5.6.3. Comparison of challenges faced by South African businesses engaging in cross-border tax planning with challenges faced by businesses around the world that engage in international tax planning

Most participants were of the view that challenges faced by South African businesses are likely the same to other countries with as developed tax regimes as South Africa, which has a tax dispensation that specifically targets foreign investment by South Africans. A recurring theme was that South Africa may differ to other developed

economies in that South Africa also has to deal with the challenge of getting around exchange control legislation.

Participant 6 stated that *"I would say it is more or less the same"*.

Participant 8 stated that *"South African businesses face many of the same challenges as businesses globally. These include navigating complex and evolving tax laws in different countries, managing transfer pricing issues, mitigating double taxation risks, and staying abreast of international tax developments like BEPS. The core challenges of operating in a globalized tax environment are quite universal."*

Participant 6 offered a different perspective *"While there are shared challenges, South African businesses also face some unique hurdles. Exchange controls, for instance, add another layer of complexity to cross-border transactions and can limit certain tax planning options. Additionally, South Africa's tax treaty network, while extensive, may not offer the same level of benefits as those of some developed countries, potentially limiting tax optimization opportunities."*

Participant 3 also offered an opposing view by stating that *"One key difference is the resource disparity. Many South African businesses, particularly small businesses, have limited resources and in-house expertise compared to large multinational corporations in different jurisdictions. This can make it more challenging for certain categories South African businesses, in particular, to keep up with global tax developments, access specialized advice, and implement complex tax planning strategies. But having said that, this challenge may be experienced across the spectrum of businesses in different countries so I guess the challenges are probably the same"*

Participant 2 also stated that *"South Africa's regulatory environment can present unique challenges. The frequent changes in tax legislation and interpretations can create uncertainty and make long-term tax planning difficult. Additionally, SARS has become increasingly focused on combating aggressive tax planning, which can lead to increased scrutiny and potential disputes. When I do work in African countries, they are in fact worse in revenue collection tactics. It may be a developing country thing or it could be that it actually is the same"*.

Participant 1 stated that "South African businesses also face specific challenges related to the regional context. Operating within Africa often involves navigating diverse tax systems and varying levels of tax administration that can sometimes be politically motivated. One could find the challenges of African countries to be unique to the rest of the world. Perhaps South Africa is closer to the rest of the world but other African countries can be tougher on outward investment and fund flows".

Aligned with this view Participant 9 stated that "businesses in South African encounter different challenges due to the unique regional context in Africa. I advise on tax planning across the continent and it requires navigating a variety of tax systems, each with differing levels of tax administration, some of which may be influenced by political factors. Sometimes you get an African revenue authority who deviate from the income tax act because the president directed them to do anything to collect revenue. The tax challenges faced in many African countries can often be distinct from those in the rest of the world. Whilst the domestic environment may be aligned with global norms, African nations can impose stricter regulations on outward investment and fund flows, making cross-border operations and more challenging for businesses."

5.6.4. **Sub-conclusion: Research Question 4**

The findings suggest that South African businesses which do engage in cross-border tax planning face a number of domestic and offshore challenges and that these challenges are generally similar to their international counterparts thereby demonstrating the universal challenges inherent in operating in a global tax environment. The findings also demonstrates that there are certain challenges unique to South Africa.

5.7. Conclusion

The data analysis identified several key themes that reflect South African businesses' approaches, motivations and challenges to international tax planning. Across all research questions, common themes included the importance of tax planning as a strategic tool for navigating high tax burdens and optimising profitability in cross-border operations. Participants laid emphasis on key motivations such as reducing overall tax liabilities, ensuring competitive positioning and leveraging tax-efficient jurisdictions. The

participants made mention of techniques employed such as transfer pricing, tax treaty shopping and intellectual property offshoring, amongst other, generally mirror global practices but are adapted to accommodate South African-specific regulations, notably exchange control restrictions. There were certain nuances owing to South African's unique fiscal environment.

In so far as challenges with international tax planning was concerned, unique challenges emerged, particularly related to South Africa's rigorous tax regime and exchange control environment, which evidently complicates seamless international planning when compared with other jurisdictions. While South African companies face similar regulatory scrutiny and anti-avoidance measures as multinationals worldwide, the local regulatory landscape—including frequent updates to tax laws— appears from the findings to present additional layers of complexity. Overall, the findings reveal that while South African businesses share global tax planning techniques, their specific motivations and regulatory hurdles underscore the need for a tailored approach to international tax planning in the South African context. These findings provide valuable insights into how South African businesses engage in tax planning strategies, motivations driving these decisions and challenges they face in a global tax environment. These findings are analysed further under Chapter 6.

CHAPTER 6: DISCUSSION OF RESULTS

6.1. Introduction

This chapter contains a detailed analysis of findings discussed in Chapter 5, drawing direct comparisons between these results and the literature reviewed in Chapter 2. Each research question will be thoroughly explored, integrating both findings from the data and existing literature in order to provide a comprehensive evaluation in seeking to postulate answers to research questions contained in Chapter 3. Additionally, supplementary findings that emerged are addressed within the framework of the relevant research question.

This chapter seeks to critically assess how findings align with or diverge from established theories and insights from the literature. This analysis will help determine whether the findings support, challenge or expand upon existing knowledge in the field. By examining these connections, potential gaps or inconsistencies in the current body of research that may warrant further investigation, are highlighted. Ultimately, the goal is to contribute meaningful insights to the field by enriching the understanding of international tax planning for South African businesses, thereby contributing to the literature on international tax planning in general and offering possible avenues for future research.

6.2. Discussion of results for research question 1

Is international tax planning an important component of business strategies of South African-founded businesses that are experiencing growth and enhanced profitability.?

The literature establishes the general importance placed on tax planning by businesses incorporated across the globe as an essential element in business strategy and key in business decision-making, particularly for businesses that are experiencing growth and enhanced profitability (Armstrong et al., 2019).

