

**AN OVERVIEW OF THE MODERATING EFFECT OF A SIMPLIFIED
TAX ADMINISTRATION SYSTEM ON COMPLIANCE AND
TAXPAYERS' PERCEPTIONS**

**A Research Project completed in Partial Fulfillment of the
Requirements for the Degree of Master of Commerce in Taxation,**

FACULTY OF ECONOMICS AND MANAGEMENT SCIENCES

At the

University of the Witwatersrand, Johannesburg

**Date of submission
30TH JUNE 2022**

**ANDILE KHULEKANI MANGANYA
STUDENT NUMBER: 330004**



UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

Faculty of Commerce, Law and Management

Candidate's Declaration

Name of Candidate:	Andile Manganya
Person Number:	330004
Degree:	Mcom Tax
Supervisor / Co-Supervisor:	Danielle Cerbone and Wayne Van Zijl
School:	Accounting and Tax
Title of Thesis/Dissertation/ Research Report:	An overview of the moderating effect of a simplified tax administration system on compliance and taxpayers' perceptions.

Candidate's Declaration:

- i. I hereby submit my research report/thesis/ dissertation as final report of my work
- ii. I confirm that my signed declaration in terms of Rule G9.7 is included in each copy of the thesis/ dissertation.
- iii. I have checked all copies of my research report/ thesis/ dissertation and declare that no pages are missing or poorly reproduced.
- iv. I hereby submit a CD/USB containing a PDF version of my submission as the final research report for the examination and one bound copy.

Candidate's Signature: 

Date: 10/01/2023

ACKNOWLEDGEMENTS

Firstly, with great humility and a heart filled with gratitude, extending my sincere thanks to God for the resilience strengths, sane mind, and the ability to persevere throughout the completion of this study.

Also, I would like to extend my appreciation to the following people:

- My supervisor, Mr. Alwyn De Koker and Mr. Danielle Cerbone for their unwavering support and guidance throughout my course.
- Governor Manganya and Jennifer Croll, for peer review and editing.
- My best friend Amandla Mbangxa, and my sister, Asimdumise Manganya for their willingness to listen to me, motivate me and always be there to offer continued support and motivation.

ABSTRACT

The Tax Administration Act and systems are the most important pieces of legislation and mechanisms that should be in place and need to be executed with thorough care, efficiency, and considering the taxpayer's attitude, behaviours, and the general economic and tax environment. In the South African context, there is a need to increase the collection of revenue and enforcement to provide quality services. There are still challenges and uncertainties across multiple tax disciplines, and difficulties in the implementation of these tax laws. Therefore, there are misalignments and challenges within the administration processes, both from a legislative and practical perspective.

Several significant changes have been identified and has led to the improvements within the South African tax system, these changes to the system arise from various interventions such as "remodeling of the independent tax and customs administration." These and many other significant changes have aided and contributed to a relatively robust and competitive tax system. The current South African administration system is stable and favourably compared with those of many developed and emerging economies.

The study concluded and noted multiple variables that can be identified as misalignments and gaps within the administration, these range from both operational and legislative perspectives, such as the audit process, SARS service delivery during COVID-19, granting extensions, difficulties within the use of E-filing, debt management process, difficulties around the implementations of the health promotional levy, SARS in working with various stakeholders and regulatory bodies and many more other issues. As a result, tax compliance depends on many factors, other than deterrence, and the perceptions of taxpayers are more likely to be influenced by these factors and gaps within the tax administration system. Therefore, it is important to work towards creating a balance in our tax system by improving the administration system, while simultaneously bringing in more revenue collection without impairing the taxpayer's behaviour and perceptions.

Keywords:

Taxpayers' Behaviour, Tax Compliance, Tax revenue authority, Tax administration, Tax evasion, and avoidance and Perceptions,

TABLE OF CONTENTS

ACKNOWLEDGEMENTS	I
ABSTRACT	II
LIST OF TABLES.....	VIII
LIST OF FIGURES.....	VIII
LIST OF ABBREVIATIONS	IX
CHAPTER 1: INTRODUCTION.....	1
1.1 BACKGROUND	1
1.2 MOTIVATION FOR TOPIC.....	3
1.3 RESEARCH QUESTIONS	3
1.4 OBJECTIVES OF THE STUDY	3
1.5 SIGNIFICANCE OF THE STUDY.....	4
1.6 THE LAYOUT OF THE DISSERTATION.....	5
1.7 SUMMARY.....	6
CHAPTER 2: LITERATURE REVIEW.....	7
2.1 INTRODUCTION.....	7
2.2 HISTORIC OVERVIEW	7
2.2.1 <i>The South African Revenue Authority (“SARS”)</i>	7
2.3 THE TAX ADMINISTRATION SYSTEM IN THE CONTEXT OF SARS	8
2.4 OUTLOOK ON THE BAD OR/AND GOOD TAX ADMINISTRATION ON THE COLLECTION OF REVENUE.....	10
2.5 UNDERSTANDING WHAT INFLUENCES TAXPAYER BEHAVIOUR.....	13
2.6 TAX MORALITY	16
2.7 TAXPAYERS’ PERCEPTION	18
2.8 TAX COMPLIANCE	19
2.9 TAXPAYERS’ BEHAVIOURS	2322
2.10 THE COMPLEXITY OF THE TAX SYSTEM	24

2.11	FAIR AND TRUST IN PROMOTING INSTITUTIONAL INTEGRITY AND PUBLIC CONFIDENCE	25
2.12	SUMMARY.....	27
CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY		28
3.1	INTRODUCTION.....	28
3.2	APPROACH TO SAMPLING	28
3.2.1	<i>Target population.....</i>	28
3.2.2	<i>Sampling method and size</i>	29
3.3	DATA COLLECTION.....	29
3.4	DATA ANALYSIS	31
3.5	VALIDITY AND RELIABILITY OF DATA	31
3.6	ETHICAL CONSIDERATIONS	32
3.7	LIMITATION OF THE STUDY	32
3.8	NATURE AND FORM OF RESULTS	33
3.9	SUMMARY.....	34
CHAPTER 4: DATA COLLECTION ANALYSIS AND INTERPRETATION		35
4.1	INTRODUCTION.....	35
4.2	DATA COLLECTION.....	35
4.3	DEMOGRAPHIC CHARACTERISTICS.....	35
4.4	TRENDS AND DEVELOPMENTS ON DIFFICULTIES ENCOUNTERED BY TAXPAYERS IN THE CONTEXT OF BUSINESS CORPORATIONS.....	37
4.4.1	<i>Taxation on sugar-sweetened beverages.....</i>	37
4.4.2	<i>The migration from the preferred trader to the Authorised Economic trader.....</i>	40
4.4.3	<i>The introduction of the SARS Compliance Programme</i>	41
4.4.4	<i>The introduction of a Carbon tax.....</i>	43
4.4.5	<i>Impact of COVID-19 on the tax administration system.....</i>	43
4.4.6	<i>Enhance tax administration through digital platforms.....</i>	45
4.4.7	<i>Tax relief measures in dealing with COVID-19.....</i>	48
4.4.8	<i>Tax authorities' relations with third parties</i>	48

4.4.9	<i>Compliance on Third party reporting and income withholding</i>	49
4.5	OVERVIEW OF THE PRICEWATERHOUSECOOPERS (“PWC”) SURVEYS CONDUCTED	50
4.5.1	<i>The process of Audit</i>	51
4.5.2	<i>Request for information</i>	51
4.5.3	<i>Granting of extensions</i>	52
4.5.4	<i>Time is taken to complete and finalize the verification audit</i>	52
4.5.5	<i>Issuing progress report</i>	53
4.5.6	<i>Audit findings</i>	53
4.5.7	<i>Issuing of letter of assessment</i>	54
4.5.8	<i>Understatement penalties</i>	54
4.5.9	<i>Debt management process</i>	54
4.5.10	<i>Response to suspension of payment</i>	55
4.5.11	<i>Time is taken to get feedback on the settlement proposal</i>	55
4.5.12	<i>Request for correction</i>	55
4.5.13	<i>Value Added Tax (“VAT”)</i>	56
4.5.14	<i>Challenges with Pay as you earn (PAYE)</i>	56
4.5.15	<i>Voluntary Disclosure Programme (VDP)</i>	57
4.5.16	<i>SARS Service Delivery</i>	58
4.5.17	<i>COVID-19 Relief</i>	59
4.5.18	<i>SARS service delivery during COVID -19</i>	60
4.5.19	<i>Working with stakeholders and regulatory bodies</i>	60
4.6	OVERVIEW ON THE IMPACT OF DAVIS COMMITTEE AND NUGENT REPORT	60
4.7	OTHER VIEWS TO BE CONSIDERED ARE AS FOLLOWS	61
4.8	FINDINGS GATHERED DURING 2021 TAX INDABA	62
	CHAPTER 5: CONCLUSION, RECOMMENDATIONS, AND IDENTIFICATION OF FUTURE RESEARCH AREAS	64
5.1	INTRODUCTION.....	64
5.2	RESEARCH CONCLUSIONS, FINDINGS, AND OBJECTIVES.....	64

5.3	RECOMMENDATIONS	67
5.4	LEARNING TO BE ADOPTED BY OTHER AFRICAN COUNTERPARTS	68
5.5	SUGGESTIONS FOR FUTURE RESEARCH.....	69
5.6	CONCLUSION	70
	REFERENCES	71
	USEFUL INTERNET LINKS.....	75
	LEGISLATION.....	76

LIST OF TABLES

Table 1: Definitions of concepts.....	10
Table 2: What is being done to ensure compliance	20

LIST OF FIGURES

Figure 1: Diagram showing attitude compliance	20
Figure 2: Conceptual framework.....	22
Figure 3: Illustration of a spectrum of taxpayer attitudes to compliance	23
Figure 4: Our approach in developing the compliance programme	42
Figure 5: Measures to support taxpayers	44
Figure 6: Data-driven compliance risk detection	47
Figure 7: Stakeholder management.....	49

LIST OF ABBREVIATIONS

AMCHAM:	American Chamber of Commerce
SAIT:	South African institute state of Tax
SARS:	South African Revenue Services
SADEC:	Southern African Development Community
PWC:	PricewatersCoopers
OECD:	Organisational for Economic Co-operation and Development

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

The tax administration is of great importance and crucial to every government, thus the overall challenges within the tax revenue collection and effective management of the system should be addressed accordingly through necessary steps, and regulations made for an effective and efficient system of tax administration. Without taxes, governments are unable to meet the needs of their societies. This makes taxes very important as the collection of revenue enables governments to finance various social projects. Therefore, tax administration is the core driver in the collection of revenue (OECD, 2019).

SARS has made significant changes and improvements within the South African tax system. These changes to the system arise from various interventions such as remodelling of the “independent tax and customs administration (the South African Revenue Service), broadening the tax base, and the reduction of the marginal tax rates. These and many other significant changes have aided and contributed to a relatively robust and competitive tax system.” The current South African administration system is stable and favourable in comparison to the developed and developing countries.

There have been problems and interpretational uncertainties that arise from different spheres of taxes, which range from operational, implementational, and other elements which have an impact on the overall delivery of service to taxpayers and their perception and behaviour towards tax compliance. Prior research also focuses on how the South African Tax Administration Act should be enhanced to overcome inefficiencies. This is through exploring various questions and addressing the developments and difficulties that are currently experienced such as:

- What are the current problems experienced by taxpayers as evidenced by data collected through tax forums attended by the researcher and the use of secondary data?
- Where are there other misalignments in the Tax Administration Act ?
- What technology is available to improve the administration of tax?

The main principle is the fact that tax and administrative systems in place must be certain and not arbitrary. This is one of the main fundamentals explored by Adam Smith (1776) in achieving an effective tax system. In overcoming interpretational problems and uncertainties, clarity and certainty must be provided by all relevant stakeholders.

In a recent communication, the commissioner of SARS, Edward Kieswetter, has mentioned that the country's tax base is experiencing a negative impact due to various factors that were caused by COVID-19 (SARS, July 2021). He further mentions that SARS remains "committed to safeguarding the public's confidence in the tax administration system during these unprecedented times, as well as placing an emphasis on adopting a collective approach to ensure that the tax administration system is made accessible to allow the taxpayers to fulfill their obligations and ensure that the revenue is collected." He also mentions that "there has been a shift in voluntary compliance from large businesses in the international segment and SARS should continue to work with and through various stakeholders to improve voluntary compliance."

The tax system is stretched far above its capacity, according to Evans (2015) any resultant in "further demands on existing tax bases could cause economic distortions and other systemic failures." Although there is always a perception that the system is not fit for purpose in the present form, there are many opportunities to address and fix the administration system. Problems, interpretational uncertainties, and lack of transparency across various tax problems impose a challenge not only in the administration system but also in the taxpayer's behaviour and compliance. This adversely affects the collection of revenue and compliance in general (Evans, 2015).

The study utilizes a qualitative research method to collect and analyze data that will assist in identifying the gaps within the administration processes. This is identified through practical difficulties that have been encountered by taxpayers, especially corporate taxpayers. Additionally, it incorporates interpreting the impact of both inefficient tax administration processes and how this could be improved. Improvements such as attitudes towards tax compliance, the best ways of integrating technology in the administration processes, and how it will influence SARS tax fiscal and encourage higher levels of compliance are addressed.

1.2 MOTIVATION FOR TOPIC

Administration interventions are crucial when it comes to achieving an effective method of dealing with systemic problems , these include having a sequential set of instructional components and procedures for mitigating disruptive behaviour and addressing any interpretational and uncertainty problems.

In identifying the inefficiencies within the tax administration from a legislative and practical perspective, non – compliance by taxpayers is one of the gaps that needs to be addressed with appropriate application of tax law and the cause of non-compliance can be attributed to the attitudes and perceptions, caused by processes that come with complying with tax law.

1.3 RESEARCH QUESTIONS

Considering the above statements, the study seeks to have an overview of the following topics.

- How can the SA administration Act be enhanced to overcome inefficiencies?

Sub questions:

- What are the current problems experienced by taxpayers, as evidenced by data collected through tax forums attended by the researcher and the use of secondary data?
- Where are there other misalignments in the Tax Administration Act ?
- What technology is available to improve the administration of tax?

The above-outlined topics form part of the thinking process in analyzing our tax system processes.

1.4 OBJECTIVES OF THE STUDY

The primary objective of the research is to identify and determine various misalignments in the tax administration system that cause inefficiency, which ultimately results in non-compliance, and/ or diagnosis and recommendations on a resolute way forward.

Below is the list of the secondary objectives that were set for the study to assist in achieving the primary objectives:

- Identify practical tax-related problems encountered by taxpayers.
- Determine factors and ascertain practical problems that will be identified that affect the tax administration process and legislation.
- To investigate the impact that an efficient tax administration system would have and how this would improve attitudes towards tax evasion and tax compliance.
- Determine the best ways of integrating technology in the administration process.

An overall view is to ensure that this research identifies the gaps in our tax administration, and the impacts these have on the taxpayers' attitudes towards tax compliance. Currently, the inefficiency in tax administration processes makes it difficult to easily comply; this then results in a negative attitude toward tax compliance and takes away resources from taxpayers.

1.5 SIGNIFICANCE OF THE STUDY

Despite all the efforts that have been applied by SARS in ensuring that we have an efficient tax administration system, there still appear to be misalignments in how SARS handles other administration processes. These inefficiencies cause delay and are a resource burden from the taxpayers' perspectives, which ultimately affects taxpayers' attitudes toward compliance.

The Minister of Finance, Mr. Enoch Godongwana, mentions that it is important to protect the tax base of the country. This can be easily done by enhancing our processes. A simplified and integrated system that can address various tax types is required.

The importance of the research is in identifying and assist with recommendations that will resolve the gaps that cause inefficiency, explores the way to bridge the gaps, and identifies the impact this will have on both taxpayers and SARS.

The significance of this research is to also further emphasize that the responsiveness of the tax base to administrative measures is one of the useful tools that can be used to indicate what is needed as a guideline to tax policies. This study should be able to also open work on tax systems more broadly to identify the impact of administrative processes on tax collection, mostly the consequences of compliance measures meant to mitigate tax evasion and avoidance.

