

**Tax compliance and services offered by the South African Revenue
Services (SARS)**

SARS - Focus Group Report

Prepared for

South African Revenue Service (SARS)

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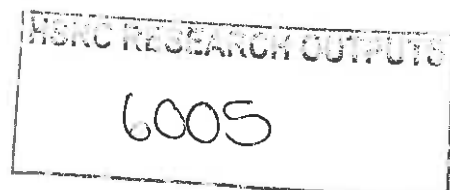


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SUMMARY: COMMON THEMES AND PATTERNS FROM THE FOCUS GROUP

In its quest to accomplish its mandate, fulfill its strategic goals and in its effort to achieve improved service delivery (focusing on compliance, enforcement and education), SARS commissioned the HSRC to conduct a study to establish public perceptions, attitudes and behaviour of taxpayers towards tax compliance and services rendered by SARS. The study is being conducted in two phases, viz., the first phase with a qualitative focus and the second phase, a quantitative survey. This report focuses on the results of the first phase of the study, based on the Focus Group Discussions conducted among six groups across the country with different socio-economic background. These focus group discussions were conducted in Cape Town, Johannesburg, Polokwane, Durban and Rustenburg. The groups comprised:

1. One group in the low income tax bracket (Polokwane)
2. One group in the middle income tax bracket (Rustenburg)
3. Two groups in the high income tax bracket (Johannesburg and Durban)
4. One group consisting of individuals in small business (Cape Town)
5. One group consisting of individuals in large business (Johannesburg)

Multiple groups were needed to determine patterns and trends across the groups. As has already been noted, the focus group participants were not recruited randomly. From this perspective, focus group discussions are used not to infer but to understand, not generalise but to determine the range and not to make statements about the population but to provide understanding about how people perceive a situation. More importantly, the purpose of the focus group discussions was to inform the questionnaire construction process for the national household survey to be implemented in the next phase.

A total of 44 people participated in the focus groups of which 24 were male and 20 female. Most of the participants were Black African (23) or White (16), while few were Coloured (1) or Indian (4). Although the participants were not randomly selected the research team is confident that that final sample adequately represented the key target groups.

Fieldwork took place from the 1st to 9th March 2006. Transcripts of the discussions were produced and examined together with the field notes and the debriefing with the moderators and HSRC researchers, to determine patterns and trends that emerged. Thematic analysis was

performed on the data from the focus groups with each individual transcript being analysed separately. For the final themes, all the themes from the individual transcripts were discussed to ensure inter-rater reliability. These were then put together for the final report.

The following key themes emerged from the six focus groups discussions:

- There is an overall sense of optimism about SARS. Most of the participants felt that SARS services have improved over the last ten years.
- On the other hand, although not widespread, some participants indicated that SARS is still perceived as the South African Receiver of Revenue.
- Generally participants were aware of their obligation to pay taxes and agreed that they had a moral obligation to do it. It was felt that universal compliance would spread the tax burden equitably and reduce individual obligations. By paying tax people will enable government to put infrastructure in place and other much needed basic services.
- The overwhelming majority indicated that failing to pay tax would result in heavy fines or imprisonment. It was however felt that more people might pay their taxes if SARS gives incentives to people who pay on time.
- Tax compliance was seen to go beyond paying taxes that were due; it included meeting deadlines and submitting accurate returns as well as not deliberately attempting to avoid tax.
- Irritation and intolerance emerged in response to the concept of people who fail to comply with their tax obligations. It was pointed out that attempts by SARS to make it harder to avoid and evade tax usually hit the most compliant people hardest hit by increasing the time required and cost incurred in being compliant, with non-compliant taxpayers still tending to escape the net. There was a feeling that the self-employed were most likely to be able to evade tax, as opposed to employees who had no option in this regard.
- Participants were very unhappy with the Tax Industry. SARS should therefore accelerate their efforts to broaden their tax base especially among businesses operating in the “second economy”.