One of the key reasons for this is the significant financial and administrative burden it imposes on businesses (Cooper & Nguyen, 2020). From a South African perspective,

the data collected revealed that most participants echoed this sentiment by confirming that tax planning is generally given high importance by South African businesses. The data highlighted how tax planning is prioritised as core to the strategy of businesses notwithstanding their size, reinforcing the view of Kemme et al. (2020) that tax planning is critical for businesses hoping to optimise their strategy.

The data mentioned how the majority of businesses on their own are cognisant of the importance of tax planning, without tax advisors having to encourage them to engage in tax planning, this supports Foss et al.'s (2019) view when they assert that tax planning is becoming a well-established business practice within organisations. Foss et al. (2019) suggest that as a result of this, businesses are developing their own tax advisory divisions within the organisation.

The idea that tax planning is not just important for large multinationals but also smaller businesses, such as start-ups and businesses in financial distress, aligns with Chen et al.'s (2019) perspective who believe that tax planning can positively impact firm value and the expectations of its shareholders. The data revealed a general concern that businesses that did not engage in tax planning are likely to fall behind their competitors, both domestically and internationally. Beer et al. (2019) expressed a similar view by claiming that effective tax planning is crucial for maintaining competitiveness

The data also demonstrated that failing to engage in tax planning is increasingly seen as irresponsible, this correlates with Khaoula and Ghardallou's (2019) argument that poor tax management can lead to significant legal and reputational risks. The same sentiment is also expressed by Chen and Lin (2017), who highlighted the consequences of non-compliance with tax obligations, including punitive measures. The concern about some businesses being over-zealous in putting tax at the forefront of transactions or general corporate planning that emerged from the data correlates with Blaufus et al.'s (2019) contention that increased cash flow and resultant enhancement of firm value tends to make businesses prioritise tax planning as a business strategy.

With respect of the theme of the importance of international tax planning in particular, the literature outlines the significance of international tax planning, a specialised form of tax planning, as an imperative for businesses, which enables them to optimise tax efficiency beyond their domestic borders by taking advantage of varying tax laws and

treaties (Brad et al., 2013; Cooper & Nguyen, 2020). This aligns with findings from this study where participants noted that South African businesses are increasingly turning to offshore structures and tax planning techniques to reduce their domestic tax burden, particularly as profits grow. Participants supported the notion that international tax planning is given importance by South African businesses and they collectively confirmed that the interest and appetite expressed by their clients to engage in cross border tax planning has always existed, although there has been a noticeable increase in recent years.

In support of this view, the data demonstrated the strategic importance of tax planning as well as the rising costs for South African businesses that elect to retain all assets and profits in South Africa due to the high taxation, leading clients to seek offshore structures to alleviate this burden. This observation supports the arguments of both Kay et al. (2019) and Duhoon and Singh (2023), who noted how businesses use international tax planning to benefit from favourable tax regimes in foreign jurisdictions, outside their home countries.

Additionally, the concept of "Capital Export Neutrality", mentioned in the literature (Mason, 2020), aligns with Participant 2's observation that even start-ups are keen to ensure efficient cross-border structures from the outset of their operations in order to remain competitive. This highlights that tax planning is not limited to large South African multinationals, but that it is also a growing priority for smaller and newer businesses, as they anticipate future profitability and aim to structure themselves tax efficiently at the outset.

The literature supports this trend, with authors like Jones et al. (2018) indicating that businesses increasingly factor in international tax strategies, even at the early stages of expansion and that tax planning is an imperative to remaining competitive. Furthermore, the literature emphasises the use of tax planning strategies like tax treaties and favourable jurisdictions as part of tax competition theory, which businesses use to optimise their tax positions (Beer & Loeprick, 2019).

Participant 10's comment about the growing popularity of offshore structures to invest, route transactions or house ownership supports this theory, as businesses are taking

advantage of the global tax environment to reduce their overall liabilities. However, Participants 9 and 10 alluded to compliance and maintenance costs of such strategies, reflecting challenges documented in the literature regarding the practical difficulties of international tax planning (Armstrong et al., 2019).

Another important theme that emerged from the data was that some South African businesses proactively engage in cross-border tax planning to mitigate their tax bill and others only do so reactively if they are transacting offshore or expanding into different countries for business purposes, and that the former was a nice to have while the latter was required, demonstrating that the appetite for international tax planning can vary from one South African business to the next. Participant 9 articulated this well. Foss et al., (2019) mentioned these varying rationale for engaging in international tax planning.

In summary, the data from the interviews confirms much of what is found in literature that, like businesses located in other jurisdictions tax planning and in particular, international tax planning is increasingly viewed as important for South African businesses, as they become more profitable or are required to expand beyond their borders for business reasons. There is a varying appetite by South African businesses for engaging in international tax planning and taking on the risk associated with that. However, it is also clear that while international tax planning offers significant advantages, it comes with substantial complexities and costs, which can be prohibitive for some South African businesses. This challenge is also highlighted in the literature (Armstrong, 2019) and therefore one can conclude that, based on the data, international tax planning can be said to be an important component of business strategies for South African businesses that are experiencing growth and enhanced profitability.

6.3. Discussion of results for research question 2

Research question 2: What are factors that motivate South African businesses to engage in international tax planning?

Themes that emerged from the data as primary drivers for South African businesses to engage in international tax planning included high tax rates, aggressive tax collection and compliance burden imposed by SARS, the complex South African tax system and

political and economic instability in South Africa. Driffield et al. (2021) emphasise the fact that high domestic tax rates and complex regulatory frameworks are primary drivers of international tax planning. This argument was echoed by the data where South Africa's multiple taxes, including corporate tax, withholding taxes and transfer taxes were cited as significant burdens. This is consistent with findings of Ftouhi and Ghardallou (2020) and Wang et al. (2023), who argue that businesses seek to reduce their tax liabilities by leveraging lower tax rates in foreign jurisdictions.