To change taxpaying behaviour and perception, any tax revenue should be able to simplify its systems across all taxes, resulting in positive tax compliance by taxpayers. The simpler the process is, the easier it is for taxpayers and potential taxpayers to voluntarily comply with tax laws, ultimately resulting in SARS maximizing revenue collection.

1.6 THE LAYOUT OF THE DISSERTATION

Chapter 1: Introduction to the study

This chapter provides an overview of the study pertaining the introductory and background facts. It also outlines the problem statement and objectives thereafter. Other areas such as the benefits and importance of the study, the key terms are defined, and the summary of the research design, methodology adopted throughout the study. The chapter concludes by providing the layout of the research study.

Chapter 2: Literature review

This chapter provides an overview of the important findings from the literature review. This discussion revolves around many aspects which affect taxpayers in terms of tax evasion from different viewpoints. It also glances at the research work that has been done by other researchers and highlights principles drawn from these studies on empirical research relating to various problems and exploratory research done with context to taxpayers in South Africa. Other principles such as tax ethics, tax morality, the history of taxes, and how the various terms are applied and interpreted.

Chapter 3: focuses on the research design and methodology

This chapter provides an overview on key discussion on the research and methodology adopted through the study. Detailed analysis and interpretation of areas such as research design, sampling method as well as method of collecting data is discussed. Furthermore, it analyses and provides interpretations in drawing a correlation of the theoretical framework. The study also addresses the importance of ethics and reliability of the research outcomes.

Chapter 4: Demographic and other factors

Concerning research design and methodology (discussed in chapter 3), this chapter provides an overview of the sampling, profile of the participants, their global footprint

across Africa and economic circumstances, risk profile, and level of relationship with SARS.

Chapter 5: Data analysis of relationships

The chapter provides the overall findings of the study. These range from participants' perceptions, and behaviours with regards to current practical difficulties experienced on various tax-related problems, such as tax evasion and tax compliance, and difficulties in the implementation of tax-related matters. It also looks at previous research findings and their relevance to the current setup.

Chapter 6: Conclusions and implications

This chapter presents a closure to this study. It considers elements and strategies that government should strengthen to improve tax administration, results that can be applied by other developing countries through drawing principles from the South African tax system. It also provides a review of recently published literature and summarises the findings and conclusions of the research.

1.7 SUMMARY

This chapter provided an overview on the introduction of the focus of the study, It further outlined the background and the problem statement, objectives as well as research questions. Furthermore, in areas such as the benefits and importance of the study importance of the study, the key concepts are also defined. The study concludes by providing an outline of the layout of the research study.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The chapter present the literature review which aims to gather an understanding of how various incidences of efficient and simplified tax administration affect tax behaviours. This discussion looks at various elements, such as the history of tax administration within the South African context, how well tax administration has evolved, the impact of good or/and bad tax administration on the collection of revenue, and taxpayers' attitudes and behaviours from both an economic and social-psychological viewpoint. The discussion also focuses on practical difficulties currently faced by taxpayers in the context of multinational businesses. The final part of the review explores taxation in South Africa, and other countries in the rest of Africa, drawing from both conceptual and theoretical frameworks.

2.2 HISTORIC OVERVIEW

2.2.1 The South African Revenue Authority (“SARS”)

SARS was established as an autonomous collecting agency. A high level of administration responsibility rests with SARS in terms of the tax system and customs services according to the South African Revenue Services Act 34 of 1997(SARS website, 2022).

According to the report issued by SARS on annual basis, government revenue consists of 90% tax collections. This is through various mechanisms in place that ensures that SARS meets its revenue collection and improve tax compliance culture. In addition to this, there is also a mandate by SARS to ensure that its facilities trade through connecting local with international trade, while also protecting the integrity of the domestic economy. It is also important that SARS maintains institutional reputation through functioning effectively and earning respect across the country and world in generally (SARS annual report, 2021).

Although there are several focus areas that the agency overlooks, the main outcomes focus on areas such as ensuring an increase in tax compliance, customs, and excise compliance, building public trust and credibility, and ensuring collection of the revenue in a manner that is effective, has internal efficiencies, as well as adopting an easy, efficient and fair approach of dealing with SARS (SARS website, 2021).

The Commissioner of SARS, Mr. Edward Kieswetter (2021) mentions the importance that SARS plays in acting as an agent and is heedful in ensuring nation building of the tax administration and therefore such administration belongs to the nation. Like any other organization, there are set principles and norms within which SARS operates, and these are based on the code of conduct that encompasses values and principles such as accountability, fairness, honesty, trust and respect.

In ensuring that everyone pays their share, SARS encourages compliance with tax and customs laws. This is done in an approach and manner that does not negatively impede trade, and economic growth and does not impose an excessive and unfair administrative burden on taxpayers, trades, and businesses to achieve compliance most efficiently and cost-effectively. SARS has adopted an approach that is based on three principles, namely, creating awareness about tax obligations, creating accessibility, and combating tax abuse and non-compliance with tax laws (SARS website, 2022).

2.3 THE TAX ADMINISTRATION SYSTEM IN THE CONTEXT OF SARS

On 1 October 2012, a year post its promulgation, the Tax Administration Act No. 28 of 2011 was implemented. The Tax Administration Act (TAA) is an important piece of the law that governs the administration of various components of the tax and was introduced with the intention of easing and providing guidance in the administration process by which SARS deals with taxpayers. The commissioner has an administrative role in ensuring that South Africa's tax system is governed through laws; these includes legislation such as the Income Tax Act 58 of 1962, the Value added Tax Act 89 of 1991, and the Customs and Excise Act 91 of 1964 (SARS website, 2021).

The focus of the TAA is to remove all duplicated administrative requirements from all fiscal tax acts, simplify these requirements and provide a single piece of legislation wherein all administrative requirements for tax administration in South Africa are contained.

Mr. Edward Kieswetter, SARS commissioner, mentions that the focus of the revenue authority should be on building the capabilities required to set the administration processes and systems on a solid foundation, to deliver an improved taxpayer and trader experience now and in the future.

The effective, efficient, and simplified tax administration plays a crucial role when it comes to achieving an effective method of dealing with systemic problems, these include having a sequential set of instructional components and procedures for mitigating disruptive behaviour and addressing any interpretational and uncertainty problems and leads to taxpayers being more voluntarily compliant which ultimately, raises millions in revenue every year. This means that any little effort towards improving the administration system has the potential of resulting in positive shifts in behaviour which can ultimately, lead to more revenue generation.

Since 2018, the South African tax agency, known as SARS, has encountered several problems when it comes to the administration system which somehow has an impact on revenue collection. According to the Nugent Commission's report, these devastating findings that were revealed included instances such as "the mere lack of the core administration activities, loss of key skilled technical staff, and a breakdown in the maintenance of important relationships with both taxpayers and key stakeholders (Nugent Report, 2018)." The appointment and introduction of an inquiry team that overlooks at the functioning and governance of SARS through the Davis Tax Committee has contributed significantly to ensuring it analyses the in house problems and coming up with the recommendations that need to be implemented in resolving the administration.

In the 2018 National Budget Speech, the former minister of finance, Mr. N Nene, mentioned that for many years, there has been a strong emphasis on building the strongholds of trust that underpin South Africa's tax morality which was/is at risk that such trust can erode rapidly. It was further highlighted the incidences that have impaired the tax morality of taxpayers included inability of government to properly respond to allegations of corruption and lack of governance that has proven to be one of the problems between taxpayers and the state. The inability to demonstrate strong governance and accountability by SARS has shown a need for a strong independent mediating agency like of the Tax Ombud to strengthen the operational independence. "The significant revenue shortfall reflects a result of low economic growth, administrative challenges at SARS, and increased tax avoidance and evasion" (Budget speech, 2018).

In the 2019 and 2020 National budget speeches, an emphasis was placed on the current revitalization of SARS and the tax system, which ultimately results in positive tax revenue over time and these fruits are visible. The recovery of the tax administration system and the institution itself, has shown efficiency improvements and results in the bolstering of revenue. Strengthening the administration is vital, this involves several elements such as stabilizing the organization, re-establishing integrity, and compliance functions, and restoring taxpayers' confidence and trust that will link to the success of the SARS.

Despite everything that has happened in the past, the intention and deliberate act of rebuilding the SARS institution has been a challenging process. This is important as compliance is directly proportionate to trust and public confidence. The execution of various compliance programmes that have been introduced by SARS and, the effectiveness of the tax administration has proven to represent one of the variables that influence the ability to collect revenues, due to the state and institutional integrity.

2.4 OUTLOOK ON THE BAD OR/AND GOOD TAX ADMINISTRATION ON THE COLLECTION OF REVENUE

Ineffective tax administration systems are central to poor revenue collections which may result in authorities not achieving their set revenue targets. For tax administration systems to be effective, there are several principles that tax collection agencies must comply with, and we stipulate these below.

Table 1: Definitions of concepts

Concept	Statement
Fairness	Refers to the impartial treatment, has no element of favouritism, and offers the quality of fairness. In the context of taxation, this means that the taxes charged on everyone should be proportional to their ability to pay and that the administration system should be able to service everyone.
Clarity	Refers to the ability of definite, offering transparency and easiness. In the context of taxation, this means that everything should

	be easily understood, there should be an open flow of information and application of taxation.
Certainty	Refers to a solid conviction, validity, factuality, truthfulness, and conclusiveness of something. The tax system should operate in a manner that gives taxpayers certainty in either application of law or mere administration processes. The lack of this element may result in the public losing trust in the process.
Convenience	Refers to the suitability for performing an action or fulfilling a requirement with ease. The administration system should enable taxpayers to easily fulfill their obligations.

Considering the above, the efficiencies have shown to be encompassed by a lack of these elements within the tax system, and these tend to harm the taxpayer's perception towards tax revenue authorities and the need to voluntary comply.

Regardless of the essence and functions, taxes are crucial for the effective running of the government. Therefore, the taxes that government collects must be administered by strong law principles (James & Nobes, 2000). In achieving an effective and efficient system, it is important to establish policy interventions and regulations that will address the management of administration (Enahoro & Olabisi, 2012). An administration should be viewed as an holistic strong vehicle that aids in revenue generation to achieve the set economic goals of the country. This is through high level of excellent at operation and high standards, the administration system can be effectively managed with high standards that promotes compliance.

As taxes are raised throughout the world, the main objective of revenue generation for the government is to meet its purposes and deliver on public needs (Enahoro & Olabisi, 2012).

James and Nobes (2000) explain that one of the ways that government can allocate resources amongst the private and the public sector through fair taxation. Therefore, tax is an instrument that can be used to stabilize the economy and ensures proper reallocation of resources between both the public and non – public sector for the use of government. Regardless of the status of the country, either developed or developing, the levying of taxes to raise revenue is vital to cover the public expenditure and properly allocate resources.

In determining the result of good administration forcibly into contact and resulting in a positive collection of revenue, the main point is that tax compliance must be voluntary. Tax compliance can be interpreted as the willingness by the taxpayer to comply and adhere to the tax laws and any other regulations set in place. In the literature review under way , several researchers and authors have seemed to have different perspectives on defining voluntary tax compliance.

Kirchler (2007) categorizes compliance between enforced and voluntary compliance. The latter is described as taxpayers' co-operation and willingness to adhere and comply with the directives and regulations as issued by the tax revenue authorities. This is developed through trust and persuasion all stakeholders.

The Organisation for the Economic Co – operation and development (OECD, 2001) categorizes levels of compliance between technical and administration. In this case, the administration is a combination of procedural and regulatory compliance. This considers the aspects of compliance in terms of lodging tax returns and timely making tax payments, while the other aspect overlooks at necessary technical skills in place that promotes technical compliance through meeting technical knowledge requirements of tax laws.

Non-compliance is divided into two forms, namely, deliberate, and unintentional. The deliberate act is the intentional act and attitude that undermines the tax rules and regulations while the latter, is more of an oversight, mistake, or even ignorance in the attempt to adhere and comply with rules and regulations set out within the ambit of tax administration (James & Alley, 2004).

As a result, the non-compliance results in tax evasion mainly because there has been a failure by the taxpayer to meet obligations, which results in failure to declare or underreporting of taxes leading to the non – payment and shortfall in the fiscal system.

According to Silvani (1992), he emphasizes the main objective of the tax administration system should be to encourage tax compliance. It can be demonstrated that taxpayer's voluntary compliance is mostly dominated by these factors:

- The problem around tax administration by revenue tax authorities.
- The taxpayer's attitude towards taxation.

No matter how hard government can try to align the tax laws with tax policies along with tax administration in ensuring that it is efficient, there will always be that conflict between taxpayers and tax administration. Therefore, the efforts deposited through the system should be part of ongoing improvements in methods of management without expecting tax reforms to be realized successfully (Ayele).

In 1776, Adam Smith presented tax principles that are still relevant and of great importance to date. These principles are the fundamentals of an effective tax system; these principles still apply even though tax systems are different from what they were previously.

The four basic principles were identified as follows:

- People's contribution should match their income that they derive.
- There should be a level of certainty, rather than arbitrariness .
- The timing of when taxes are levied is crucial and should always be convenient for both taxpayer and authorities.
- Taxes should be a minimal cost, thus less expensive officers to collect and need of expensive tax consultants to assist with compliance (Butler, 2011).

2.5 UNDERSTANDING WHAT INFLUENCES TAXPAYER BEHAVIOUR

An attitude can easily be described as an adopted positive or negative act or view towards a specific object (Business dictionary). This can either be influenced by a person's current or/and historic insights. In the context of taxation, this can be defined as taxpayers' adherence and positive or negative compliance behaviour which can either be negative or positive.

It should be noted that there is a level of existence between taxpayer's attitude and the taxpayer's behaviour. In paying taxes, taxpayer's commitments and perceptions are influenced by the efficiency of the tax system. The commitment and perception ultimately are underpinned by the goodwill of the taxpayer towards having a desirable outcome of the effective system and moral obligation to act in the best interest and pay taxes with good faith.

Another model has an overview of the limited rationality that is employed in incorporating the ideas, these have an overview that the problem often gives rise because of several different preferences and because of contrary principles associated with the discrepancies that influences the rational theory of choice (Jackson & Milliron, 1986; Kahneman & Tversky, 1984; Schadewald, 1989).

In Webley's model (2013) there is mention that taxpayers do not take decisions in isolation, but rather that other elements affect the "game". This includes elements such as the relevance of taxpayers' behaviour and perceptions, and the historic reputation of taxpayers which could be at risk should the taxpayer opt to either comply or not comply with the law, while there is also a great chance that a taxpayer's reputation may be impaired or worse even rise if many people evade taxes considering the tax revenue's approach, the ineffective level of detection and penalty rates imposed.

Another model by Cowell (1990:123) defines that there are always two parties involved, which are the taxpayer and tax revenue authorities. Two choices are always encountered by the taxpayer, to choose between compliance or non – compliance. While the revenue authorities also have options – to either adopt their probability in detecting and investigating the taxpayer or not.

It can be established that there is no midpoint for concluding to win this model. For tax revenue authorities to not waste their limited resources, they should shift their focus from the taxpayers that are complying. Conversely so, if there is awareness by the taxpayers that the revenue authorities are not actively performing audits, it would be best for taxpayers to choose not to comply. In reaching a midpoint that benefits both parties, mixed strategies should be applied mostly by the tax authorities. According to Cowell (1990:43-45) there is higher probability that evasion increases the marginal cost of investigation and decreases with the size of penalty imposed.

It is essential to note that the attitude, behaviour, and/or perception of the taxpayer ultimately leads to either evasion or avoidance of taxes. Robben and Webley (2004:119) mention that there are different taxpayers, those that never evade taxes, those that try to sometimes evade taxes, and those that attempt to evade quite often.

According to legal terms, a distinction can be made between tax evasion and avoidance. This involves illegal activities purposefully, planned, and intentionally undertaken by a taxpayer to escape from the burden of paying taxes (for example, a person chooses not to disclose certain income in their tax return), while the latter, on the other hand, usually looks at taxpayers' approach and in identifying loopholes that aids in the arrangements of his or affairs in a perfectly legal manner resulting in either reduced taxable income or has no income on which taxes is payable.