- Participants were unanimous in the view that SARS is only a collection agency and that government is responsible for how the tax is spent. Some participants tended to link the failure of government in service delivery issues, like building new infrastructure, hospitals and schools, as failure to use amounts collected from tax in an appropriate way. SARS will therefore have to continue in their efforts to promote their independence from government. Campaigns like this will have to make sure that the public understand that although SARS functions independently from government it needs to regularly work with government as well as other key stakeholders.
- Following from the previous point, one can conclude that participants had high respect for SARS in how they investigate non-compliance, but held negative views about SARS relationship with government.
- Tax education will need to be increased and targeted at small and large businesses, as well as ordinary citizens. Participants from the small business group recommended that SARS should offer seminars on the latest tax legislation and other relevant issues. Lack of information was regarded as one of the biggest reasons why people do not pay tax. SARS should ensure that its information campaigns and education programmes address these issues.
- SARS performance was seen to have improved dramatically in recent years. The use of modern technology, flexibility and a business-orientated approach was particularly appreciated.
- The recruitment of highly qualified tax experts by SARS was seen to be a factor driving the increased efficiency of SARS. However, some participants identified a lack of specialists in relation to VAT and aspects of the Tax Act that were particularly complex. Others pointed to some inefficiency at the larger SARS offices.
- SARS functions were perceived to be assistance in completion of tax returns, and education of the public from school level upwards in relation to tax matters. Others stressed the need for enforcement of tax compliance; however there was not consensus about the size of penalties for non-compliance.
- Some participants also argued that SARS is not providing adequate assistance, especially on tax calculations to people where mistakes are very common. Others indicated that SARS was only concerned with getting more tax from people, but ordinary citizens simply have to wait to get a payment from SARS.

- In spite of SARS attempts to project itself as an organisation that is honest, open and transparent, some participants still feared it more than they did the police (SAPS). Participants also indicated that the media campaigns by SARS on tax evaders are effective and encourage people to pay their taxes. One can therefore conclude at least according to the small business participants that fear have a positive impact on whether one pays one's tax.
- Participants do not think that SARS officials are involved in bribery. Of concern though, is that participants think the lack of service delivery by government and levels of corruption within government impact negatively on tax compliance. SARS will therefore have to make sure that it reports on how the tax collected is spent. Participants also indicated that people will pay tax if they know how the money is spent.
- Participants agreed that SARS are very effective in encouraging people to report corrupt SARS officials, but they are failing to inform people on how to go about reporting members of the public that evade paying their tax. For example some participants indicated that they would be prepared to report non-compliance anonymously provided that SARS made it easy to do this.
- Suggested reasons for non-compliance were ignorance of the provisions of the Tax Act; lack of diligence in completing tax returns; lack of planning and poor cash flow; incorrect advice from tax consultants; and blatant dishonesty.
- Although there was consensus that the tax system is fair, most participants indicated that they did not personally derive much benefit because they had to make use of private education, medical aid schemes and clinics, and security systems owing to the inefficiencies of state provision in this regard. More visible expenditure on the maintenance of roads and services in established residential areas would encourage more willing compliance.
- Most of the participants from the small business and large business group indicated that they use tax consultants to complete their tax returns. Although they agreed that it is best to use experts to complete their returns, they also admitted that tax advisors or consultants are best placed to help them from paying too much tax. More people and particularly business people are starting to make use of the services of tax consultants. SARS should therefore be aware of the use of tax consultants as a form

of passive non-compliance where people use consultants to find new ways to evade paying tax.

- Participants also indicated that media coverage of tax evaders has an impact on potential taxpayers because people are forced to pay tax because “they would not want embarrassment from the newspapers”. However, some participants also indicated that SARS is not reaching all targeted people such as people in the rural areas but these people get the same penalties as anybody else.
- Although very few participants interacted with customs, a number of participants felt that customs should be further improved. Some participants were aware that customs officials were found at the border gates, but only a few have crossed a border. Their experiences were that custom officials are not serious with what they are doing at the gates. They do not even bother to come out and search. There seemed to be confusion about the differences between Home Affairs and Customs officials. One participant agreed that, on a personal level, you cannot make the distinction but in business, especially when you do export, obviously SARS would be interested to know your dealings.