Similarly, the data highlighted the complexity of the South African tax system, which includes aggressive audits, investigations and difficulties obtaining refunds, as further motivations for businesses to seek relief through international tax planning. This directly correlates with the assertion in literature that businesses are compelled to engage in offshore tax planning when faced with substantial domestic regulatory tax burdens and, as a result, engage in internationalisation (Kempe et al., 2020).

The data also revealed that aggressive tax collection and the increased scrutiny by SARS play a crucial role in driving businesses to consider offshoring. Participant 3's commentary on aggressive audits by SARS supports Beer and Loeprick (2018) and Hansson et al.'s (2018) view who point out that increased administrative compliance measures combined with aggressive enforcement by revenue authorities have made it harder for businesses to remain compliant without proper tax planning.

This was further corroborated by the data which spoke to businesses being compelled to evaluate tax-efficient jurisdictions when dealing with offshore clients and foreign investors, a trend driven by globalisation. The literature supports this trend, with Paul and Feliciano-Cestero (2021) noting that businesses strategically relocate to reduce their overall tax burden, a move influenced by domestic tax complexities and pressures.

Like the literature, the data emphasises the role of globalisation and the internationalisation of businesses in driving cross-border tax strategies. The eclectic paradigm, referenced in the literature (Dunning, 1980), emphasises that location advantages motivate businesses to offshore their operations to more tax-efficient jurisdictions. The theme of foreign investor pressure on South African-founded businesses to set up offshore entities aligns with this theory. This is also supported by

Driffield et al. (2021), who assert that businesses often follow global trends in tax planning to remain competitive and attract foreign investment.

Another critical driver emerging from the data is the political instability and corruption in South Africa. The data highlighted that businesses are increasingly reluctant to contribute to the South African fiscus due to corruption, a theme not heavily discussed in the core literature but nonetheless reflective of Murtinu and Scalera (2016)'s view that businesses are motivated by the desire to operate in stable and predictable environments. In this regard, internationalisation theory provides a valuable framework for understanding how domestic conditions, like political instability, drive businesses to consider cross-border tax planning (Desai & Hines, 2002). The data spoke to South African businesses wanting to conduct a tax revolt as a result of the perceived misallocation of taxpayer money and that shifting profits to another jurisdiction inadvertently achieves this. Political instability and corruption and how that impacts taxes paid by South African's to SARS is nonetheless a theme that is more unique to South Africa than to other jurisdictions as elucidated in the literature.

Both the literature and the data from interviews provide a fairly consistent view about push and pull factors motivating businesses to engage in international tax planning. Push factors were mentioned under the question that looked at what motivates South African businesses to engage in cross-border tax planning, responses to this question did not vary significantly. Responses again included mention of the complex tax system in South Africa, high tax rates, aggressive enforcement of tax debt, the political instability in South Africa and knowledge that taxpayer money may be misused by the government. Mention was made of the presence of exchange controls in South Africa which further intensifies the push for cross-border tax strategies, reflecting the unique context of South African businesses.

Pull factors mentioned included low-tax jurisdictions, tax incentives and enhanced competitiveness. The literature highlighted low-tax jurisdictions, tax havens and double tax treaties as significant pull factors for businesses looking to engage in international tax planning. Jones et al. (2018) and Kemme et al. (2020) both argue that countries offering favourable tax conditions and tax incentives create a strong pull factor for businesses seeking to optimise their tax positions. This resonated in the data, where mentioned was made of the attractiveness of jurisdictions like Mauritius, Singapore and

the United Arab Emirates for South African businesses to structure their affairs in these countries, which offer low tax rates, easy compliance systems and double tax treaty networks (Driffield et al., 2021).

Similarly, the data referenced favourable tax incentives in certain jurisdictions as an apparent pull factor, aligning with the views of Azemar et al. (2020), who contend that certain countries intentionally offer lower tax rates to attract foreign direct investment. This supports research outcomes of existing literature, where Ftouhi and Ghardallou (2020), for example, point out the strategic advantage businesses gain by operating in low-tax jurisdictions. Furthermore, the data spoke to the ability of South African businesses to leverage South Africa's extensive tax treaty network for tax planning purposes.

This resonates with findings of Margues et al. (2019), who emphasise the importance of double tax treaties in reducing cross-border tax liabilities and encouraging foreign investment. An interesting perspective was offered by the participants who mentioned that cross-border tax planning can free up resources and enhance the structural efficiency of a business, which allows it to expand and grow more effectively. This ties in with the eclectic paradigm from the literature (Dunning, 1980), which highlights the importance of location advantages and operational efficiency in motivating businesses to offshore operations.

The South African perspective on what motivates businesses to engage in international tax planning is consistent with that of businesses across the world as set out in the literature. The two differentiating push considerations that are unique to South Africa which emerged from the data are firstly that South African businesses growing reluctance to contribute to the South African fiscus owing to perceptions of corruption and misuse of taxpayer money and the presence of exchange controls (which are dispensations typical to African or prior-colonised countries) (Jansen et al., 2021), which places restrictions on the expatriation of funds from South Africa. These factors were not present in the literature and demonstrate that push factors can vary from country to country and, in particular, vary somewhat for South African businesses.

6.4. Discussion of results for research question 3

Research question 3: What are tax planning techniques adopted by South African businesses and are they similar to the techniques adopted globally?

In general, participants mentioned the same international tax planning techniques mentioned in literature. However, there were certain variants. The literature highlights base-erosion profit shifting and transfer mispricing as a common technique used by multinationals to shift profits from high-tax jurisdictions to low-tax jurisdictions (Kemme et al., 2020; Ftouhi & Ghardallou, 2019). Most participants mentioned transfer mispricing as a specific strategy used by South African multinationals.

Transfer mispricing emerged from the data as a critical area for South African businesses that seek to redirect profits to low tax jurisdictions but maintain intragroup arrangements with their local South African entities, particularly given SARS's increased focus on transfer pricing. Participant's mention of benchmarking studies and compliance with the arm's length principle correlates with the literature's discussion on the importance of complying with international transfer pricing rules to avoid penalties (Scholes et al., 2005).