Accordingly, the taxpayer is not obliged to pay taxes that are greater than what is legally due under the tax act. Therefore, in attempts to make sure that the correct amount and within the correct assessment period is paid, a taxpayer is also not prohibited from arrangements that are within the bona fide transaction that ultimately leads to avoiding or choose to reduce tax liability (Stiglingh et al., 2005; Webley et al., 1991:2).

“Every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity, he cannot be compelled to pay an increased tax”.

Lastly, a conclusion can be drawn that tax ethics are crucial both for taxpayers and tax revenue authorities. Lack of ethics thereafter can easily be pinpointed in the tax administration system. This affects and impacts the various elements that have been discussed.

According to Vogel (1974, 423), “The attitudinal and behavioral orientation of the taxpayer to accurate tax compliance in the sense of completing the tax return promptly, accurately, and legally” should be considered.

Vogel had conducted a study that focused on the Swedish taxpayers, these taxpayers were given a bad scenario and the participants were given options to elect desirable

penalties because of tax evasion from a set of fixed penalties across multiple offences. The penalties scale differs depending on the offence committed, this could be no penalty, spending lengthy time in jail or paying significantly high penalties. One of the findings was the choice given to choose the prison term, which was an indicator of the perceived tax offence. According to various scenarios, the selection of offences shown that there was a certain amount of lenience towards tax evaders. An interpretation clearly demonstrates that Swedish public is more favourably towards tax evasion.

An examination of the tax compliance decisions versus ethical beliefs was conducted and an emphasis was drawn in terms of factors such as social norms, ethics and personal factors that have an impact on the willingness of taxpayers in deciding to evade taxes (Reckers, Sanders, & Roark 1994:825-837).

The results of the study conducted shown that individual moral beliefs are mostly significant in tax compliance decisions and impacts tax ethics as one of the variables of tax compliance. Also, it was noted that when evasion of taxes is perceived and treated with seriousness as a moral issue, individuals are less likely to evade taxes.

2.6 TAX MORALITY

According to the OECD, tax morale can be defined as an interpersonal drive or decision to pay taxes. As a result, many tax systems place reliance on the taxpayer's voluntary compliance in generating revenues. Therefore, in improving tax revenues with minimal effort, tax morale should also be improved (OECD, 2019).

A global research organization, known as World Values Survey (WVS), conducted a survey that tested and interpreted values and beliefs, how these principles vary and revolve over the period, and what impact does social and political variables have on them. This is a global research project that is carried out by scientists who, since 1981, have conducted representative national surveys in almost 100 countries.

The WVS has shown to be the only reliable source that has empirical data on attitudes covering the scope of the largest population (nearly 90%). This data is crucial because it asks people questions such as.

- "Do you justify cheating on taxes if you have a chance?"
- "Do you justify claiming benefits you're not entitled to?",

- “How good would you say is having a democratic political system for governing your country?” and.
- “How much confidence do you have in the government (in your nation’s capital)?”

Through the research conducted in most countries that are developed and those that are still developing, there has been an occurrence of correlation between tax morality and tax compliance. Torgler identifies tax morality as a contributing factor towards “shadow economy” and thus has proven to have an influence on the level of tax evasion (Torgler, 2011). Therefore, to understand the differences that exist in tax compliance across various countries, it is important to understand better what drives differences in tax morality.

The research also highlights that although there have been factors identified within the socio-economic and institutional that influence people’s willingness to pay taxes, there is still a need to emphasize the relevance of moving away from “mechanistic recommendations” on the tax administration, in terms of analysis of the existence of relationship between tax morality and individual characteristics as well as trust in government.

This research shows gaps that still exist within the underlying tax behaviour. Therefore, this research assists to further the debate and offer more insightful contribution to a fresh knowledge that will help close these gaps.

An analysis of data was performed from both global and regional public opinion surveys, WVS research draws analysis of a global picture of tax morality from both identifying socio-economic, institutional, and perceptual factors in data across Africa, Asia, and Latin America (OECD, 2019).

In improving tax morality and tax compliance as part of state-building and the citizen-state relationship, the research conducted by WVS has identified factors that should be considered in support of the government’s efforts. These include areas such as firstly, ensuring that there is clarity and improvement in the management of revenue versus expenditure, this is through developing a positive public perception of government and any other public institutions. Secondly, the building of tax profiles through understanding the attitude, manner of approach, and perceptions towards tax issues. This would aid in gathering insights and provide information on numerous factors such as socio-economic

and other factors that influence tax morality at institutional level and it can assist in informing the tax revenue authorities in terms of efforts that should be deployed.

Thirdly, focusing on various drivers of compliance to enable dialogue and avoid negative interactions. For example, an approach adopted by the revenue authority may sometimes create an impression and perception to the taxpayer that the revenue authority is overly controlling, resulting in not feeling trusted by the revenue authority. Lastly, a better understanding of the informal trade sector is seemingly a challenge with which most developing countries are struggling. This could be resolved through aligning efforts to better understand the profile of each taxpayers profile segments through encouraging dialogue on various tax problems and improving tax through a “culture of compliance”.

2.7 TAXPAYERS’ PERCEPTION

According to the general dictionary definition, perception can be described as “a result of perceiving, awareness of the elements of environment through physical sensation, a capacity of comprehension.”

From the institutional level, SARS has strengthened its scope in “improving service delivery, taxpayer education, and enforcement intervention to ensure a perception of fairness and equity in the tax-paying population.” This is according to the SARS annual report (2020), but also, there seem to be a progressive relationship in mending taxpayers’ perception as a social contract, this cannot be solely the responsibility of SARS, but also a standard approach should be applied across the whole government to regain the trust of the tax-paying population.

Throughout the years, different authors have drawn different principled factors that have existed and stood the test of time. These principles encompass the principle of perception in the context of administration system.

- Cost of compliance is high (Slemrod & Blumenthal, 1996).
- The ethics and morale of both the taxpayers and tax revenue authorities, as well as the equity of the tax systems (Trivedi & Shehata).
- The government reputation and integrity are mainly based on whether it achieves its set objectives (Trivedi & Shehata).

- The enforcement efforts applied by the revenue authorities during the audits and the probability of detection (Allingham & Sandmo).
- Taxpayers' peer attitudes and subject norms influence the perceptions of the tax system of the tax system and Revenue Authorities (Silvani, 1992; Le Baube, 1992).

2.8 TAX COMPLIANCE

Compliance refers to the extent and willingness by the taxpayers and traders honor and adhere to their obligations. This includes intermediaries such as tax practitioners and other agents within the tax system chain (SARS, 2017). James and Alley (2004) clearly define voluntary tax compliance as “the willingness of individual and other taxable entities to act by the spirit as well as the tax law and administration without the application of enforcement activity”.

While also, Kirchler (2007:43-45) explains that “compliance can be categorized into voluntary and enforced compliance. The voluntary aspect speaks of compliance that is made possible through the trust and co-operation between taxpayers and the tax revenue authority, as well as the willingness of taxpayers to choose to comply.”

This means that there is reliance on people to decide and commit to doing the right thing willingly and voluntarily. In the context of tax, from both individuals and businesses, there must be a sense of responsibility to be a law-abiding citizen by ensuring that each one contributes a fair tax share. For taxpayers to be compliant, there is a level of understanding and clarity that must be achieved. “People need to know what they have to do, have the ability to do it, and then have the right motivation” (SARS, 2017).

Considering the above, taxpayers must be able to understand their tax compliance obligation with ease. The least that tax revenue authorities can do, is to create an environment that allows taxpayers to comply. Therefore, there is a great requirement for a clear, efficient, and easy tax administration system and processes. This can also be achieved through the introduction of programmes that offers clear instructional guidance, assists with direct point of contacts in cases of difficulties experienced by taxpayers and also strengthen the quality of educational programmes in order to inform existing and future taxpayers about the importance of tax compliance.

Although gaps still exist within the tax administration system, SARS has performed well and delivered well in ensuring that the initiatives support taxpayers in terms of helping which leads to voluntary compliance and training. Also, as a tax revenue collector of 90% of government revenue funds, this proves to have a positive impact on revenue collection and improving the tax compliance mandate. Sustainable energy is always required to empower and monitor the growth of a positive compliance culture (SARS annual report, 2021).

SARS annual report (2021) also mentions that “an increase of a compliance culture, broadening the tax base, ensuring the right tax policy, putting in place the right incentives, and managing a reliable revenue flow, combined with effective trade facilitation, better education, as well as service to the public, these will result into a foundation for sustainable fiscal capability.” In achieving tax compliance, several initiatives and compliance strategies must be employed.



Figure 1: Diagram showing attitude compliance

Source: South African Revenue Service Annual Report, 2021. SARS Compliance Programme Initiative

Table 2: What is being done to ensure compliance

Compliance is influenced by...	What we are doing...
Attitude and willingness to pay their fair share	Understanding what informs taxpayers' attitudes and willingness to comply
Knowing what their obligations are	Educating taxpayers about their obligations
Knowing how to comply	Educating taxpayers about how to comply
Ease of compliance	Making it easy to comply
Legal treatment of some tax positions	Making the legal treatment clear
An understanding of the possible consequences of non-compliance	Utilising both monetary and other punitive measures that escalate according to the context and severity of non-compliance
Perception of a credible threat of detection of non-compliance	Establishing frameworks that constitute a credible threat of detection

Source: South African Revenue Service Annual Report, 2021. SARS Compliance Programme Initiative

The above figures depict that to have a positive influence on tax compliance for taxpayers, it is important to ascertain what level of attitude is being shown by taxpayers and what compliance strategy is to be adopted. Throughout the years, there have been several literature reviews that have been conducted, these include – see e.g.,

- Silvani (1992) mentions that the absolute objectives of any tax revenue authorities is to encourage voluntary tax compliance, close off the tax gap that exists when comparing the taxes paid versus owed for all taxpayers as well as strengthen the compliance gap.
- Slemrod (2019) provides an overview in the context of tax compliance and enforcement within the parameters of economics and empirical contributions within the economic motives for compliance.
- Torgler (2002) mentions that morale and tax compliance. He also examines the findings, with a view on personal income.
- Jimenez and Lyer (2016) discuss the importance of tax compliance within the social setting. The focus is not only on taxpayers but rather on the government in terms of trust and fairness. These have an impact on the tax system and compliance decisions.
- Trivedi and Shehata (2005) and Mascagni (2018) discuss that some taxpayers' behaviour may adopt economic theories driven by pecuniary motives while others may follow the psychological theories and a combination of the two is also possible.

Although taxpayers are encouraged to voluntarily comply with tax rules and laws, however, some factors also underpin the notion of taxpayers in complying with tax law. The following figure shows various elements that influence tax compliance.

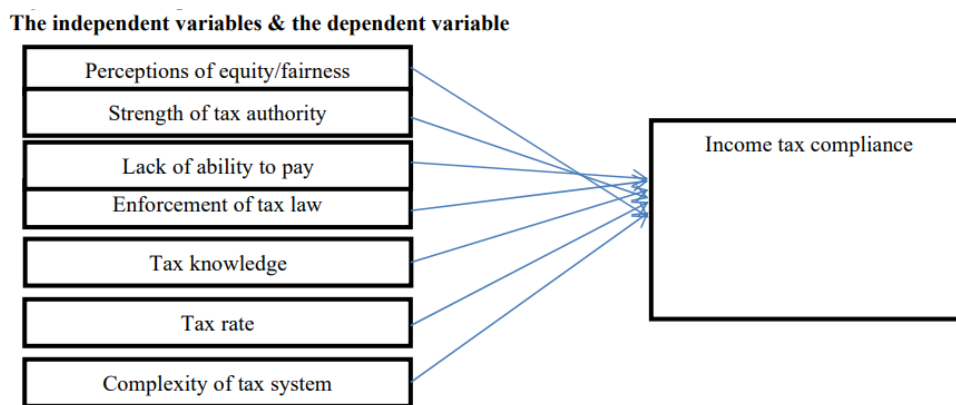


Figure 2: Conceptual framework

Source: An extract from Mohd (2010)

The above framework is extracted from the work that was previously done as part of the literature. These emphasize the relation that exists amongst “perceptions of equity/fairness, tax authority strengths, inability to pay, implementation of tax law, tax knowledge, tax rate, complexity of tax system, and income tax compliance.” This has been shown in the works of various authors (Annet, 2010; Guzel 2011; Mohd, 2011) with changes to fit different countries’ tax systems.

Several factors affect compliance behaviour, these range from an intersection of values within an individual and general norm to societal values, and norms. About the above, In the Webley model, mention is made those taxpayers do not take decisions in isolation, but rather that other elements affect the “game”. This includes elements such as the relevance of taxpayers’ behaviour and perceptions, and the historic reputation of taxpayers which could be at risk should the taxpayer opt to either comply or not comply with the law, while there is also a great chance that a taxpayers’ reputation may be unaffected or even rise if many people evade taxes, the tax revenue’s approach and probability of detection and penalty rate for this behaviour.

2.9 TAXPAYERS' BEHAVIOURS

“The dynamics of enforced and voluntary taxpayer compliance are dependent on several factors. Empirical evidence has shown that in addition to deterrence through the threat of detection and punishment for noncompliance, further psychological and behavioral aspects also play an important role” (Pickhardt & Prinz, 2014: 123 -125).

Taxpayers' behaviour cannot be interpreted in isolation, several variable factors influence the behaviour which leads to compliance decisions that taxpayers choose to adopt. These elements have been discussed in previous paragraphs. Van Oosterhout (2009) also highlights that many layers affect taxpayers' behaviour, such as compliance with laws and regulations. Two factors seem to be dominant lately from a business perspective, discussed as follows:

- Economic factors may include elements such as financial burden, there seems to be a relation that exists between amount owed by taxpayer and behaviour towards compliance. For example, the lower the tax liability, the easier it is to comply, while on the other side, the larger the tax liability, the higher the possibility of not complying. Also, the cost of compliance plays a crucial role, several costs involved with having to comply with tax obligations over and above the actual amount of tax to be paid.
- Behavioural factors may include elements, such as inequity, in this case, the taxpayers tend to believe that “the system is unfair or who have personal experiences of ‘unfair’ treatment, are less likely to comply.” In this case, the taxpayer would think that if they have a chance not to comply and are aware that the risks of not complying are minimal, the taxpayer will elect to take the risk of non – compliance.

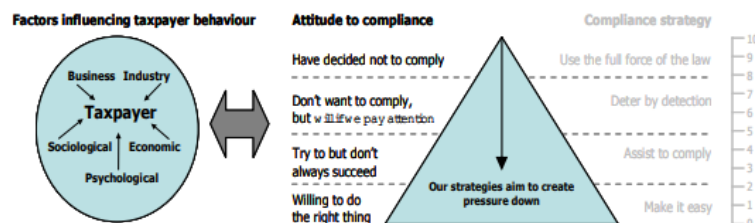


Figure 3: Illustration of a spectrum of taxpayer attitudes to compliance

Source: OECD, *Managing and Improving Tax Compliance* (2013)

The above illustration shows that even though there is no easy way to pinpoint what influences taxpayers' behaviours, there are indications (for both individuals and businesses) that adopt sets of values, beliefs, and attitudes that can be described as 'motivational postures. This is according to Dr. Valerie Braithwaite (2013).

2.10 THE COMPLEXITY OF THE TAX SYSTEM

The Wealth Nations study conducted by Smith (1776) advocates for the "certainty and simplicity of tax laws to improve voluntary compliance. If complying with tax obligations is complicated and unclear, people will be less interested or less inclined to comply and more inclined to make mistakes or evade payment. Difficulty in complying with tax requirements is generally quantified in terms of the numbers of payments made and the time to comply with the system." Certainty, convenience, economy, and equality are the four fundamentals of an efficient tax system.