1. INTRODUCTION AND BACKGROUND

In its quest to accomplish its mandate; fulfil its strategic goals and in its effort to achieve improved service delivery (focusing on compliance, enforcement and education), SARS commissioned the Human Sciences Research Council (HSRC) to conduct a study on their behalf. The study is intended to establish the perceptions, attitudes and behaviour of taxpayers in respect of tax compliance and of the services rendered by SARS with the following specific objectives:

- To measure and assess the public's culture, climate and level of compliance
- To determine attitudes and behaviour towards compliance
- To measure an understanding of the relationship between economic performance and tax compliance
- To measure understanding of the relationship between tax revenue and government social investment (such as education, health, housing, and infrastructure)
- To assess the accessibility and visibility of SARS

The study is being conducted in two phases, viz., the first phase with a qualitative focus and the forthcoming second phase, which is a quantitative survey.

This report focuses on the result of the first phase of the study, based on the Focus Group Discussions conducted across the country among six groups with different socio-economic backgrounds.

2. METHODOLOGY

2.1 Research Design

Focus groups are often used in combination with quantitative methods such as questionnaire surveys. For purposes of this study, focus groups were used in the first phase to test people's understanding of the focus areas of the study, and to facilitate the process of developing the survey instruments by providing an understanding of key issues for refining and phrasing the questions.

2.1.1 What is a focus group?

Focus groups are simply group discussions exploring a specific set of issues (see the Focus Group Discussion Guideline Appendix A). The group is referred to as a focus group because it involves a collective activity such as debating on a set of questions. In this particular study we looked at people's views of tax compliance and the services offered by (SARS).

Unlike interviews, where the interviewer asks a respondent a question and expects a response, the focus group researcher poses a question or statement to the entire group and encourages the participants to talk to one another, ask questions, exchange experiences on the issues under discussion, and comment on each others experiences and opinions. The researcher therefore acts as moderator (facilitator) during these discussions. What the participants say in the discussions are the data. Normally there are six to eight participants who come from similar backgrounds, and the moderator is a well-trained "professional" who works from a predetermined set of discussion topics (normally questions).

2.1.2 Advantages and Limitations of Focus Groups

2.1.2.1 Advantages of Focus Groups

There are a number of advantages of focus groups of which the following are considered the most important:

- It is a social orientated research procedure. As people are social beings that like to interact with one another, the focus group provides an ideal environment under which they can state their opinions, listen to what others think about their opinion as well as listen to the expressed opinions of other participants. Participants often change their opinion after listening and reflecting on what others say. This is not possible in the one-to-one interview situation of survey research.
- Because the focus group makes use of open-ended questions it allows the moderator to probe. The moderator can explore unanticipated issues by asking participants to clarify their opinions.
- It is argued that focus groups have high face validity. The technique is easily understood and the results seem believable to those using the information.
- When compared to surveys and particularly national surveys, focus group discussions can be administered for a relatively low cost.

2.1.2.2 Limitations of Focus Group

It is important to realise that focus groups also have limitations. Listed below are a few of the limitations of focus groups:

- The researcher has far less control in the focus group interview than in the individual interview. Because the participants interact with each other and influence each other's opinions it sometimes influences the course of the discussion. It is therefore important that the moderator keeps the discussion focused, otherwise a dominant participant can derail the discussion.
- There are certain challenges in analysing the focus group data because the group provides us with a social environment within which the comments of the participants should be interpreted.
- Moderators should be well trained. Untrained moderators are seldom capable of using techniques such as probes and pauses that are essential to focus groups discussions.
- Focus groups can vary considerably. Each group is unique but the researcher should take great care when selecting the group participants. It is therefore recommended that the researcher include enough groups to balance the differences between groups.
- Focus groups are difficult to recruit and assemble.
- The discussion must be conducted in an environment conducive to conversation.