The literature also discusses tax treaty shopping as a prevalent technique, where businesses take advantage of favourable double tax treaties to reduce tax liabilities (Beer et al., 2018). This is similarly reflected in the data as all participants mentioned the use of tax treaties to reduce withholding taxes and optimise tax structures. Reducing withholding tax rates as an emerging theme, aligns with literature's emphasis on treaty shopping as a tool to minimise tax on cross-border transactions (Khan & Srinivasan, 2017).

The data also highlighted the use of a combination of tax havens and double tax treaties, which is consistent with the empirical evidence presented by Driffield et al. (2021), who note that South African businesses utilises special purpose vehicles located in specific countries to access treaty benefits without having substantial economic presence in those countries.

The literature identified strategic offshoring of intellectual property as a key technique for tax optimisation (Ftouhi & Ghardallou, 2020). The data spoke to the practice of setting up holding businesses in low-tax jurisdictions to centralise and manage intellectual property, investments and financing, which is a technique frequently used to reduce taxable income in higher-tax jurisdictions. This is supported by Duhoon and Singh (2023), who argue that businesses transfer intangible assets of value such as intellectual property to tax-friendly jurisdictions to benefit from reduced tax rates on royalties, licensing fees and capital gains. The mention of intellectual property migration and holding businesses in tax-efficient jurisdictions correlated with the literature's argument that multinationals leverage intellectual property-focused strategies to benefit from special intellectual property regimes in foreign countries (DeZoort et al., 2018).

Entity migration is described in the literature as a strategy where a company relocates its legal domicile to a low-tax jurisdiction to benefit from favourable tax regimes (Ting & Gray, 2019). The emerging theme of setting up holding businesses in low-tax jurisdictions reflects this practice, as does the broader mention of offshoring operations, significantly noting, however, that it is not possible to migrate an entity itself under South African law. While Mardan and Stimmelmayer (2020) found that entity migration allows businesses to benefit from more favourable tax regimes in their chosen jurisdictions, the data demonstrates that asset migration and not entity migration can take place in South Africa.

The mention of loop structures emergent from the data refer to the practice of South African businesses of keeping profits in interposed foreign entities. Though not explicitly covered in the literature review, this technique could relate to entity migration or round-tripping strategies, where capital is moved offshore and reinvested back into the original country to take advantage of tax incentives (Balakrishnan & Guay, 2019). This indicates that loop structures could be a newly emerging technique, particularly relevant after recent changes in South African Reserve Bank (SARB) regulations.

The literature establishes that international tax planning techniques, such as transfer pricing, entity migration and tax treaty shopping are widely adopted across the globe. Ftouhi and Ghardallou (2019), Ting and Gray (2019), and other scholars have highlighted universal principles behind these techniques, with multinationals in various jurisdictions employing similar methods to reduce tax liabilities. This is consistent with

the themes emergent from the data, which reflect that South African businesses use similar techniques as foreign multinationals, including tax-efficient holding businesses and transfer pricing. This confirms the literature's assertion that tax planning principles are largely universal.

Certain participants emphasised that international tax planning principles are consistent globally, aligning with Driffield et al. (2021) and Beer et al. (2020), who contend that core tax strategies used by multinationals worldwide involve leveraging favourable tax treaties, transfer mispricing, base-erosion profit shifting, optimising intellectual property ownership and shifting profits across borders.

Despite the general similarities in techniques, the data highlights that South African exchange controls and domestic tax legislation introduce unique considerations that influence tax planning. The literature does not extensively cover exchange control regulations as a complicating factor in other jurisdictions, making this a distinct feature of South African tax planning.

The theme highlighting South Africa's exchange controls and limitations on entity migration that set it apart from other countries was dominant in the data. This aligns with Mardan and Stimmelmayer's (2020) argument that while global techniques are widely applicable, local regulatory environments significantly affect how these techniques are implemented. Literature on CFC rules and POEM confirms that these provisions can limit the effectiveness of international tax planning by subjecting offshore income to local tax (Beer et al., 2018). The data further underscores the impact of exchange controls, which complicates financing arrangements and investment routes for South African businesses, requiring more creativity in structuring. This is a significant deviation from other international contexts where exchange controls are not a major concern. Paul & Feliciano-Cestero (2021) mention that jurisdiction-specific regulations can lead to creative tax planning, but South Africa's loop structures are an example of a technique specific to South African businesses attempting to navigate exchange control restrictions.

In conclusion, while South African businesses adopt similar international tax planning techniques to those used globally, there are distinct differences due to exchange controls and entity migration limitations. These regulations require South African

businesses to be more innovative in their planning, leading to unique adaptations like loop structures. Overall, core principles of tax planning remain consistent, but local regulatory factors introduce nuances that shape the specific strategies used by South African businesses.

6.5. Discussion of results for research question 4

Research question 4: Are challenges faced by South African businesses in cross-border tax planning are similar to those of MNEs around the world

The data demonstrated that there are quite a few challenges faced by South African businesses in engaging in international tax planning. According to participants these include heightened regulatory scrutiny and compliance requirements, reputational risks and penalties, practical difficulties and uncertainty of the new jurisdictions they are to operate from or transact, South African exchange controls and cost implications to execute the planning strategies. The literature outlines the increasing scrutiny placed on international tax planning by global tax authorities, particularly through initiatives like the OECD's BEPS project (Foss et al., 2018; Cooper & Nguyen, 2020). This sentiment is echoed in the data. The data speaks to South Africa's robust legal framework, which includes measures like CFC provisions, the place of effective management rules and permanent establishment regulations.

Anti-avoidance provisions ensure that SARS can continue taxing offshore profits, which aligns with the literature's discussion of CFC rules and anti-avoidance measures as global challenges (Duhoon & Singh, 2023). The emergent theme of enhanced regulations around offshore trusts and other structures, parallel the literature's focus on the regulatory burden faced by businesses engaged in complex tax planning strategies. The emphasis on compliance and the need to manoeuvre carefully through transfer pricing and exit tax regulations confirm the literature's assertion that transfer pricing is now regulated under the arm's-length principle, and debt shifting is subject to thin capitalisation rules (DeZoort et al., 2018).