Research conducted through empirical research indicates that lower tax complexity reduces tax evasion. Also, If the system is transparent and predictable this reduces the lack of taxpayers' willingness to not comply and reduces the chance that tax evasion will result . For example, a study by Mckee, Siladke, and also Vossler (2018) shows there is a strong and positive effect of information services on tax compliance.

Brown and Mazur (2003) explain that "tax compliance is complex and can be categorized into types, such as payment compliance, filing compliance, and reporting. These can also be split into administrative compliance (such as reporting compliance, procedural compliance, or regulatory) as well as technical compliance which overlooks requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax."

Considering the above statement, the tax system is an integral part that eases the process of interconnecting the administration and compliance. This is through ensuring that tax revenue collectors have a system and processes that promote ease, efficiency, and use of administration to support voluntary compliance. SARS has been at the forefront of ensuring that its tax administration system is simple and accessible to every taxpayer. An overview

of interventions that have been implemented are as follows, these are not just limited to the below, (refer to chapter four for more discussion):

- Provision of digital and streamlined online services through modernizing the systems. This is the utilization of a digital channel that allows taxpayers to utilize self-service.
- Improvement of tax ecosystem through engagement with stakeholders; SARS continues to improve its inclusive approach in terms of engaging with various parties such as SAIT, tax practitioners, consumer representative bodies, and through different platforms, such as tax indabas.
- Interventions introduced to allow ease access for taxpayers to comply with their obligations, this is through various offerings such as online facilities,
- Providing clarity and certainty for taxpayers has been achieved by customized support and offering clear guidance through various initiatives such as VAT rulings, Binding general rules with various compliance programmes, and education.

Although there are still gaps to be closed in achieving an efficient and easily accessible tax administration system, SARS is moving in the right direction. Some studies have shown that the lower the complexity of the tax system, the greater the likelihood of compliance that reduces tax evasion. Also, instances such as lack of strong transparency and predictability in the system tend affect taxpayers willingness to comply and comply and ultimately results in a room for tax evasion.

2.11 FAIR AND TRUST IN PROMOTING INSTITUTIONAL INTEGRITY AND PUBLIC CONFIDENCE

Institutional integrity and public confidence in the tax administration agency and its system processes are crucial i.e., SARS in our context. The strategic adopted by SARS is to develop a tax and customs system that is purely based on voluntary compliance; thus the society meets its obligations with minimum interventions from tax revenue authorities.

Trust becomes an important component in any kind of relationship. In this context, trust in government and trust in the tax revenue authorities. This area explored the strategy adopted by SARS; these are not just important for rebuilding the organization but also ensure implementation/ strengthening of the collection of taxes. There is great importance

in assessing whether SARS is achieving and living up to its objectives, as this ultimately affects taxpayers' behaviours towards the tax system and compliance, in general. Future studies must analyze the impact of leadership change and the negative impact that such leadership has on the organization, in general. as well as taxpayer's behaviours.

According to the SARS 2020/2021 annual report, below are the two interrelated factors, namely:

- Maintaining the integrity and public confidence through trust in government and SARS institutions, from both collections and spending perspectives influences the compliance behaviour of taxpayers.
- Efficacy of tax administration, which represents the institutional integrity and ability to collect revenues due to the state through the effective execution of its compliance programme.

The Minister of Finance, Mr. Enoch Godongwana, mentioned the importance of SARS being effectively managed, functioning, and earning respect from all taxpayers.

The above statement reinforces the importance that the tax administration, as an organizational institution, needs to be well managed as several factors affect taxpayers' behavioural compliance, and perceptions. In one of the communications, Mr Edward Kieswetter, the commissioner of SARS, mentioned that there was an awareness and positive attitude toward rebuilding SARS and that would present a huge mountain to climb. He acknowledges that the process of rebuilding SARS is very hard work, ongoing, and will take time.

This follows several incidents that happened within the SARS organization, which had an adverse impact not only on the organization, but also on the taxpayers' perceptions, behaviour, and attitude towards the institution and more importantly, towards tax compliance in general. Jimenez and Lyer (2016) mention the significant influence of trust in government and how this influences elements such as perceived fairness of the tax system and compliance decisions.

Guzel, Ozer and Ozcan (2019), in their survey conducted amongst roughly 400 independent accounting professionals also discuss the importance of trust in government and established a link between perception of tax justice and compliance. There is clear evidence that areas such as the institutional environment and perceived quality of the tax administration are crucial, and results in trusting government in promoting tax compliance.

Bornman (2015) discusses the importance of trust in the tax authority, especially in administration compliance system, and in the procedural justice.

D'Attoma (2020:23) discusses the importance of trust and finds that “trust in the tax authority matters, such trust is mostly tested in various general tax decision scenarios, participants’ behaviour did not differ systematically across countries – however, ‘when asked to pay taxes to their real-world institutions, behaviors diverged significantly with Italians complying less than Americans”

2.12 SUMMARY

This chapter presented the literature review on various aspects that are in line with the study. Previous research identified several reasons behind what influences taxpayers’ behaviours and perceptions. A brief empirical review of the research was conducted across terms such as ethics and evasion of taxes. The study also had an overview of the tax administration in the context of SARS, the developments that have been achieved, and pitfalls that have been encountered in the past.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The main purpose of the study was to have an overview of the moderating effect of the tax administration and how this affects taxpayers' perceptions and behaviour. Throughout the years, many researchers have analyzed the taxpayers' behaviours and perceptions, but there has not been a study or analysis that examines the South African tax administration system, how it functions, progresses, and identifies the gaps that are still prevalent to date and how this affects taxpayers.

The aim of the research design is to highlight, consider technical terms, what is to be done and how it would be done (Cooper & Schindler, 2003). As a starting point, the research looks at the framework of the South African tax administration system, what developments have been actioned to improve the system, what practical issues are mostly identified by corporations, looks at the public trust and credibility of the revenue administrator and how all these affect taxpayers' behaviour and attitude.

As an approach of an exploratory study, the study tends to have a loose structure as it attempts to have an overview of multiple layers within the tax administration system. Although the secondary data collection method is used, this data would have taken the form of various collection methods such as communication, surveys, interrogation, and panel discussion approach (Cooper & Schindler, 2003).

The research takes an exploratory form in nature, while a phenomenological angle is also adopted. The reason why the secondary data was used is elaborated on in this chapter. Furthermore, several techniques adopted in enhancing the reliability, validity of the research outcome, are described and ethical considerations.

3.2 APPROACH TO SAMPLING

3.2.1 Target population

The focus of the study in terms of population was based on business corporations within various sectors. These are mostly multinational enterprises that have multiple tax obligations in terms of tax types (such as VAT, PAYE, Customs, and Income tax). This is to

get practical insights about issues that are prevalent within the tax administration system from both legislative and administrative processes.

3.2.2 Sampling method and size

Through various tax forums/group discussions and surveys that have taken place, the collection of data has been large, although in some instances, this has been on a sample basis. The use of secondary data collection was of crucial need and presented the study with a hands-on perspective in terms of practical issues. Participants of all these discussions are mostly registered taxpayers with all tax types within SARS and thus give us a perspective on their daily issues encountered.

3.3 DATA COLLECTION

The primary objective of the study is to identify practical issues that taxpayers experience about the tax administration system processes and to have an overview of how far the SARS administration has gone in terms of development and building trust as an organization.

A qualitative approach was adopted for the study; this gives a perspective in terms of understanding different phenomena. The study used mostly secondary data as an approach to gathering various issues that taxpayers encounter, and the researcher attended multiple tax forum discussion groups where tax issues are discussed amongst various multinational corporations.

According to Creswell and Plano Clark (2011) “the exploratory design starts qualitatively; the research problem and purpose often require the qualitative strand to have a bigger priority within the design.” The study focused on qualitative approach. The mixed methods research, which are frequently reported as “third methodological orientation.” (Teddlie & Tashakkori 2008), shows the significance of both qualitative and quantitative research. In these situations, the advantages of the collection of qualitative provides advantageous in better understanding a research problem. The demarcation of the study looks at the corporate taxpayer’s perspective as these issues are mainly identified from a practical perspective.

There are tax forums where tax managers, executives, and other personnel of multinationals meet up on an interval basis to discuss several burning issues within the tax field. This is a useful platform to gather all issues raised and collate them as part of data collection. In getting in-depth detailed information, several issues have already been raised during the past meetings; this will also form part of the data collection.

Although the existing data was adopted through secondary data, the primary data would have been collected through interviews with the tax analysts, tax managers, and executives of the chosen enterprises. In this case, the relevant questions and discussion of various issues would have been discussed and participants presenting their experiences. This allowed the researcher to explore questions that can clarify and add to the investigation, simultaneously ensuring that the various interactive sessions with participants remained focused.

Tong et al. (2007) discuss that “qualitative methodologies aim to explore complex phenomena encountered” while also, Ayres (2007) discusses that qualitative and quantitative methodologies explore the basic principles which include the study aims, questions, designs, and data gathering criteria.

This is more of a descriptive study, looking at daily practical issues that cause inefficiencies from the taxpayer’s perspective. How could these issues best be resolved and what impact will they have, thereafter. This is to mainly answer what, where, when, and how to best resolve the issues, as discussed before.

By secondary data, thorough information has been collected that aligns with the objectives of this study, and necessary protocols and procedures were followed (Clarke & Cossette, 2000). Also, the relevance and time of when the information was collected play a crucial role in determining the relevance of those results (Boslaugh, 2007; Stewart & Kamins, 1993).

As discussed by Sapsford and Jupp (2006), all various interactions, such as interviews conducted yielded “direct quotations from participants” relating to experiences drawn by them, views, feelings of frustration and excitement of the current and future, and understanding of the tax administration system. This design is appropriate as it gathers

real facts and attitudinal information or for research questions about self-reported beliefs, experiences, opinions, characteristics, and present or past behaviours (David & Sutton, 2004; Mackenzie & Knipe, 2006; Neuman,2000).

The study has gathered descriptive information from corporate taxpayers, and the use of a secondary survey data design was appropriate. The survey offered the researcher an opportunity to explore the respondents using a set of questions to allow comparison. It assumed that all the respondents have information or experience that was relevant to the problem being investigated.

3.4 DATA ANALYSIS

As the result of the use of secondary data, a method that compromises of procedural and systematic method was adopted, also the evaluative steps were followed. Considering the research questions for the study, the identification of the set data was adopted and later analyzed to ascertain that the research questions were addressed by the data selected through adopting evaluating steps.

As per the approach discussed by Stewart and Kamins(1993), the data evaluation assessed the appropriateness of the research study and the quality of the actual use in advance. In analyses for secondary data, to identify and utilise the existing data to address the research questions, theoretical knowledge and conceptual skills were adopted (Johnson, 2013).

In the process of conducting the research, the focus area of investigation and gathering information as well as the research questions tends to determine the method that the researcher should follow in the study. In this case, the methods adopted included how the researcher collected data, analysed, and interpreted the data in the study (Creswell, 2009). The Quantitative phase: the focus area of this phase was to analyze data using an appropriate method from the three basics forms, such as description, hypothesis, and estimation (Diamantopoulos & Schlegelmilch, 2000).

3.5 VALIDITY AND RELIABILITY OF DATA

In achieving validity and more accuracy of the generalizable findings, the larger samples can indicate more representation of the target population. Also, aspects such as the

consistency in the information obtained from various sources were able to bolster the confidence in the findings. These various sources have seemed to have arrived at the same conclusion for comparison.

Therefore, the validity and reliability of the data were able to ascertain and measure what it was intended to measure. Multiple approaches, such as ensuring that the questionnaires used in primary data were pre-screened to eliminate bias and ensure validity were undertaken. Also, in ensuring that data is reliable, consistent results were yielded. This was through ensuring that primary data was used as existing data for secondary purposes, the questions, surveys, or any other method were administered at least twice.

3.6 ETHICAL CONSIDERATIONS

The present study has been conducted ethically, and the researcher has understood the importance of ethics, especially in areas where several works or ideas have been adopted from previous work already performed. According to Cooper and Schindler (2003: 120-122), ethics are described as “norms or standards of behavior that guide moral choices about our behavior and our relationship with others”.

Through various tax discussions and forums, the researcher attended, there has always been a willingness to partake in ensuring that there is no harm, or anyone suffers adverse consequences from research activities whether directly or indirectly (Cooper & Schindler, 2003).

3.7 LIMITATION OF THE STUDY

Regardless of the method of data used (primary and secondary data method), there is always a limitation in terms of the sample and population selected as not all active corporations can participate in the study.

Most of the data collected were through the peak of COVID–19, therefore there was limited interaction between the data collector and the participants. As the researcher has been the part of the participants in most of the discussions that took place across various forums, the researcher has full knowledge of the data collection process, therefore the process was effective and addressed all the elements that should be covered. It is important to obtain data that is reliable and relevant from various taxpayers, such as

multinational enterprises, tax officials, and other relevant information published on behalf of SARS. The major challenges were as follows:

- The limitation with regards to one-on-one interactions because of COVID–19 restrictions.
- The widespread population of the multinational corporations, thus a sample-based approach was adopted.

According to the presentation and analysis of the data obtained, the main conclusions and recommendations were summarised.

3.8 NATURE AND FORM OF RESULTS

The present study has gathered factual and practical issues around the tax administration within the RSA context, these range from legislative implementations, processes, and systems within tax administration and covered other elements, such as taxpayers' responsiveness towards various issues and their perception thereafter. The study also had a glance at institutional history and faults experienced in the past and how these have been resolved as they also have an impact on taxpayers.

The study followed an holistic approach, issues were identified as a root cause of inefficiencies and how these issues impacted the taxpayer's perceptions and attitude, and thereafter offers recommendations as a way forward in resolving the issues.

The study has been organized into five chapters, namely chapter one presented the introduction and background. The second chapter showed the literature review while the third chapter described the research designs and methodology. The second last chapter, chapter four presents brief practical issues identified within the tax administration system processes and analyses the results thereafter.

Chapter five presents the conclusions and recommendations of the study. It also links the objectives and research questions of the study to ensure that these were addressed appropriately throughout the study. It also considers recommendations that SARS should consider bridging the gaps within the system processes. The limitation associated with the study must be considered as well as recommendations for the future.

3.9 SUMMARY

The use of the qualitative method, secondary existing data, various methodologies, and analysis of the study assisted in addressing the main objective of the study and provided an overview response to the study questions, which is to investigate the effect of a simplified tax administration system by identifying various issues that surround the system and formulating best alternatives solutions to resolve it. This will ultimately affect taxpayers' perceptions positively.

CHAPTER 4: DATA COLLECTION ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The chapter present an interpretation discussion on the full overview of the findings gathered on the moderating effects of a simplified tax administration system on compliance and taxpayer perceptions, in South Africa. This discussion reviews and reflects the numerous variables that affect taxpayers' compliance. The data was collected using secondary data and data collated through the survey of businesses that attended various tax forum groups.

4.2 DATA COLLECTION

Data was collected from enterprise taxpayers in South Africa. The discussion addressed the research objectives of the study which included:

- To identify practical issues about tax-related issues amongst taxpayers from both the administration process and legislation.
- To determine factors that influence the issues identified.
- To investigate the impact that an efficient tax administration system would have and how this would improve taxpayers' insights around tax evasion and tax compliance.
- Lastly, determine alternative ways of integrating technology in the administration process

4.3 DEMOGRAPHIC CHARACTERISTICS

This area focuses on describing the background characteristics of the data collection collated in this study. In providing a better understanding of the data, such information is very important and therefore provides a solid foundation for an in-depth discussion of the results, according to the set objectives of the study. The main source of the data included multinationals within various discussion forums.

In collecting the data, several focus groups/tax events/tax forums were attended by the researcher in gathering the data. These events mostly comprise multinational businesses that have a presence not only in South Africa, but also across Africa as well. As a result of

COVID–19 that hit the world, most of these events were conducted virtually and mostly occurred every quarter. This was to reach a wider population through an efficient, easy, and effective sample size and procedure.