2.1.3 Composition of the Focus Groups for the current study

Normally more than one focus group is conducted for a study. Multiple groups are needed to determine patterns and trends across the groups. As indicated previously, six focus groups were conducted. These focus group discussions were conducted in Cape Town, Johannesburg, Polokwane, Durban and Rustenburg (see Table 1). The groups comprised:

6. One group in the low income tax bracket (Polokwane)
7. One group in the middle income tax bracket (Rustenburg)
8. Two groups in the high income tax bracket (Johannesburg and Durban)
9. One group consisting of individuals in small business (Cape Town)
10. One group consisting of individuals in large business (Johannesburg)

The provinces were categorized into 3 based on the unemployment rate of census 2001 as follows:

Lowest unemployment rate (<40%)	Gauteng, Northern Cape and Western Cape
Middle unemployment rate (40-45%)	North West, Free State and Mpumalanga
Highest unemployment rate (>45%)	Limpopo, KwaZulu Natal and Eastern Cape

Gauteng and Western Cape were selected from the first category, North West in the second and Limpopo and Kwazulu Natal from the third. Individual income brackets were used in forming focus groups as follows:

<6000 Low income

6001-12000 Middle Income

>12000 High income

Apart from individual income, participants were also drawn from the large and small businesses. Six focus groups were selected from the selected provinces taking into consideration the other two criteria of income and size of business as follows:

Low income group, Polokwane

Middle income group, Rustenburg

High income group, Durban and Johannesburg

Small business group, Cape Town

Large business group, Johannesburg

Normally participants for focus group discussions are not selected randomly. It is important to remember that the purpose of focus groups is not to infer but to understand; not to generalise but to determine the range of opinion; not to make statements about the population in general, but to provide understanding on how people perceive a situation. For example in a study on voter participation a researcher will be interested in how people perceive the voter registration process. Are the voter education messages clear and are these messages communicated to them? It is not argued that randomisation is not necessary, in fact we do need some degree of randomisation but it is not the primary factor in the selection procedure. The purpose of the study also plays an important role in the selection process. In the example on voter participation the researcher will probably want to select people of a voting age. The participants in a focus group must therefore be selected with great care. The research team is confident that selected participants in the present study adequately represent the key target groups that were identified.

Participants were provided with a questionnaire to gather biographical information (see Table 1 – Table 6). A total of 44 people participated in the focus groups of which 24 were male and 20 female. Most of the participants were Black African (23) or White (16), while few were Coloured (1) or Indian (4). All the participants were older than 30 years. Although they had different mother tongues they could communicate fluently in English. All the participants from the large business group in Gauteng indicated that they had completed a tertiary qualification. There were only 3 people who had achieved a maximum of a Grade 12 or Matriculation qualification in the high-income groups in both Gauteng and KwaZulu-Natal. The rest of the participants from the high-income groups all had post-matriculation tertiary qualifications. Not a single participant was unemployed.

Table 1: Gender

	GAUT- LB	WC- SB	GAUT- HI	KZN- HI	LIMP- LI	NW- MI	Total
Gender							
Male	4	2	3	4	4	7	24
Female	2	4	5	4	4	1	20
Total	6	6	8	8	8	8	44

Gaut LB- Gauteng Large Business

WC-SB-Western Cape small business

GAUT-HI- Gauteng High Income

KZN-HI- KwaZulu-Natal High Income

LIMP-LI- Limpopo Low income

NW-MI- North West Middle income

Table 2: Race

Race	GAUT- LB	WC- SB	GAUT- HI	KZN- HI	LIMP- LI	NW- MI	Total
Black African	3	0	3	1	8	8	23
Coloured	0	1	0	0	0	0	1
Indian/Asian	0	0	0	4	0	0	4
White	3	5	5	3	0	0	16
Total	6	6	8	8	8	8	44