The literature further highlights reputational risks associated with engaging in aggressive or unethical tax strategies (Kemme et al., 2020). This concern emerges from

the data through the themes of reputational damage that can result from illicit financial flows and tax evasion aligning with Back (2013) and Kemme et al. (2020), who argue that public perceptions of unethical tax practices can erode brand value, customer loyalty and investor confidence. Both the literature and data highlight practical challenges involved in international tax planning.

According to Cambell et al. (2019), implementing cross-border tax structures can be resource-intensive, requiring specialised expertise, cross-border coordination and operational changes. This is supported by the data where the emerging theme of the constant evolution of South African tax laws and the uncertainty created by annual changes through the tax amendment bills.

The literature similarly warns of the uncertainty caused by frequent changes in tax laws, political instability and economic fluctuations (Chen & Lin, 2017), which can disrupt long-term tax planning strategies. One of the most significant challenges unique to South African businesses is the existence of exchange controls, which restrict the flow of capital and create additional administrative burdens. This challenge is highlighted in the data by Participant 8, who refers to exchange controls as a major obstacle to cross-border tax planning. The literature does not extensively cover exchange controls in other jurisdictions, making this a uniquely South African challenge. Participant 8's assertion that navigating exchange controls requires specialised knowledge aligns with Murtinu and Scalera (2016), who argue that jurisdiction-specific regulations often require businesses to adopt more creative tax planning techniques.

The literature emphasises financial costs associated with international tax planning, including professional fees, compliance costs and potential penalties for non-compliance (Cooper & Nguyen, 2020). Participant 5 confirms that careful structuring is essential to avoid triggering exit taxes and other liabilities, which speaks to high costs of tax planning mentioned in the literature. Additionally, Cambell et al. (2019) emphasise the opportunity costs of diverting resources towards tax planning at the expense of core business activities, which may also apply to South African businesses facing these challenges.

On challenges faced by South African businesses in engaging in international tax planning, the literature and data align closely, identifying both global and South African-specific obstacles that businesses encounter when executing international tax

strategies. The data collected from participants indicates a strong consensus that South African businesses face challenges similar to those encountered by businesses worldwide when engaging in cross-border tax planning. However, participants also identified South African-specific obstacles related to the exchange control regime, as well as the regional context of operating in Africa, which distinguishes South Africa from other developed countries. Both the literature and participants note that core challenges of international tax planning, such as navigating complex tax laws, managing transfer pricing and mitigating double taxation, are universal.

The theme that South African businesses face the same challenges as global counterparts, including staying abreast of evolving international tax laws and dealing with issues such as BEPS, transfer pricing and double taxation risks was apparent in the data. This aligns with the literature from Foss et al. (2018) and Cooper and Nguyen (2020), who argue that the global regulatory environment around tax planning is becoming increasingly stringent, with initiatives like BEPS seeking to curb aggressive tax practices.

The exchange control regime in South Africa emerged as a unique hurdle not commonly faced by businesses in other countries. The theme that exchange controls impose additional layers of complexity on cross-border transactions, restricting capital movement and limiting tax planning options was consistent in the data. The literature does not focus extensively on exchange controls, reinforcing the notion that this challenge is specific to South Africa. Additionally, the theme of resource disparity that many South African businesses, especially smaller businesses, face when compared to large multinationals surfaced.

This difference can hinder their ability to engage in complex tax planning strategies, a factor echoed by Choy et al. (2017), who note that smaller businesses are often less equipped to handle intricate requirements of international tax compliance. One key distinction raised by participants was the regional context of operating in Africa, which poses unique challenges to South African businesses compared to those operating in more developed regions.

The theme of businesses operating within Africa often face politically motivated tax systems and inconsistent tax administration across different countries was evident. These challenges are compounded by political instability in some African nations, which Cooper and Nguyen (2020) argue can complicate long-term tax planning efforts. The data revealed that African revenue authorities may deviate from established tax laws, often due to political directives, which can complicate tax compliance and cross-border transactions. This reinforces the literature's argument that political factors play a significant role in shaping tax strategies, particularly in developing regions.

The data highlights both similarities and differences in challenges faced by South African businesses when compared to global counterparts. While universal challenges such as navigating complex tax laws and complying with international tax regulations are shared by businesses globally, South African-specific challenges like exchange controls, resource limitations and the regional complexities of operating in Africa create distinct obstacles. These unique challenges underscore the importance of a tailored approach to international tax planning for South African businesses, while also highlighting the need to navigate both global norms and local regulations effectively.

6.6. Conclusion

The results indicate that international tax planning is generally considered important for South African businesses that are profitable or seeking growth. Motivations for South African businesses to engage in international tax planning are not only financial considerations but also domestic factors unique to South Africa. The data reveals that whilst South African businesses do adopt the prototype tax planning strategies and structures, there are differentiating elements to their strategies owing to South Africa's unique fiscal environment that is reflective of its distinct political, economic and regulatory landscape. Similarly, there are nuances in the challenges experienced by South African businesses, although in general they are similar to their international counterparts. This country specific study that focuses on South African businesses supports the contention of highlighted by the literature (Cooper & Nguyen, 2020). calling for country-specific adaptation on evaluating international tax planning thereby emphasising the need for South African businesses to exercise prudence and caution in implementing cross border tax planning arrangements.

CHAPTER 7: RECOMMENDATIONS AND CONCLUSION

7.1. Introduction

The introductory chapter to this research study outlined the research study's background and discussed in detail the research problem, its academic and business significance, research objectives and scope. Chapter two followed with a comprehensive literature review, examining theories underpinning international tax planning and highlighting gaps in the literature as elucidated by researchers on the topic. Chapter three defined specific research questions guiding the study, while Chapter four set out the methodology applied to answer these questions. Chapter five presented research findings, followed by chapter six, which analysed and discussed results from the study in depth. Finally, this chapter concludes the study, summarises key insights and offers recommendations for future research.