The various focus groups include Tax Indaba, Consumer Goods Council of South Africa (“CGCSA”), The South African Revenue Service (“SARS”) forums, World Customs Organization, The African Regional Organisation of the international Trade Union Confederation (ITUC-Africa), OECD forum. A more detailed description of each group, functions, and objective is described below:

- World Customs Organization (WCO) – This is a forum that functions within the space of customs as an independent body that overlooks at the enhancement of the effectiveness and efficiency of administration within the customs sphere. WCO allows the facilitation of international trade and supports the exporting as well as importing of goods. The organizations have multiple role players globally.
- The SARS Forums - The South African Revenue Service (SARS) holds various forums for taxpayers; these mostly include role-players within the business sector. This is one of the ways that SARS uses to allow better ways of doing business with SARS, and to monitor the response from the public with the view of increasing tax compliance, public trust, and credibility and is responsible for administering the South African tax system and customs service.
- Tax indaba – This is an annual conference held by the South African Institute of Taxation (SAIT), this platform allows and enables various multinationals businesses, tax revenue authorities, and any other role-players within the economic business and tax system across Africa to discuss topical tax issues affecting the tax community. This enables dialogue and tackling various issues through a well-rounded conference experience (Tax Indaba, 2020/21).
- The South African Chamber of Commerce and Industry – This is a forum that allows prominent multinational businesses to have a voice about various issues to protect and promote business interests.
- Consumer Goods Council of South Africa (“CGCSA”) – act as a representative of retail and Manufacturing member of companies in a sector, this is the sector that is the largest in terms of employment opportunities in South Africa. As a result of the ever-changing world and environment constantly affected by various elements such as straight regulatory frameworks, risk management capabilities as well as the need

to adopt a universal approach in terms of operational solutions, the CGCSA allows a platform that enables members to trade better through voicing any concerns within the value chain and assists in achieving transparency amongst various players within the chain. The organisation plays a crucial role in acting as an agent between its members and ease the process of building better trading terms, sustainable business through promoting advocacy, actively engaging and collaboration on non – competitive matters.

4.4 TRENDS AND DEVELOPMENTS ON ISSUES ENCOUNTERED BY TAXPAYERS IN THE CONTEXT OF BUSINESS CORPORATIONS

Through various tax discussions and forums, several issues have been identified within the tax administration system of various tax types, these stem from various difficulties with the implementation, and interpretational challenges and uncertainties experienced were identified.

4.4.1 Taxation on sugar-sweetened beverages

In 2016, the former finance minister announced an introduction of tax on sugar – sweetened beverages (“SSBs”) which was implemented in April 2018. The main aim was to assist in the reduction of excessive sugar intake. The over-consumption of sugar was identified as a growing global concern that results in health issues such as obesity. According to the research conducted, over the past three decades (i.e., 30 years), the obesity problem had grown substantially in South Africa which has resulted in the country being classified as one of the most obese countries in the African region (National Treasury, 2016).

This was as a result of the constant increase in sugar consumption of free sugars, mainly within the sugar – sweetened beverages which has been seen to have a leading impact on several healthy complication issues such as weight gain, unhealthy diet, increase in the risk of non – communicable diseases (“NCDs”), and adversely impact the intake of foods containing more nutritionally adequate calories.

In dealing with the global growing issue of obesity, a fiscal measure such as this was adopted as an effective tool that aids in tackling the epidemic at a population level. This is as per the government view that measures such as this play a crucial role in giving the signal that could ultimately affect buying decisions of the final consumers. Several

countries had seemed to have adopted a similar approach in their intention to introduce such taxes and have seemed to have reduced SSBs consumption and consequences, resulting in increased health outcomes at different levels (National Treasury, 2016).

Several role players are involved in the administration and implementation of the SSBs, these include the health department, the Department of Trade, Industry and Competition, The National Treasury, the Department of Agriculture, Land Reform and Rural Development, and the South African Revenue Services (SARS).

Like any other fiscal measures being introduced, several factors must be considered; these include the administration process across the planning and implementation phases. Although there was a public consultation among the government and various role players that are involved, however, the real impact such as job losses and reduction in revenue within the sugary sector has not been considered. The focus area has been on revenue collection rather than ensuring that all role players are fairly treated, and the implementation runs smoothly.

Although there have been strategic plans developed by the Department of Health for the prevention and control of NCDs, these strategies were said to have a target of reducing obesity. However, there has been a lack of analyses in terms of the correlation between the introduction of SSBs versus the impact that this tax mechanism has had on health issues. Therefore, there have been no tangible results that the tax has had any discernible impact on public health, Thus, the introduction of the sugar tax has been nothing but a culprit.

Considering the tax administration system, which intends to ease and provide guidance in the administration process in which SARS deals with taxpayers, in this regard, SARS acts as an agent in the collection of these taxes. Therefore, an inadequate administration of sugar tax amongst various leading players ultimately affects the taxpayers' attitude and compliance behaviour.

To resolve the unrealistic developments that are continuing within the sugar-tax levy, the CGCSA, closely working with various participants that are affected and impacted within the industry, has been initiating and penetrating dialogues with various role players from the

government. Below is the list of problems within the administration that has been identified and proper clarity and guidance still need to be provided.

Although there has been a temporary suspension in the increase of SSBs with more than “4g of sugar content per 100ml that will be increased from 2.21c/g to 2.31c/g from 1 April 2023” (National Treasury, 2021), the Minister of Finance had announced that further consultations are under way to consider lowering the 4g threshold and extend the levy to fruit juices.

- Referring to the above, this still does not take away the fact that the struggling sugar industry as well as job security in the entire value-chain within the beverages industry is still experiencing a severe negative impact as a result of the sugar tax levy and has lost hundreds of thousands of tonnes of sales with forfeiture of R1.2 billion in industry revenue just in the first year of implementation of the Health Promotion Levy (HPL).
- Not only that there has been a proposed increase in the levy, but also there has been a impaired trust and faith between taxpayers and the various government role players as the government is acting against the initial promises that there would be no further increases. This does not only demonstrate bad faith in the government but flies in the face of pledges to ensure there is sufficient and constructive consultation before such major policy decisions and announcements are made.
- Continuously failure of government to adhere to the initial promises made, in this case, the refusal by the government to accept the approach of allocating or ring – fence funds raised from sugar tax levy to health promotion as initially proposed. This adds to another failure by the government to reallocate the funds raised from the tax charged on plastics and reallocate that towards projects that positively contributes towards environmental issues.
- The lack of proper consultations with the government, labour, and other industry role players has had an impact on job losses and sectoral decline in the sugar cane value chain.

Although various players within the tax system try to ensure that there is an overall compliance climate improvement, an emphasises should be placed in ensuring that the focus and efforts are not just only on sustaining the levels of willingness to comply, but

rather ensuring that the climate environment is conducive enough to allow full compliance by all taxpayers. In this case, factors such as fairness and trust are important, resulting in achieving mutual trust and co-operation between the taxpayers and their tax authority to enhance the achievement of voluntary compliance (Braithwaite, 2008).

If all government role players can be seen as actively acting fairly, taxpayers will trust the motives of that authority, this will increase acting and taking decisions voluntarily hence helping to increase the perception of fairness. In this case, how the authority's actions are portrayed has influenced the perception of fairness.

4.4.2 The migration from the preferred trader to the Authorised Economic trader

An introduction of the preferred trader ("PT") programme for compliant traders came into effect in 2010, This was introduced as an upper level higher than the PT to the Authorised Economic trader (AEO) programme and was to further extend to broader the private sector.

The Framework within which both PT and AEO operate has a view in ensuring that the facilitation of the movement of goods is at the global trade level as adopted by the World Customs Organization (WCO) in June 2005. The Framework aims to ensure that international terrorism is at the lowest level, increase revenue collections, strengthen trade facilitation, the concept of all this was adopted through the AEO (WCO Compendium, 2019 Edition).

The main objective of the programme was to strengthen the risk management approach within the customs and excise space. This entails moving away from SARS being a "Gatekeeper" to a more collective comprehensive approach. The SARS PT compliance is related to several elements such as good governance, classification of goods, and accounting of taxes. The preferred trader focused on compliance, with an added feature of safety and security to be the next phase. This means that taxpayers that participate in this programme should now have both PT compliance approved before applying for AEO.

Both the PT programme and AEO have been highlighted as having benefits for both taxpayer and revenue authorities. However, there seems to be an administrative burden in terms of the amount of information required, the assessments that must be written, and the

walk-through audit test that must be conducted by the SARS representatives to finally extend and approve the taxpayer as an approved AEO compliance and Safety and security. The administration burden far outweighs the benefits to be derived from the programme.

Although SARS officials are involved and available free of charge to assist in guiding the programme, it cannot be disputed that for every level of tax compliance, there is also a level of cost involved for the taxpayer.

4.4.3 The introduction of the SARS Compliance Programme

In the past years, SARS introduced a compliance programme that aimed at increasing taxpayers' voluntary compliance. This was mainly of the higher risk of non-compliance identified; this was to increase the fairness and transparency within the tax system while also ensuring that the economy is protected against any harmful and unwanted abuse within the tax system.

In encouraging voluntary compliance, SARS had envisioned a need to strengthen the tax administration system by allowing taxpayers to fulfill their obligations in a manner that is fast, easy, and cost-effective. The introduction of modern tax systems that offer more precise insights across various traders and taxpayers enables SARS to reach a wider pool of taxpayers from a tax audit and risk management sphere and gives immediate attention to prioritizing those segments.

For several years, SARS has been seen as an agency that upholds its standards and integrity within the tax and customs administration. Although various players within the tax system try to ensure that there is an overall improved compliance climate, a strong focus should be placed in ensuring that the focus and efforts are not merely on sustaining the levels of willing compliance, but on maintaining and improving the environment that demonstrates strong culture of compliance by all taxpayers.

Over the years, SARS has embarked on developing a compliance programme approach that seeks to address the below pillars.

- Source data for analysis.
- Conduct compliance analysis.

- Prioritise areas of non-compliance.
- Select and implement treatment options
- Determine if treatment is effective



Figure 4: Our approach in developing the compliance programme

Source: SARS compliance programme initiative.

To get a clearer picture that allows tax revenue authorities to not only dissect taxpayers' behaviours through monitoring the level of compliance but also to understand the different drivers of good and bad behaviours, the introduction of the digital revolution plays a crucial role in gathering volumes of data, this also ensures that the data is of good quality and integrity. This has allowed SARS to improve its approach in compliance, but also gives an holistic view that is granular and robust.

Considering the statement once made by the SARS commissioner, "We need to continuously focus our efforts on not just sustaining the levels of willing compliance, but on creating a climate that is increasingly conducive to full compliance by all taxpayers". A lot of interventions have been created by the revenue authority in addressing many issues.

Former commissioner of SARS, Oupa Magashula, said "if you are making your fair contribution and doing the right thing, you deserve to know that everyone else is doing so too!". Although this statement is seemingly true, unfortunately, this is still an issue within the government sphere. As a result, this affects taxpayers' behaviour, attitude, and perception towards ultimately being compliant. There is still a sense that there is a lack of

transparency, and the system is seen as a “Taking system” rather than a collective system that strives to work towards serving the best interest of all parties involved.

4.4.4 The introduction of a Carbon tax

In 2019, a new tax was introduced known as the Carbon tax (“CBT”). The introduction of such a tax system came in as one of the mechanisms in combating the change in climate, this is through the reduction of greenhouse gas (GHG) emissions through adopting measures that are effective and offer sustainability.

Although the administration of this tax system falls under SARS in terms of administration and collection, several role players are involved, this includes the National Treasury, Environmental Department of Forestry, and Fisheries (“DEFF”). CBT works like any other taxes, this is assessed, collected, and enforced as environmental levy in terms of the Customs and Excise Act, of 1964, along with Carbon Tax Act, of 2019 (SARS, 2020).

The new tax system plays a crucial role in ensuring that the environment is protected against any pollution that is caused by manufacturing sector. The adverse costs of climate change need to be considered when concluding on several investment decisions and impact it has on the future of production and consumption. This applies to a “polluter-pays-principle” (SARS, 2020).

4.4.5 Impact of COVID–19 on the tax administration system

As mentioned previously, administration is the core pillar of tax revenue collation, compliance risk management, and any other elements within the tax system. As a result, this has an impact on taxpayers’ behaviours and attitudes. Considering the impact of COVID–19 on administration, one cannot ignore the adverse impact that COVID–19 had and continues to have on how the tax administration is currently managed. As result, many tax administration authorities had to take multifaceted action that aid in proving better support through provision of vital public services to support citizens and businesses.

It is important to assess SARS’ response towards service delivery and COVID – 19 impact on tax affairs and taxpayers’ behaviour as this influences the collection, administration

systems, and taxpayer behaviours. The following gives an overview highlighting areas of importance as depicted in the following figure.

This section provides an overview mainly from the South African context as per the survey conducted by the OECD and matches it against interventions that have been deployed by SARS. The main purpose of this activity is to ascertain measures taken to support taxpayers and interpret the impact it had on taxpayers.

Measures to support taxpayers

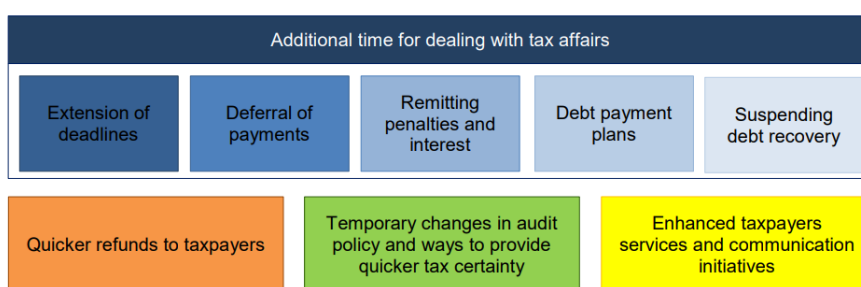


Figure 5: Measures to support taxpayers

Source: CIAT/IOTA/OECD (2020), *Tax Administration Responses to COVID – 19 : Measures Taken to Support Taxpayers*, OECD, Paris.

According to the report, several actions were taken by tax administrations across the world to ease the taxpayers' burden and offer support to both businesses and individuals who were the target of cash flow shortages, which resulted in difficulties in honoring their tax obligations.

COVID–19 resulted in tax administrators stretching themselves to put in place measures that could easily assist and offer support as many taxpayers were affected by the pandemic. These interventions had a focus on various aspects, such as for businesses and personal income taxpayers focused on eliminating the tax burdens and easing administration process as many countries were experiencing hard restrictions. Amongst other measures introduced, it included managing cash flow problems through postponement of taxes, which could have resulted in worse experience such as the reduction of workers, suppliers not paid on time, and worse, resulting into closure or bankruptcy of many businesses (OECD, 2020).

With no hesitation, in April 2020, the South African government working closely with SARS and other relevant stakeholders within the administration adopted various tax relief measures which were aimed at aiding business sector and individuals during the pandemic lockdown. The intervention measures employed were part of improving the tax system from both administration and collection perspective, this ensures that achievement of fiscal consolidation; easing the burden of taxpayers by offering cash management relief through deferrals, and incentives to retain low tax bracket employees and reduces payroll taxes. (SARS Annual Report, 2020/21).

One of the core pillars of administration is to provide easy and efficient service to taxpayers, this allows taxpayers to easily comply. The followings were measures that were taken in aiding taxpayers.

- Offer extension of deadlines, as this allowed taxpayers additional time to deal with various tax affairs,
- Payment deferrals, which allowed taxpayers to proper manage their cash flows,
- Hold back on penalties and interest,
- Easier access to payment arrangement plans and extension of plan durations
- Quicker refunds
- Enhanced services and communication initiatives

4.4.6 Enhance tax administration through digital platforms

COVID–19 has emphasized the importance of digitalization, not only through tax administration, but rather in all business spheres. There is a greater indication of the integral role of digitalization for both tax administration system and tax revenue authorities. The use of digital services has become essential for any tax authority worldwide and there are no signs of it stopping soon.

In the 2019/2020 SARS annual report, Mr Edward Kieswetter, SARS commissioner, highlighted the importance of speeding up SARS' approach in adopting modern digitized mechanisms for data automation and machine tools to strengthen the integrity of outcomes, improve in detection of non – compliance and learn better ways of enhancing services.

Mr. Edward Kieswetter (2020) explained that the increase in the use of data and technology plays a vital role in ensuring that SARS is conscious and remains alert about the importance of digitized platforms to maintain taxpayers and traders' information. Also, ensuring that integrity of the use of data is legal and ethical, and that SARS systems are well secured. This will allow SARS to maintain focus in ensuring that trust of taxpayers is always maintained

In a survey conducted by Deloitte in 2020, constituting 1200 government representatives from various countries, roughly 80 % of the participants indicated that the digital enhancement allows a more efficient and easy administration process, this results in a more positive response to the needs of the citizens and encourages trust in the government system (Jeppesen et al., 2020).

In general, any introduction of digital transformation by any administration opens up challenges and new opportunities. In recent years, there has been a greater need for digitalization within public sector agencies, and research conducted to explore how digital services will improve efficiency and ease in the administration process (Prins, Raab & Keymolen, 2012).

Although digitalization is imperative in improving administration, it should be noted that it cannot replace the need for in-person communication. This was easily demonstrated during the peak season of COVID-19 (Alm et al., 2020).

Mr Edward Kieswetter (2020) further explains that SARS had to quickly adapt and be agile in reconfiguring its system operations to ensure that there is a continuous collection of taxes due, that taxpayers receive their refunds and to ensure the clearance of goods. This highlights the importance of any tax administration agency to quickly respond to any crisis and have readily available digital back-up plans.

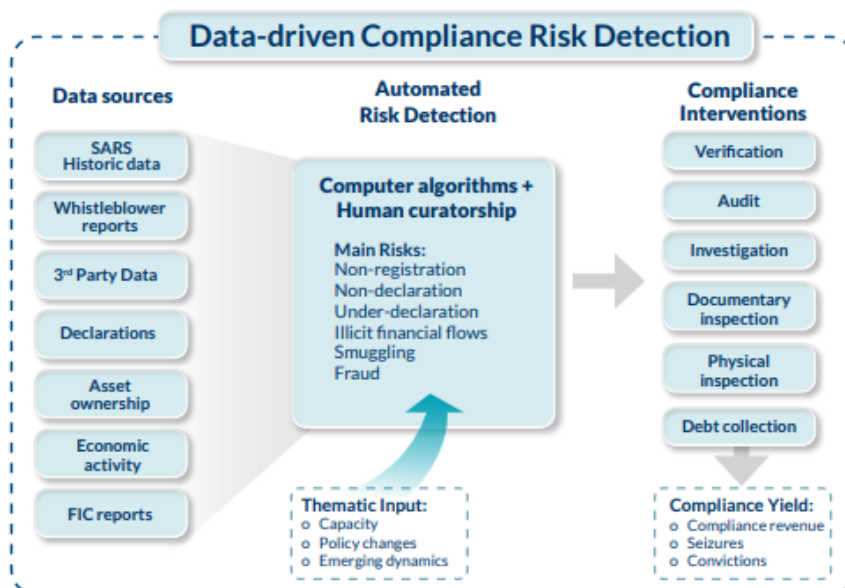


Figure 6: Data-driven compliance risk detection

Source: SARS Annual Report, 2019/2020

The review was conducted to identify factors that influence administration digitalization and information systems. They find that there were roughly 20 variables, most of which were indicators of trustworthiness in the digital system, of which careful consideration is needed by various revenue authorities while designing solutions and digital services that are underpinned by trust and integrity in technology. Other factors such as system quality, responsiveness of the system, transparency, privacy concerns also play a crucial role in determining the effectiveness of the digital administration system, etc. (Janssen et al., 2018).

A study by Gracia and Ariño (2015) which has an overview of various factors that impair public trust in the tax administrations, the web survey comprised of 450 citizens who use public digital platforms in the country. The study findings were that there is a perceived quality of public digital platforms resulting in a positive perception and attitude on trust in the public administration. However, the study also showed that there must be a positive attitude in terms of adapting and being agile with the introduction of public digital platforms, this means that citizens can not only be influenced through campaigns that promotes the benefits and use of e- government systems.

It is evident enough that every government and tax administration agency tries to modernize its system by providing digital and streamlining various online services. There is a greater return that comes with such digital innovation which affects various aspects of taxpayers' behaviours and perceptions. Adversely so, it should also be noted that this digital innovation comes with its level of risk elements, and tax administration agencies should have solid safeguards that address such risks. To modernize our digital systems, there is also a greater need to install change management in society through various programmes.

4.4.7 Tax relief measures in dealing with COVID-19

An efficient tax administration system is quick in addressing taxpayers' problems and developing mechanisms to address such issues. As a result of COVID-19, many taxpayers were stressed, as a result, many tax reliefs had to be introduced to reduce the adverse impact on the economy, through the deferral of tax payments and reduced taxes paid as an attempt to lessen the burden on taxpayers.

Although there has been a negative impact on the collection of taxes, SARS was able to respond and address taxpayers' needs. This resulted in a positive taxpayer's perception and behaviour.

According to the SARS annual performance report for 2020/2021, the relief measures included the followings:

- Reduction in payroll taxes through employment tax incentives that was refunded quickly.
- Tax break on the levies such as Skills Development (SDL);
- Granting of customs rebates relating to the importation of personal protective equipment for COVID – 19.
- Deferral of various tax type payments i.e., payroll taxes, customs and excise duties, provisional taxes etc.

4.4.8 Tax authorities' relations with third parties

One of the pillars of SARS's strategic intention is to strengthen the efficiency of the administration by providing clarity and certainty on various matters. This can easily be

achieved through open dialogues between tax administration agencies, taxpayers, and other 3rd parties.

Stakeholder Management



Figure 7: Stakeholder management

Source: SARS Annual report, 2020

4.4.9 Compliance on Third party reporting and income withholding

Tax administration agencies and government cannot, in isolation, achieve their strategic intention in terms of revenue collection, enforcing compliance, and combating tax evasion. There is a greater need and reliance on other stakeholders, such as third-party involvement. These include players such as financial institutions, employers and investment equity fund partners that have an obligation to report various incomes of individuals to the tax administration.

Kleven et al. (2011) and Lederman (2010) highlight the importance of various third parties' involvement in guiding and managing revenue in developed countries and an important part of the tax system to eliminate opportunities to evade tax. Their studies further explain the need to end the culture of enforced tax compliance by establishing voluntary compliance as default.

According to the report concluded by AICPA (2009), tax practitioners play an integral role in influencing compliance culture and communication with tax revenue. In most cases, the

tax practitioners face constant dilemma as result of being both an agent for taxpayers and ensuring that the fulfilment of their duties towards tax system is within the ambit of law.

According to the previous research conducted, the interaction between tax practitioners and taxpayers serves as an important role in shaping compliance decisions and encouraging the culture of voluntary compliance. It should be noted that safeguards should be practised by tax practitioners as there is also risk of being open to persuasion by tax administration actions and conducts.

According to Bokek et al. (2019), shows that the interaction between tax professionals and taxpayers, in most cases tax professionals can pursued taxpayers to act in good faith and change their original position, either partially or fully.

Furthermore, according to Blanthorne, Burton and Fisher (2012), the examination performed indicated that the ability of tax professionals to reason with competence and high level of technical tax skills morally influences their decisions regardless of what the taxpayers prefers. As result of an increase in level of tax morality, this opens trust channels between taxpayers, tax revenue authorities and tax professionals.

4.5 OVERVIEW OF THE PRICEWATERHOUSECOOPERS (“PWC”) SURVEYS CONDUCTED

In May and June 2021, PWC conducted their 4th annual survey that interprets and discusses the taxpayers’ overall perceptions of the tax system and documents the experiences of various taxpayers in dealing with SARS. This study had 200 respondents from both multinationals and local corporations. The main purpose of the survey aims at ascertaining experiences drawn by taxpayers while interacting with SARS and gathers that feedback to initiate constructive engagement with relevant stakeholders.

This survey is aligned to and addresses the research that is currently under way . The PWC survey provides feedback to SARS in terms of how best the tax agency can strengthen trust of taxpayers, efficiency in the administration system and improve confidence in the administration system along with improvement of stakeholders’ engagement.

The survey covered six key areas as follows:

- The process of Audit (i.e., VAT, pay as you earn, income tax)
- Management process of debt
- The Voluntary Disclosure Programme
- Service Delivery by SARS
- Tax relief measures for COVID – 19
- Taxpayer behaviour

4.5.1 The process of Audit

Over the past four years (FY 2018 – FY 2021), there has been a steady increase from year to year with regards to the corporate income tax verification audit process. According to taxpayers' views, there was a 55% chance of such verification occurring after the submission of the annual tax return. An increase in the verification process is indicative that SARS has a high focus on tax compliance, and this ultimately detects non-compliance as well as more collections.

The downfalls are the fact that these audits take substantial time and require more effort from both taxpayer and revenue authorities, refunds may be delayed until all areas are completed, and this results in a capacity of resources from a SARS perspective and a backlog in refunds discharge in cases of taxpayers that are in refund positions.

4.5.2 Request for information

According to the TAA, SARS has the right to initiate the request of information to assess and validate information as part of the audit verification. The main issue is whether such requests are in line with the relevant section and the scope under way .

A survey suggests that 10% of the participants indicated that SARS “always” and “never” requests information in line with the TAA, while 46% of the participants felt that SARS “sometimes” meets the set requirements when requesting information.

Considering the above, the fact that taxpayers tend to have no absolute reliance or conviction that the requests are in line with the requirements is of concern. SARS must always comply with the set requirements in terms of TAA. Failure to do so results in an

adverse impact for both taxpayers and SARS ultimately affects the attitude of the taxpayer in the way they approach these verification processes.

4.5.3 Granting of extensions

Within the prospect of gathering information, assembling, and submitting relevant information to SARS within the prescribed time, taxpayers are mostly faced with various constraints, resulting in them requesting an extension to the TAA.

A survey suggests that the results of the likelihood of SARS granting extensions show that a proportion of the participants mentioned that “most of the time” and “sometimes” SARS does grant that extension. Although the results are favourably toward SARS, the survey indicates that there is a decrease over the years, meaning that SARS is getting less flexible in granting extensions. This is an interesting take as many taxpayers had an issue accessing documents during the various levels of lockdown.

From a researcher’s practical point, SARS seems to take more than 21 business days in responding to whether the taxpayers’ extension has been approved or not. This involves numerous follow-ups with SARS to get confirmation. Adverse impact is the fact that the tax clearance status of the taxpayers may be rendered “non-compliant” as a result of not submitting relevant material on time.

4.5.4 Time is taken to complete and finalize the verification audit

According to the TAA, SARS has a responsibility to provide a response to the taxpayer within 90 business days; this is after all the relevant information has been submitted.

A survey suggests that there seems to be a substantial decline in the turnaround time in comparison to previous years. An adverse impact is caused by the delay as some taxpayers experience an extended turnaround period on finalization of audit, approximately “12 months or longer”.

Numerous reasons may be at play that contribute to an increase in turnaround for audit finalizations, such as limited capacity due to Covid, many requests by SARS which ends up delaying the process of audits as well as a greater chance of audit. Even though that may be the case, clear communication, and certainty play an important role in managing taxpayers’ expectations and relationships generally.

SARS continues to maintain the right to go back and refer the matter for investigative audit, this should be within the prescription period of five years and entails a full scope audit after the verification process into taxpayers' affairs.

A survey suggests that there has been a significantly increased number of organizations that say that SARS takes roughly 1 - 3 months to respond, this means that there is a year-to-year increase in the improvement of the turnaround time. Although there seems to be improvements year to year, there is the possibility that audits are complex, SARS may be short-staffed, or weak communication between SARS and taxpayers. These resulted in extra costs to taxpayers and creates uncertainty.

4.5.5 Issuing progress report

According to the TAA, within 90 business days, SARS is required to issue a progress report. This emphasizes the importance to follow a process that is fair and allows SARS acknowledgment of taxpayers' rights by honouring, within the due time frame, the issuance of progress reports regarding the stage of audit and keeping the taxpayers informed.

A survey suggests that not less than 95% of the taxpayers confirmed that they hardly ever receive the progress report on time, these reports are usually issued by SARS after the taxpayer has done numerous follow-ups.

4.5.6 Audit findings

According to the TAA, once the audit is finalized, SARS is tasked with the responsibility to issue a letter of findings as per TAA s42. The taxpayer has the right to respond either in agreement or disagreeing, outlining its position within 21 business days.

A survey suggests that there seems to be an improvement in this area as compared to prior years. Such improvement is an indication of the massive positive feedback on SARS' operational level, also in ensuring that letters of findings mirror an assessment letter to be issued. i.e., this is an indication that SARS does consider taxpayers' input before issuing assessments.

4.5.7 Issuing of letter of assessment

A notice of assessment is issued by SARS, this is after the response to the letter of findings. In most cases, this tends to be an extra assessment to the taxpayer. Following the additional assessment, SARS must issue a letter of findings, detailing the factual and legal grounds for the assessment, such letter must formulate enough information for the affected taxpayer to initiate objection should they wish to do so.

A survey suggests that most participants indicated a positive response that there has been improvement by SARS in providing reasons that are adequate to allow the taxpayers to understand the background basis of the assessment. While on the other hand, others also mentioned that 'sometimes' SARS provides sufficient grounds which enables the taxpayer to understand the basis of the assessment raised. Such responses indicate that there is the possibility of high disputes being raised by taxpayers, which could be an indication of poor communication between both parties.

An overall conclusion can be drawn that improvement is an indication that SARS does honour its responsibility in terms of ensuring that taxpayers are fairly assessed and maintains an ongoing open communication channel.

4.5.8 Understatement penalties

According to the TAA, it should be noted that the letter of assessment raised by SARS should be clear enough to allow the taxpayer to understand whether SARS has been raised with understatement penalties. SARS also needs to clearly state that the level of penalty raised matches the appropriate behavioural category outlined in the relevant section of the act.

A survey suggests that participants indicated that SARS is 'always' or 'most of the time' aggressive in raising understatement penalties.

4.5.9 Debt management process

According to the TAA, the taxpayer has the right to lodge a request for suspension of payment that is in cases when the debt is under dispute. This results in the suspension of taxes, penalties, and interest by SARS. The requests must meet the requirements as set

out in the relevant section and only the SARS official can suspend the “pay now argue later” rule.

4.5.10 Response to suspension of payment

A survey suggests that 16% of participants indicated that their requests were accepted by SARS, while 36% reported that their requests were rejected by SARS “without adequate reasons”. Lastly, the rest believes that their requests were rejected for adequate reasons.

From the SARS perspective, these findings indicate that there is great pressure to collect revenue, although this creates a negative impact on taxpayers’ behaviours and builds perceptions by taxpayers’ that SARS is merely after money rather than putting the interest of taxpayers, as well as, reaching the conclusion that benefits both parties.

4.5.11 Time is taken to get feedback on the settlement proposal

A survey suggests that there seems to be a decline in settlements that are being reached on time between SARS and taxpayers. Most participants indicated that their settlements took roughly more than six months after their proposals have been submitted. Consequently, this seems to be a delay in the receipt of revenue for SARS.

4.5.12 Request for correction

According to the TAA, the taxpayer has an optional right to request correction of the submitted return. Such correction of errors should result in either reduced assessment by SARS or upon approval by SARS and that error should have been a “readily apparent undisputed error”.

A survey suggests that most participants have indicated that SARS has rejected their application for correction, while other participants indicated that “sometimes” SARS does reject applications. This requirement causes difficulties as SARS interprets a “readily apparent undisputed error” differently from what taxpayers might view it.

According to the researcher’s practical experience, further difficulties have been experienced as SARS limits the number of resubmissions through the system, this causes strains in terms of administration as requests may take longer to reach approval and taxpayers to resubmit returns.

4.5.13 Value Added Tax (“VAT”)

VAT is one of the most high-risk profile taxes, this is mainly because it is cash-intensively driven. Due to dishonest practices, SARS suffers the biggest cash flows due to fraudulent claims, as a result, internal controls, such as the verification process, are in place to combat fraud and dishonesty. As a result, the verification process is initiated before refunds can be paid out, this somehow causes strains on taxpayers’ cash flows, frustration, and lack of ability to trade with some taxpayers.