This research was conducted to explore the importance of international tax planning for South African businesses seeking strategic growth, and to address a gap in existing literature, which stresses the need for country-specific research on international tax planning. While a well-established body of literature on international tax planning exists, many researchers, such as Ftouhi and Ghardallou (2019), have highlighted the need for international tax strategies to be examined on a per-country basis due to unique regulatory frameworks, economic factors and compliance challenges in each country. This study has successfully demonstrated the veracity of this claim, as the research findings indicate that South African businesses face a blend of global similarities and local nuances that influence their experience and approach to international tax planning.

7.2. Key findings

The research addressed four key questions and results reveal distinct motivations, benefits and challenges for South African businesses in engaging in international tax planning.

7.2.1. Research Question 1

In relation to the first research question of whether international tax planning is an important component of business strategies for South African-founded businesses on the expansion, the findings affirm that international tax planning is indeed a crucial component for South African businesses as they expand and seek global competitiveness. Similar to global trends outlined in the literature by Beer et al., (2019), South African businesses recognise the importance of tax planning as a strategy to reduce tax liabilities, increase after-tax profits and optimise cash flow. Participants consistently emphasised that South African businesses view tax planning as essential to remain competitive, as corroborated by global practices. However, the research highlights that for South African businesses, the complexity of domestic tax rates, exchange controls and regulatory hurdles offer unique incentives, to their international counterparts, to engage in international tax planning. Factors such as South Africa's high tax rates and aggressive revenue collection practices by SARS and citizens dissent towards the allocation of taxpayer money play a significant role in driving this behaviour, adding a bespoke local dimension for South African businesses.

7.2.2. Research Question 2

The second research question sought to gain an understanding of the factors that motivate South African businesses to engage in international tax planning. The data revealed that push and pull factors that motivate South African businesses to engage in international tax planning generally align with global trends but are also uniquely shaped by South Africa's political, economic and regulatory environment. As observed in the literature by Driffield et al., (2021) and Ftouhi and Ghardallou (2019), global businesses are motivated by the need to minimise tax liabilities and optimise global operations. The same applies to South African businesses, with participants highlighting factors such as high corporate tax rates, complicated tax laws, frequent regulatory changes and

legitimate global expansion rationale as primary motivators to explore cross-border tax strategies. However, South Africa's political environment, combined with exchange controls and limited tax incentives, serves as additional push factors that may be less common in other developed economies. These challenges, the data revealed, tend to drive South African businesses to engage in strategic offshore operations and explore low-tax jurisdictions that offer attractive incentives and double tax treaties, which significantly reduce their tax obligations.

7.2.3. Research Question 3

The third research explored the tax planning techniques adopted by South African businesses and enquired whether planning techniques adopted by South African businesses are similar to techniques adopted globally. The findings demonstrated that South African businesses employ many of the same international tax planning techniques as their global counterparts, such as transfer pricing, entity migration and tax treaty shopping. Literature sources, such as Kemme et al. (2020) and Mardan and Stimmelmayer (2020), have indicated that these strategies are globally recognised methods for minimising tax burdens through, in essence, exploiting cross-border differences in tax rates and treaties. However, the findings also revealed important country-specific differences. South Africa's exchange controls and restrictions on entity migration mean that businesses face additional complexity in implementing certain tax strategies, making planning process potentially more cumbersome than in other developed jurisdictions. This necessitates the need for the involvement of skilled tax advisors who can adopt creative adaptations to global strategies or new strategies that are overcome the challenges faced..

7.2.4. Research Question 4

The final research question sought to understand whether challenges faced by South African businesses in cross-border tax planning are similar to those faced by multinational enterprises around the world. The research revealed that many of the core challenges in international tax planning, such as navigating complex tax laws, managing transfer pricing and staying compliant with BEPS initiatives, are universal. As highlighted by Foss et al. (2018) and Cooper & Nguyen (2020), businesses around the

world face heightened scrutiny from revenue authorities and increasingly stringent tax regulations. The findings demonstrated that South African businesses also face exceptional challenges, particularly due to exchange controls, politically motivated tax systems and weak tax administration which limit capital flows and investment options. The findings nonetheless demonstrated that there are lawful workarounds and that these factors do not completely discourage South African businesses from engaging in international tax planning strategies.

7.3. Research implications

The research implications of this study suggest several key considerations for South African businesses and their management. The findings demonstrate the merit in considering in engaging in cross border tax planning whether as part of an offshore expansion exercise, to transact with offshore enterprises or as part of a strategy to manage the overall tax liability of South African businesses. The research calls on companies to conduct an assessment of the trade-off between engaging in international tax planning and not doing so. For those South African businesses that do engage in international tax planning, it is important that they recognise that there are no one-size-fits-all tax planning solutions, as South Africa has a unique economic, political and regulatory fiscal environment that must be taken into account. In light of the continuously evolving tax landscape in South Africa (Janese et. al., 2021), South African businesses ought to keep abreast of regulatory changes and adapting strategies proactively.

7.4. Future areas of research

Given that international tax planning executed by future research could delve deeper into specific tax planning techniques, explore the impact of recent tax reforms, or investigate the ethical considerations in South Africa surrounding international tax planning. Additionally, expanding the research to include a comparative analysis of tax planning strategies across varying South African industries could provide valuable insights. Another avenue for future research could be to examine the role of technology and digitalization in shaping international tax planning practices. Finally, longitudinal studies could track the evolution of tax planning strategies over time and assess their long-term impact on business performance.