- Selection for VAT 201 verification

A survey suggests that participants are reported to be selected for the verification process every time submitting a refundable VAT 201 return. The results showed that there has also been a reduction in the frequency of those verifications.

This is an indication that SARS is becoming more efficient by targeting the right taxpayers and using enhanced systems and a risk engine that somehow reduces interventions on refundable returns.

- VAT verification and payment of refunds

A survey suggests that there has been a decline in turnaround time in terms of verification and refund payment. Normally, verification should be concluded within 21 business days and a refund is paid thereafter.

From the researcher’s view, SARS has also adopted a practice of reallocating refunds to any other tax types that is due by the taxpayer, this is without prior communication with the taxpayer before such reallocation can be actioned.

4.5.14 Challenges with Pay as you earn (PAYE)

A survey suggests that 13% of the participants indicated that they have never experienced PAYE difficulties with SARS, while the rest of the 87% of taxpayers have had countless difficulties that vary from taxpayer to taxpayer. Most relate to problems around PAYE accounts with regards to multiple journal entries being processed without proper examination. These include the followings.

- Reallocation of payments,

- Additional assessments raised after reconciliation submission periods,
- System difficulties relating to the filing of EMP501 and submission of employees' tax clearance certificates.

4.5.15 Voluntary Disclosure Programme (VDP)

With effect on 1st October 2012, SARS introduced a programme that promotes voluntary disclosure, known as Voluntary Disclosure Programme (VDP), this is administered under the Tax administration Act. The main purpose of the programme is to allow taxpayers to disclose any defaults in their tax affairs.

- VDP Application process

A survey suggests that at least 40% of the participants indicated to have participated in the programme and their applications were speedily finalized within 1 – 3 months, while the rest of participants indicated that the finalization of VDP took longer than 12 months. Although there is slow progress in finalizing this application, there is room for improvement.

From the researcher's view, as part of the finalization of the process, the taxpayer is required to refile the tax return(s) under review, as a result, this triggers interest liability and penalties. The researcher further noted that there is an administration issue when it comes to the allocation of payment and interest is calculated because of the default. Even though the taxpayer has fully paid the liability as per the VDP agreement, the payment is not always allocated correctly, especially in cases of multiple periods involved under review i.e., in cases of PAYE

- VDP application denied

A survey also indicated that in cases where taxpayers' application is unsuccessful and denied by SARS, due to the application not meeting the set requirement, there is no clear communication or reasons as to why that application was "non-voluntary" and other participants indicated that the application was denied because there was a verification audit under way by SARS.

As per the researcher's experience, this is because there is insufficient information shared by the taxpayer, this could be not knowing how far back the taxpayer should disclose the default.

- **The determination of the value of VDP relief**

A survey suggests that some of the participants are of an opinion that the VDP programme did not assist their company to obtain the required relief. There is a possibility that SARS is taking a consecutive approach in the finalization and approval of VDPs.

More should be done by SARS to persuade taxpayers and relax the process approach; this will result in voluntary compliance by taxpayers at a lower cost with so much efficiency, which will allow more taxpayers to participate.

- **VDP Guidance**

A survey suggests that indicated that more taxpayers find the process complex, which results in getting external tax consultants to assist with the preparation process, this ultimately results in more costs incurred by taxpayers.

Providing guidance upfront, such as training before submission of the VDP application and an interpretation note that offers step-by-step guidance could assist more taxpayers in participating in the process, resulting in further benefits to SARS.

4.5.16 SARS Service Delivery

- **SARS service charter**

Several of the participants have not seen any significant return on the implementation of the SARS service charter that makes not much of a 'difference' to the quality of service and behaviour of SARS officials.

Due to numerous difficulties experienced by taxpayers, this is concerning as it indicates that there is a low buy-in level on the part of SARS.

- **The behaviour of SARS officials**

Participants believed that the SARS charter should be linked to performance indicators. 97% of participants suggested that SARS could do more in ensuring the quality and service promised in terms of the service charter and SARS' strategic plan for FY 2020/21 – 2024/25.

As time progresses, this should or will eventually translate into more complaints being lodged with the tax ombud.

- **SARS compliance with periods in general**

In generating the general perception of taxpayers regarding SARS response time, most participants, between 55%, indicated that SARS 'never' or/and 'hardly sometimes' adheres to periods.

There is still more to be done to improve efficiency in terms of turnaround time, understandably so, there are a great many taxpayers and limited capacity from SARS. SARS must create, maintain, and build a sustainable relationship and positive perceptions with taxpayers, general things such as timely response should be given serious attention.

4.5.17 COVID-19 Relief

The survey also glanced at the taxpayer's response to COVID–19 initiatives introduced by the government. The measures that were announced by the Minister of Finance in assisting with the burden placed upon taxpayers because of the pandemic, included;

- **Qualifying taxpayers**

A survey suggested that more than 50% of participants felt that although they met the set criteria as qualifying measures, felt that the criteria were too restrictive even though they met the criteria as defined.

- **Adequacy of relief measures**

A survey suggested that more than 50% of participants were of the view that SARS and the National Treasury did not do enough to assist taxpayers with tax relief to aid liquidity and business continuity.

- **Discontinuation or reduction of payments**

Several participants indicated that they did not discontinue or reduce any tax payments, while others indicated that they reduced PAYE and provisional tax payments.

4.5.18 SARS service delivery during COVID -19

SARS was 'never' or/and 'hardly sometimes' equipped to handle queries, which is a concern. It should be noted that the pandemic caught every organization off guard and emergency plans had to be put in place.

4.5.19 Working with stakeholders and regulatory bodies

Several participants expressed a view that there is not enough work done between various stakeholders and SARS to improve the tax ecosystem.

4.6 OVERVIEW ON THE IMPACT OF DAVIS COMMITTEE AND NUGENT REPORT

In 2017, the report was published and made available to the public; this report has an overview of various problems that deal with specifics in the administration system and further underpins the implications for the structure, operation, and practise of SARS. The report highlighted that not only is there an important need for the improvement in efficiency and accountability at SARS to maximise collection of taxes, but also to rebuild trust and confidence in the system.

South African tax agency, known as SARS, has encountered several difficulties when it comes to the administration system which somehow has an impact on revenue collection. This is evidenced by several incidents occurred in the past. The appointment and introduction of a commission of inquiry into the operational, functioning as well as governance of SARS through the Davis Tax Committee has contributed significantly to unpacking the in-house difficulties and, coming up with the recommendations that need to be implemented in resolving the administration problems.

In the 2018 National Budget Speech, the former Minister of Finance, Mr. N Nene, mentioned that for many years, there has been a strong emphasis on building the strongholds of trust that underpin South Africa's tax morality which was/is at risk that such trust can erode rapidly. It further highlighted the incidences that have impaired the tax morality of taxpayers.

The commissioner of SARS, Mr Edward Kieswetter mentioned that "his personal experience had confirmed the findings of the Report on Tax Administration and

Governance by the Nugent Commission (Nugent Report). He further alluded to the fact that the reality on the ground and the lived experience of employees within SARS, taxpayers experience reflects worse than what was even captured in the Nugent Report” (SARS Annual report, 2021).

To date, many recommendations from the Nugent report have been substantively implemented. This is very important as SARS is continuously working towards functioning as an effective public institution and earning the respect of all taxpayers. This also has a direct impact on how taxpayers perceive the institution.

4.7 OTHER VIEWS TO BE CONSIDERED ARE AS FOLLOWS

Over and above the mentioned findings, below were some of the participants' views that tend to provide a clear indication of taxpayers' behaviour.

- There's a sense of improvement in the SARS systems and institution, this is because of the new SARS commissioner will bring new confidence to the organisation.
- The new commissioner of SARS is driving the correct behaviour from both taxpayers and organisational perspective of the SARS system.
- SARS's approach is focusing on the collections rather than increasing taxes. This is perceived to be the right direction by SARS but will take time and persistence.
- Strengthening of human capacity through the recent recruitment drive is seen by taxpayers to bear positive fruit. SARS is gaining good reputation in both the appointment of key personnel and the winning of some high-profile cases.
- Although most taxpayers believe that SARS is more reliable, however, there is still a sense of distrust and hesitation in terms of how SARS sees the engagement with various stakeholders in building the relationship between taxpayers as a partnership.
- In adopting streamlining its services into more digital platforms, SARS is doing well and engaging taxpayers more, thus taxpayers feel more confident, and SARS is gaining trust.
- Although there seems to be an improvement, however, SARS still needs more employees that will assist taxpayers adequately, and more knowledgeable and well-trained staff still needs to strengthen SARS.

- Actively participation by SARS in maintaining a relationship through large business centres appears to be heading in the right direction.
- There seems to be more hope from taxpayers that SARS will eventually be more efficient in terms of turnaround time on queries raised.
- Standardised approach across all SARS's branches and officials to a single standard decision-making process on assessments and objections.

4.8 FINDINGS GATHERED DURING 2021 TAX INDABA

In 2021, the researcher further collated data regarding improvement areas about which taxpayers have been concerned; these were gathered during a three-day conference.

Below is the summary of taxpayers' concerns, suggestions, and general views on several tax administration issues.

- Within the Customs and Excise fields, the attempts to engage with SARS on non-compliance identified by the taxpayers and proactive steps to remedy are met with hostility and an aggressive desire by SARS to impose forfeiture even where non-compliance is administrative.
- Lack of a well-rounded understanding of taxpayers' business by SARS and resulting in many taxpayers forced to try and resolve these problems in the courts, rather than other dispute channels as appeals committees do not apply their minds to the cases.
- Difficulties with setting up profiles, uploading documents, and tax registrations, resulting in taxpayers' spending an inordinate amount of time with some applications taking over six months to a year to be processed. These include registration such as withholding taxes and trusts.
- Lack of adequate reasoning around various correspondences with SARS i.e., some assessments raised without reasons, while SARS also not attending or adhering to objections lodge for over 12 – 24 months and rejection of extensions to submit relevant information.
- Resolving matters using the channels available to engage with SARS requires multiple engagements with various call centre agents who have to escalate the problems to other departments, thus progress is often delayed and then falls between the cracks.

- Integration of other newly introduced taxing methods into the e-filing system, such as SARS to incorporate Turnover Tax (“TT”) into the e-Filing system as various taxpayers’ return segments reflect outstanding amounts while TT has already been submitted via e-mails or manual submissions; the system does not take returns submitted into account, creating unnecessary penalties regarding outstanding returns/non-compliance.
- Lack of resources that are dedicated to Small, Medium and Micro Enterprises (“SMMEs”) who do not have sufficient knowledge and financial resources to attend to compliance activities.

Although SARS has multiple resourced technological interventions and labour forces, there are still gaps that need to be addressed to ensure efficient tax administration that will fully encourage taxpayers to voluntarily comply with ease.

CHAPTER 5: CONCLUSION, RECOMMENDATIONS, AND IDENTIFICATION OF FUTURE RESEARCH AREAS

5.1 INTRODUCTION

Collection of taxes is one of the largest forms of revenue generation that allows the government to have enough financial resources, which would, inter alia, results in enabling the government to redistribute wealth through the tax system (Friedman, 2003).

The main objective of the study was to have an overview of the tax administration system and how this impacts taxpayers' perceptions and behaviours. Secondary objectives were identified to sufficiently address the main objective. Chapter 2 served as a literature review, closely looking at various elements that affect tax administration systems and processes, taxpayers' behaviours and perceptions as well as interpreting challenges and uncertainties thereafter. In Chapter 3, the research methodology adopted, designs, and data collection methods were discussed. Chapter 4 serves to provide a closer look at various results in terms of different data collected as secondary data and interpreted various issues that exist within the tax administration system, Chapter 4 also identified the interpretation problems and uncertainties, identified in Chapter 2, and how SARS has responded to the various issues.

Overall, this chapter provides a summary of the results that have been identified as findings of the research conducted and demonstrates that the objectives of the research have been met in addressing the research question. Lastly, it also provides suggestions for future research and contains recommendations concerning the research questions.

5.2 RESEARCH CONCLUSIONS, FINDINGS, AND OBJECTIVES

Multiple variables affect taxpayers' behaviour and compliance. These range from exploring several variables such as understanding what influences taxpayer behaviour, this includes concepts such as tax morality, taxpayers' perception, the complexity of the tax system tax compliance, and the impact of fairness and trust in promoting the integrity and public confidence.

Additionally, taxpayers' perceptions of tax authorities can influence taxpayer behaviour. For example, taxpayers may feel that the revenue authorities are overly controlling, resulting in not feeling trusted by the revenue authority. Also, taxpayers' behaviour cannot be interpreted in isolation, several variable factors influence the behaviour, then these leads to compliance decisions that taxpayers choose to adopt, for example, the tax system is an integral part that eases the process of interconnecting the administration and compliance. This is through ensuring that tax revenue collectors have a system and processes that promote ease, efficiency, and use of administration to support voluntary compliance.

By exploring concepts within the various context of taxes that SARS administers, we noted that although year on year there are developments in the tax administration system, the existence of on-going implementational challenges, such as interpretational and uncertainty problems must still be resolved.

The information provided throughout the study similarly confirmed the existence of current issues within the administration system and misalignments that are experienced by taxpayers. Therefore, it is important to work towards creating a balance in our tax system by improving the administration system, while simultaneously bringing more revenue collection without impairing the taxpayer's behaviour and perceptions.

In South Africa, there have been significant changes and improvements within the administration tax system. These changes to the system arise from various interventions that have been adopted. These and other many significant changes have aided and contributed to a relatively robust and competitive tax system. The current South African administration system is stable and favourably compares with those of many developed and emerging economies. SARS has been at the forefront of ensuring that its tax administration system is simple and accessible to every taxpayer.

Although there are still gaps, SARS has improved in these areas which makes the tax administration system efficient to a certain extent. These include areas such as:

- Building and strengthening the credibility, public confidence and trust in the institution through the implementation of recommendations, as instructed by the Davis committee report.
- Constantly adopting modernized systems to provide seamless online digital services.
- Various discussion platforms have encouraged SARS to easily work with and through stakeholders to improve the tax system; these include Tax ombuds, SAIT, and the involvement of tax practitioners.
- The hiring of a more skilled labour force that represents a diverse workforce that makes it easier for the institution to easily develop and engage in an agile approach to meeting taxpayers' expectations and needs.

Lastly, in various chapters, an overview was drawn that through an increase of compliance culture, broadening the tax base, ensuring the right tax policy, putting in place the right incentives, and managing a reliable revenue flow combined with effective trade facilitation, better education as well as service to the public, will result in a foundation for sustainable fiscal capability and assist in maintaining the efficient administration system.

Although SARS has been at the forefront in terms of introducing and implementing tax technology tools that aid with the collection of taxes, however, the institution still needs to ensure that the interactions with taxpayers are easy and taxpayers are not lost in the system, by ensuring that the tools or system introduced are user friendly. This will allow revenue authorities to offer more efficient and customized services to taxpayers.

Introduction of advanced analysis that specifically addresses the risks to the right segment of taxpayers through ensuring that the analytics focuses on the right population, to serve the right purpose that ultimately delivers the expected results. Understanding taxpayers when they are at risk will allow revenue authorities to take actions to avoid non-recoverability of tax debt by directing the right amount of effort.

The information provided throughout the study similarly confirmed the availability of technology to improve the administration of tax.

5.3 RECOMMENDATIONS

In examining the efficiency of the tax administration, several fundamental factors were considered using various extensive data extracted as secondary data. This gives a perspective in terms of gaps within the system, recent innovations, and good practices that can easily be adopted by other tax revenue authorities, especially within the South African Development Community.