7.5. Research limitations

The limitations that could impact the generalisability and depth of the findings include that the sample size and diversity were constrained by the availability of qualified tax advisors, potentially limiting perspectives on international tax planning in the context of South African businesses. Bias could have been introduced owing to the reliance on self-reported which was derived from interviews. This is because the views expressed by participants were based on their own interpretations, opinions and experiences. A further limitation is the use of cross-sectional research design, rather than longitudinal insight, which provides a snapshot in time, which design may omit evidence on how tax planning motivations, strategies and hurdles may evolve with changing tax laws and economic conditions in South Africa. The confidentiality concerns which the tax advisors may have with their clients or the desire of tax advisors to keep intricate tax planning strategies to themselves, may have prevented the participants from fully divulging facts and/or sensitive information, potentially limiting the depth of the data collected. Lastly, evolving domestic and international regulations and practices, may outdate certain of the research findings, underscoring the need for ongoing research in this area.

7.6. Conclusion

The study examined the use of international tax planning by South African businesses pursuing strategic growth. The research revealed that international tax planning is indeed an important strategic consideration for many South African businesses seeking to expand and remain competitive or transacting with foreign counterparts. The findings underscore that whilst there are similarities between the motivations, strategies and challenges faced by South African businesses with foreign businesses, the political, economic and fiscal regulatory environment of South Africa, results in South African businesses having certain unique differences to those of their international counterparts. The study addresses the gap in the literature by focusing on the unique context of international tax planning for South African businesses in particular, an area largely unexplored in existing studies and heeds to the call of other researchers for country-specific studies on the topic. From a business perspective, the study provides valuable insights for South African companies and their management on how to strategically leverage tax planning to enhance competitiveness and sustainable growth, thereby offering practical guidance to navigate international tax planning.

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APPENDICES

APPENDIX A: INTERVIEW GUIDE

1A	Is tax planning in general an important consideration for South African businesses on the rise?
1B	How important is international tax planning to the overall strategy of South African businesses that are expanding or becoming more profitable?
2A	What are the primary drivers behind South African businesses' decisions to engage in international tax planning?
2B	What would you say are the pull and push factors to engaging in tax planning for South African tax businesses.
3A	What specific international tax planning techniques do South African businesses commonly adopt when expanding or conducting cross-border operations
3B	In your experience, how do the tax planning strategies employed by South African businesses compare with those used by multinational businesses globally? Are there significant similarities or differences
4A	What are the domestic challenges faced by South African businesses in engaging in international tax planning?
4B	Other than domestic challenges, what are the obstacles faced by South African businesses in engaging in international tax planning?
4C	Would you say that South African businesses engaging in cross-border tax planning face the same challenges as MNEs around the world that engage in international tax planning?

APPENDIX B: ETHICS CLEARANCE

**Gordon Institute
of Business Science**
University of Pretoria

Ethical Clearance
Approved

Dear Howmera Parak,

Please be advised that your application for **Ethical Clearance** has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

[Ethical Clearance Form](#)

Kind Regards

APPENDIX C: CONSENT FORM

I am currently a student at the University of Pretoria's Gordon Institute of Business Science and completing my research in partial fulfilment of an MBA.

I am conducting research to assess how South African businesses utilize international tax planning to achieve strategic growth. Our interview will take under one hour and will explore your insights and experiences as a tax advisor on how cross-border tax planning is integrated into business strategies for South African firms. Your participation is entirely voluntary, and you are free to withdraw at any time without any consequences. All responses will be reported anonymously, ensuring that individual identities remain confidential. Should you have any questions or concerns, please feel free to reach out to either my supervisor or myself using the contact information provided below.

Researcher name: Howmera Parak
Sefoko

Research Supervisor: Ngwako

Email address: 23984415@mygibs.co.za
nsefoko@gmail.com

Email address:

By signing below I confirm that:

I agree to take part in the interview;

I understand what the research is about;

I have an opportunity to ask questions;

I understand that my participation is voluntary;

I can withdraw at any time without penalty or explanation;

I agree to the interview being audio recorded;

I agree to the use of anonymised quotations in publications.

Signature of Participant _____ Date _____

Signature of Researcher _____ Date _____

APPENDIX D: LIST OF CODES

Research Question	Code	Code Group
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	Moderate Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	Reluctant Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	High Engagement	Level of Engagement in tax planning
Question 1: Sub question 1	Moderate Risk-Taking	Risk Tolerance
Question 1: Sub question 1	Moderate Risk-Taking	Risk Tolerance
Question 1: Sub question 1	Aggressive Tax Planning	Risk Tolerance
Question 1: Sub question 1	Cost Savings	Enhanced profitability
Question 1: Sub question 1	Cost Savings	Enhanced profitability
Question 1: Sub question 1	Increased After-tax profit	Enhanced profitability
Question 1: Sub question 1	Optimised cash flow	Enhanced profitability
Question 1: Sub question 1	Cash flow	Enhanced profitability
Question 1: Sub question 1	Competitive edge	Market competitiveness
Question 1: Sub question 1	Market positioning	Market competitiveness
Question 1: Sub question 1	Industry alignment	Market competitiveness
Question 1: Sub question 1	Foreign investment attraction	Investment facilitation
Question 1: Sub question 1	Domestic expansion	Investment facilitation
Question 1: Sub question 2	Capital allocation	Investment facilitation
Question 1: Sub question 2	Increased Interest	Level of Appetite for international tax planning
Question 1: Sub question 2	High Interest	Level of Appetite for international tax planning
Question 1: Sub question 2	Moderate Interest	Level of Appetite for international tax planning
Question 1: Sub question 2	Interest	Level of Appetite for international tax planning
Question 1: Sub question 2	High understanding	Knowledge and awareness
Question 1: Sub question 2	Dependent on tax advisors	Knowledge and awareness
Question 1: Sub question 2	Growing understanding	Knowledge and awareness