To strengthen and further improve the tax administration and taxpayers' behaviour, the above-mentioned issues in Chapter Four should be considered. Furthermore, below is the list of administration interventions that should be applied:

- i. Improve the digitized interactions with taxpayers, SARS has been at the forefront in terms of introducing and implementing tax technology tools that aid with the collection of taxes, however, there are still gaps that need to be filled, especially in ensuring that the tools or systems introduced are user friendly. This will allow revenue authorities to offer more efficient and customized services to taxpayers.
- ii. Introduction of advanced analytics, SARS has embraced the introduction of analytics in transforming how they conduct various examinations and debt collections. However, there is still a need to ensure that the analysis focuses on the right population, to serve the right purpose that ultimately delivers the expected results. Understanding taxpayers when they are at risk will allow revenue authorities to take action to avoid non-recoverability of tax debt by directing the right amount of effort.
- iii. Improve communication that results in trustworthiness, and certainty and gives clarity. The responsibility of tax collection and administration of the tax system involves multiple stakeholders i.e., the National Treasury and other various government institutions; this means that as part of the service delivery function for taxpayers, communication plays a crucial role in the administration of the tax legislation and systems in place. This results in providing services that are user-friendly, accessible, and understandable for all, which ultimately helps to

maintain and strengthen the taxpayers' willingness to comply voluntarily and thereby contribute to improvements in overall levels of compliance with the law.

- iv. Talent management, although most tax authorities are adopting a digital footprint and better interventions in the administration of the tax system, this however does not take away the need to have the right skill set of individuals. According to the research conducted by McKinsey & Company, only 10% of the tax authorities take extraordinary measures to attract and retain the top talent.
- v. Lastly, there is still a greater need to improve the implementation involvement to ensure that the tax administration system and legislation fit together in achieving its main objective and that no one piece of legislation is contradictory to another; and further ensuring that it reads together to prompt optimum levels of good governance in SARS. In the context of the recently introduced health promotional levy, there is still uncertainty and a lack of direction as to how the refund process functions.

Administration interventions are crucial when it comes to achieving an effective method of dealing with systemic problems , these include having a sequential set of instructional components and procedures for mitigating disruptive behaviour and addressing any interpretational and uncertainty problems.

5.4 LEARNING TO BE ADOPTED BY OTHER AFRICAN COUNTERPARTS

The rest of the African countries, such as Tanzania, Malawi, Kenya, Zambia, and other SADEC countries still have significant gaps within their administration systems, these range from incidences such as tax transparency, lack of effective digital platforms, lack of active engagement by tax revenue authorities in building relations that are based on trust and transparency with taxpayers.

Unknown authors once mentioned that “In learning to understand each other, we also learn to better understand ourselves.” And “Leadership and learning are indispensable to each other.”

Some interventions and learnings can easily be adopted by the rest of the countries within Africa to better their tax administration system. These include interventions such as:

- Promote tax transparency to address the issue of tax evasion and increase revenue collections and taxpayers' compliance.
- Digitizing interactions with taxpayers through introducing and implementing tax technology tools that aid with the collection of taxes

As such, a standard approach to tax administration may be neither practical nor desirable in a particular instance. Care should always be taken when considering a country's practices to fully appreciate the complex factors that have shaped a particular approach.

5.5 SUGGESTIONS FOR FUTURE RESEARCH

There are possible topics for future research that have been identified during this study: In this study, the tax administration gaps from both legislative and implementation perspectives in terms of processes and systems were identified and considered, but there are other elements that could be explored such as i) impact of change of key leadership personnel because leadership is one of the most defining factors that underpin any tax revenue administration, this is supported by the damage caused by State Capture, in general, resulted in SARS being part of the casualty in this process, damaging the capacity and reputation of SARS since 2014. Rush Limbaugh once mentioned 'If a person thinks that taxation without representation was bad, we should see how it is with representation.' This emphasizes the importance of having the right leadership within the tax administration.

Also, ii) Proper administration of the tax system is crucial, and every revenue authority is presented with varied environmental challenges within which they operate. Even though there are differences in respect of policies, legislative background, and administration practices, considering various interventions adopted by SARS and how these can be adopted by East and Southern African countries such as Kenya, Tanzania, Zambia, and Malawi which tend to be falling behind in terms of their administration approach as well as the implementation of digital platforms could be included in the study.

5.6 CONCLUSION

There has been a significant change and improvement within the South African tax system. These changes to the system arise from various interventions such as remodeling of the independent tax and customs administration (the South African Revenue Service), the tax base broadening, and the reduction of the marginal tax rates. These and other many significant changes have aided and contributed to a relatively robust and competitive tax system. The current South African administration system is stable and favourably compared with those of many developed and emerging economies.

However, given the current developments within the tax sphere and the pace of globalization, various tax administrations are adopting measures that would improve the administration system and simultaneously bring more revenue collection without impairing the taxpayer's behaviour and perceptions.

Significant social challenges such as persistent unemployment, poverty, and inequality remain. There is a need to review what role the tax system can play as part of a coherent and effective fiscal policy framework in addressing these challenges. Efficient, easy, and rapid use of the administration system is the central requirement to build a prosperous and equitable tax system not only in South Africa but across the world. This remains the core SARS objective as the inland revenue collector. Closing these gaps requires a decisive holistic approach and steps that will not only increase revenue collection but also build confidence, promote investment, reduce anti-competitive practices, and eliminate regulatory blockages.

Therefore, the tax administration system and legislation must fit together in achieving its main objective and that no one piece of legislation is contradictory to another; and further that it reads together to prompt optimum levels of good governance in SARS.

Lastly, the main principle is the fact that tax administrative systems in place must be certain and not arbitrary. This is one of the main fundamentals explored by Adam Smith in achieving an effective tax system. Therefore, interpretational problems and uncertainties can be resolved by ensuring that clarity and certainty are provided by all relevant stakeholders.

REFERENCES

Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: A.

Ayele, A. G., & Dagne, M. A. (2019). A Study on Tax Evasion and Avoidance in Ethiopia: The Case of Ethiopian Revenue and Customs Authority Bahir Dar Branch.

Ayres, P., & Paas, F. (2007). Making instructional animations more effective: A cognitive load approach. *Applied Cognitive Psychology: The Official Journal of the Society for Applied Research in Memory and Cognition*, 21(6), 695-700.

Ahmed, E., & Braithwaite, V. (2005). Understanding small business taxpayers: Issues of deterrence, tax morale, fairness, and work practice. *International small business journal*, 23(5), 539-568.

Brown, R. E., & Mazur, M. J. (2003). IRS's comprehensive approach to compliance measurement. *National Tax Journal*, 56(3), 689-700.

Butler, B. J., Hewes, J. H., Catanzaro, P., Greene, J. L., & Kilgore, M. A. (2011). Effects of federal, state, and local tax policies on family forest owners. *Technical Report, Family Forest Research Center*. 74 p., 1-74.

Benjamini, Y., & Maital, S. (1985). Optimal tax evasion & optimal tax evasion policy behavioral aspects. In *The economics of the shadow economy* (pp. 245-264). Springer, Berlin, Heidelberg.

Bazerman, M. H. (1984). The relevance of Kahneman and Tversky's concept of framing to organizational behavior. *Journal of Management*, 10(3), 333-343.

Bornman, M. (2015). The Determinants and Measurement of Trust in Tax Authorities as a Factor Influencing Tax Compliance Behaviour. *Journal of Economic and Financial Sciences* 8(3): 772-789.

Boslaugh, S. (2007). *Secondary data sources for public health: A practical guide*. Cambridge:Cambridge University Press.

Creswell, J. W. (2009). Mapping the field of mixed methods research. *Journal of mixed methods research*, 3(2), 95-108.

Cooper, D. R., Schindler, P. S., & Sun, J. (2006). *Business research methods* (Vol. 9, pp. 1-744). New York: McGraw-Hill.

Clarke, S. P., & Cossette, S. (2000). Secondary analysis: Theoretical, methodological, and practical considerations. *Canadian Journal of Nursing Research Archive*.

Cowell, F. (2011). *Measuring inequality*. Oxford: Oxford University Press.

Cowell, F. A. (1990). *Cheating the government: The economics of evasion*. Boston:MIT Press Books, 1.

Cooper, D.R. & Schindler, P.S. 2003. *Business research methods*. 8th ed. New York: McGraw-Hill.

Creswell, J. W., Klassen, A. C., Plano Clark, V. L., & Smith, K. C. (2011). *Best practices for mixed methods research in the health sciences*. Bethesda (Maryland): National Institutes of Health, 541-545.

Diamantopoulos, A., & Schlegelmilch, B. B. (2000). *Taking the fear out of data analysis: a step-by-step approach* (No. 118). Boston: Cengage Learning EMEA.

Dahl, C. H. (2021). Trust-based Tax Compliance.

David, M., & Sutton, C. D. (2004). *Social research: The basics* (Vol. 74, No. 3). Thousand Oaks, CA.: Sage.

D'Attoma, J. (2020). More bang for your buck: Tax compliance in the United States and Italy. *Journal of Public Policy* 40: 1-24.

Enahoro, J. A., & Olabisi, J. (2012). Tax administration and revenue generation of Lagos State Government, Nigeria. *Research Journal of Finance and Accounting*, 3(5), 133-139.

Evans, C., & Joseph, S. A. (2015). The South African tax system: Fit for purpose?. *Journal of Tax Administration*, 1(2), 26-56.

Guidance Note Compliance Risk Management: Managing and Improving Tax Compliance, 2013. Paris: OECD.

Güzel, S. A., Özer, G., & Özcan, M. (2019). The effect of the variables of tax justice perception and trust in government on tax compliance: The case of Turkey. *Journal of behavioral and experimental economics*, 78, 80-86.

James, S., & Nobes, C. (2000). *The economics of taxation*. Essex: Financial Times.

Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. *Journal of accounting literature*, 5(1), 125-165.

Jimenez, P., & Iyer, G. S. (2016). Tax compliance in a social setting: The influence of social norms, trust in government, and perceived fairness on taxpayer compliance. *Advances in accounting*, 34, 17-26.

James, S., & Alley, C. (2004). Tax compliance costs. , 9(3), 281-289.

Jimenez, P. & Iyer, G.S. (2016). Tax compliance in a social setting: The influence of social norms, trust in government, and perceived fairness on taxpayer compliance. *Advances in Accounting, incorporating Advances in International Accounting* 34: 17-26.

Jupp, V., & Sapsford, R. (Eds.). (2006). *Data collection and analysis*. Thousand Oaks, CA.: Sage Publications.

Kirchler, E. (2007). *The economic psychology of tax behavior*. New York: Cambridge University Press.

Maimako, L., & Kwatmen, M. (2002). Effect Of Tax Administration on Tax Revenue in Plateau State Nigeria. *Dutse Journal Of Economics And Development Studies*, 8(2), 75-82.

McKee, M., Siladke, C. A., & Vossler, C. A. (2018). Behavioral dynamics of tax compliance when taxpayer assistance services are available. *International Tax and Public Finance*, 25(3), 722-756.

Mascagni, G. (2018). From the lab to the field: A review of tax experiments. *Journal of Economic Surveys*, 32(2), 273-301.

Maring, B. J., & Webley, P. A. (2013). A new simplified pressure/vacuum swing adsorption model for rapid adsorbent screening for CO2 capture applications. *International Journal of Greenhouse Gas Control*, 15, 16-31.

Mackenzie, N., & Knipe, S. (2006). Research dilemmas: Paradigms, methods, and methodology. *Issues in educational research*, 16(2), 193-205.

Nur, M. A. Tax Payers' perception Towards Tax Administration In Benadir Region.

Neuman, W.L. (2000). *Social research methods: qualitative and quantitative approaches*. 4th ed. Boston, USA: Allyn & Bacon.

OECD ARTICLE - Guidance Note Compliance Risk Management: Managing and Improving Tax Compliance .pdf

Oosterhout, J. V. (2009). *Corporate Governance and Tax compliance*. In FTA Conference.

Oberholzer, R. (2008). *Perceptions of taxation: a comparative study of different population groups in South Africa* (Doctoral dissertation, University of Pretoria).

Pickhardt, M., & Prinz, A. (2014). Behavioral dynamics of tax evasion—A survey. *Journal of Economic Psychology*, 40, 1-19.

- Silvani, C. A. (1992). 8 Improving Tax Compliance. In *Improving Tax Administration in Developing Countries*. Washington, DC.: International Monetary Fund.
- Schadewald, M. S. (1989). Reference point effects in taxpayer decision-making. *The Journal of the American Taxation Association*, 10(2), 68-84.
- Smith, A. (1937). *The wealth of nations [1776]* (Vol. 11937).
- Silvani, C. A. (1992). 8 Improving Tax Compliance. In *Improving Tax Administration in Developing Countries*. Washington, DC.: International Monetary Fund.
- Slemrod, J. (2019).. Tax compliance and enforcement. *Journal of Economic Literature* 57(4): 904-54.
- Slemrod, J. B., & Blumenthal, M. (1996). The income tax compliance cost of big business. *Public finance quarterly*, 24(4), 411-438.
- Stewart, D. W., & Kamins, M. A. (1993). *Secondary research: Information sources and methods* (Vol. 4). Thousand Oaks, CA.: Sage.
- Venter, E. R., & Stiglingh, M. (2005). *US vs the WORLD is a taxing issue*.
- Vogel, J. (1974). Taxation and public opinion in Sweden: An interpretation of recent survey data. *National Tax Journal*, 27(4), 499-513.
- Trivedi, V. U., Shehata, M., & Lynn, B. (2003). Impact of personal and situational factors on taxpayer compliance: An experimental analysis. *Journal of Business Ethics*, 47(3), 175-197.
- Torgler, B. (2002). Speaking to theorists and searching for facts: Tax morale and tax compliance in experiments. *Journal of Economic Surveys*, 16(5), 657-683.
- Trivedi, V. U., Shehata, M., & Mestelman, S. (2005). Attitudes, incentives, and tax compliance. *Can. Tax J.*, 53, 29.
- Tong, A., Sainsbury, P., & Craig, J. (2007). Consolidated criteria for reporting qualitative research (COREQ): a 32-item checklist for interviews and focus groups. *International journal for quality in health care*, 19(6), 349-357.

Tashakkori, A., & Teddlie, C. (2008). Quality of inferences in mixed methods research: Calling for an integrative framework. *Advances in mixed methods research*, 53(7), 101-119.

Torgler, B. (2011). *Tax morale and compliance: a review of evidence and case studies for Europe*. World Bank Policy Research Working Paper, (5922). Washington, DC.: The Bank.

Young, R., & Johnson, D. (2013). Methods for handling missing secondary respondent data. *Journal of Marriage and Family*, 75(1), 221-234.

Webley, P. (1991). *Tax evasion: An experimental approach*. Cambridge: Cambridge University Press.

LeBaube, R. A., & Vehorn, C. L. (1992). 9 Assisting Taxpayers in Meeting Their Obligations Under the Law. In *Improving Tax Administration in Developing Countries*. Washington, DC.: International Monetary

South African Revenue Service Annual Report 2017/18

South African Revenue Service Annual Report 2018/19

South African Revenue Service Annual Report 2019/20

South African Revenue Service Annual Report 2020/21

South African Revenue Service Annual Report 2021/22

2018 National Budget Speech Review

2019 National Budget Speech Review

2020 National Budget Speech Review

2021 National Budget Speech Review

2022 National Budget Speech Review

2019/20 South African Revenue Service, Annual Strategic Performance Plan

2020/21 South African Revenue Service, Annual Strategic Performance Plan

Useful internet links

History | South African Revenue Service (sars.gov.za) [Accessed: 2022-03-17].

Business dictionary - Subscribe - Oxford Reference [Accessed: 2022-03-21].

Organization for Economic Cooperation (OECD). 2019. Glossary of tax terms. [Online] Available from: http://www.oecd.org/document/29/0,2340,en_2649_201185_33933853_1_1_1_1,00.html [Accessed: 2022-03-07].

Tax Morale: What Drives People and Businesses to Pay Tax? | en | OECD [Accessed: 2022-03-21].

Legislation

Customs and Excise Act, 1964 (Act No. 91 of 1964)

Tax Administration Act, 2011 (Act No. 28 of 2011)

Income Tax Act, 1962 (Act 58 of 1962)

Value Added Tax Act, 1991 (Act 89 of 1991)