Question 1: Sub question 2	Knowledge gaps	Knowledge and awareness
Question 1: Sub question 2	Increased comprehension	Knowledge and awareness
Question 2: Sub question 1	Profit maximization	Financial Incentives
Question 2: Sub question 1	Cost savings	Financial Incentives
Question 2: Sub question 1	After-tax profit growth	Financial Incentives
Question 2: Sub question 1	Cash flow optimisation	Financial Incentives
Question 2: Sub question 1	Industry alignment	Competitive Positioning
Question 2: Sub question 1	Market competitiveness	Competitive Positioning
Question 2: Sub question 1	International expansion support	Competitive Positioning
Question 2: Sub question 1	High domestic tax rate	Regulatory Environment
Question 2: Sub question 1	Complex local taxes	Regulatory Environment
Question 2: Sub question 1	Tax compliance burden	Regulatory Environment
Question 2: Sub question 1	Tax Incentive mismatch	Regulatory Environment
Question 2: Sub question 1	Meeting shareholder expectations	Shareholder Pressure
Question 2: Sub question 1	Earnings per share improvement	Shareholder Pressure
Question 2: Sub question 1	Stakeholder influence	Shareholder Pressure
Question 2: Sub question 2	Domestic political instability	Political and economic conditions
Question 2: Sub question 2	Economic fluctuations	Political and economic conditions
Question 2: Sub question 2	Uncertainty of allocation of taxpayer funds	Political and economic conditions
Question 2: Sub question 2	Support for global growth	Long-term strategic goals
Question 2: Sub question 2	Sustainability	Long-term strategic goals
Question 3: Sub question 1	Intellectual property allocation	Long-term strategic goals
Question 3: Sub question 1	Strategic Investment	Long-term strategic goals
Question 3: Sub question 1	Profit shifting	Transfer pricing strategies
Question 3: Sub question 1	Intercompany pricing	Transfer pricing strategies
Question 3: Sub question 1	Arm's-length benchmarking	Transfer pricing strategies
Question 3: Sub question 1	Transfer mispricing	Transfer pricing strategies
Question 3: Sub question 1	Use of holding companies	Entity structuring
Question 3: Sub question 1	Trust structures	Entity structuring
Question 3: Sub question 1	Special purpose holding entities	Entity structuring
Question 3: Sub question 1	Debt shifting	Debt financing and capital structuring

Question 3: Sub question 1	Hybrid Debt arrangements	Debt financing and capital structuring
Question 3: Sub question 1	Thin capitalisation	Debt financing and capital structuring
Question 3: Sub question 1	Intercompany loans	Debt financing and capital structuring
Question 3: Sub question 1	Round-tripping practices	Debt financing and capital structuring
Question 3: Sub question 1	Tax havens	Use of low tax jurisdictions
Question 3: Sub question 1	Offshore banking	Use of low tax jurisdictions
Question 3: Sub question 1	Reinvestment through low tax jurisdictions.	Use of low tax jurisdictions
Question 3: Sub question 1	Loop structures.	Use of low tax jurisdictions
Question 3: Sub question 1	IP migration	Intellectual property management
Question 3: Sub question 1	Strategic IP location	Intellectual property management
Question 3: Sub question 1	Licensing arrangements	Intellectual property management
Question 3: Sub question 1	Royalty management	Intellectual property management
Question 3: Sub question 2	Transfer pricing	Similar techniques
Question 3: Sub question 2	Treaty shopping	Similar techniques
Question 3: Sub question 2	IP migration	Similar techniques
Question 3: Sub question 2	Debt shifting	Similar techniques
Question 3: Sub question 2	Domestic tax compliance burdens	Regional differences
Question 3: Sub question 2	Frequency of regulatory changes	Regional differences
Question 3: Sub question 2	Complexity of local tax systems	Regional differences
Question 3: Sub question 2	Similar use of tax havens	Use of low tax -jurisdictions
Question 3: Sub question 2	Offshore trusts	Use of low tax -jurisdictions
Question 3: Sub question 2	Treaty relief	Use of low tax -jurisdictions
Question 3: Sub question 2	Exchange control navigation	Unique SA-specific adaptations
Question 3: Sub question 2	Exchange controls	Unique SA-specific adaptations
Question 3: Sub question 2	Loop structures	Unique SA-specific adaptations
Question 4: Sub question 1	Controlled foreign company compliance	Regulatory and compliance challenges
Question 4: Sub question 1	Place of effective management risk	Regulatory and compliance challenges
Question 4: Sub question 1	Deemed SA-residency risk	Regulatory and compliance challenges
Question 4: Sub question 1	Transfer pricing adjustments	Regulatory and compliance challenges
Question 4: Sub question 1	Limited-in house expertise	Resource constraints

Question 4: Sub question 1	High cost of external advisors	Resource constraints
Question 4: Sub question 1	Budget constraints for planning	Resource constraints
Question 4: Sub question 1	Heightened SARS scrutiny	Regulator scrutiny
Question 4: Sub question 1	Transfer pricing investigations	Regulator scrutiny
Question 4: Sub question 1	Compliance audits	Regulator scrutiny
Question 4: Sub question 1	Section 31	Regulator scrutiny
Question 4: Sub question 1	Tax Audits	Regulator scrutiny
Question 4: Sub question 1	Restrictions on capital outflow	Exchange control limitations
Question 4: Sub question 1	FDI regulations	Exchange control limitations
Question 4: Sub question 1	SARB restrictions	Exchange control limitations
Question 4: Sub question 1	Administrative compliance burdens.	Exchange control limitations
Question 4: Sub question 1	Risk of public scrutiny	Reputational and ethical concerns
Question 4: Sub question 1	Reputational damage	Reputational and ethical concerns
Question 4: Sub question 1	Investor Concerns	Reputational and ethical concerns
Question 4: Sub question 2	OECD standards	Compliance with international standards
Question 4: Sub question 2	GAAR considerations	Compliance with international standards
Question 4: Sub question 2	Compliance with treaty provisions	Compliance with international standards
Question 4: Sub question 2	Alignment with international norms	Compliance with international standards
Question 4: Sub question 2	Exchange control limitations	Regional-specific regulatory challenges
Question 4: Sub question 2	SARS-specific audits	Regional-specific regulatory challenges
Question 4: Sub question 2	Unique anti-avoidance rules	Regional-specific regulatory challenges
Question 4: Sub question 2	Local compliance rules	Regional-specific regulatory challenges