Table 3: Age

Age	GAUT- LB	WC- SB	GAUT- HI	KZN- HI	LIMP- LI	NW- MI	Total
<30 years	2	0	0	2	2	0	6
31-40 years	2	5	1	6	3	1	18
41-50 Years	0	1	7	0	3	6	17
>50	2	0	0	0	0	1	3
Total	6	6	8	8	8	8	44

Table 4: Language

Language spoken mostly at home	GAU T- LB	WC- SB	GAU T-HI	KZN- HI	LIMP -LI	NW- MI	Total
Sesotho	2	0	0	0	0	0	2
Setswana	0	0	0	0	0	6	6
Sepedi	0	0	0	0	8	1	9
isiZulu	1	0	2	1	0	0	4
Afrikaans	1	5	1	0	0	0	7
English	2	1	5	7	0	0	15
Other African Language	0	0	0	0	0	1	1
Total	6	6	8	8	8	8	44

Table 5: Education

Highest level of education ever completed	GAU T- LB	WC- SB	GAU T-HI	KZN- HI	LIMP -LI	NW- MI	Total
Sub A / Grade 1	0	0	0	0	0	1	1
Grade 12 / Standard 10 / Form 5 / Matric	0	4	2	1	0	2	9
Diploma / Certificate with Grade 12 / Std 10	2	1	0	1	3	3	10
Degree	0	1	2	2	2	2	9
Postgraduate degree or diploma	4	0	3	4	3	0	14
Other, specify	0	0	1	0	0	0	1
Total	6	6	8	8	8	8	44

Table 6: Employment Status

Current employment status	GAUT- LB	WC- SB	GAUT- HI	KZN- HI	LIMP- LI	NW- MI	Total
Self-employed – Full time	0	4	1	0	0	0	5
Self-employed - Part time	0	0	0	0	1	0	1
Employed part time (if none of the above)	0	1	0	0	0	0	1
Employed full time	6	1	7	8	7	8	37
Total	6	6	8	8	8	8	44

2.1.4 Development of Focus Group Discussion Guide

Questions form the backbone of focus group research. Questions that are not given considerable thought usually elicit answers or responses that are irrelevant or useless. It was therefore crucial to develop a well-formulated and structured questionnaire guide. While the focus group questions might have appeared to be spontaneous during the discussions, they had been carefully selected and phrased in advance to elicit the maximum amount of information.

To help us construct the questionnaire guide we participated in a series of consultative meetings with various key staff from SARS. This process took several days was extremely valuable in assisting us to get a detailed understanding of SARS. In addition we reviewed all the relevant literature with regard to tax compliance and information on the services SARS that offers. A first draft of the guide was constructed on the basis of the consultative meetings and literature review in line with the study objectives. The HSRC research team constructed a number of subsequent drafts before we presented the final draft to SARS. The final version was used on approval of the SARS Project Steering Committee.

2.1.5 Fieldwork and Data Analysis

Fieldwork took place from the 1st to 9th March 2006. The Focus Group Discussions were conducted by a Johannesburg-based market research house called Q&A on behalf of the

HSRC. Senior project staff of the HSRC attended all the focus groups to ensure that fieldwork protocols were maintained and discussions of the highest quality took place.

Transcripts of the discussions were produced and examined together with the field notes and the debriefing with the moderators and HSRC researchers, to determine patterns and trends that emerged. Thematic analysis was performed on the data from the focus groups with each individual transcript being analysed separately. For the final themes, all the themes from the individual transcripts were discussed to ensure inter-rater reliability. These were then put together for the final report. The next section presents the results of the focus groups in detail.

3. RESULTS

The analysis of data was structured in accordance with six categories used for the Focus Group Discussions. Themes emerging from the data were grouped under these categories and discussed under each of the following categories:

- Knowledge and awareness about tax obligation
- Culture, climate and level of compliance
- Attitudes and behaviour towards compliance
- Relationship between economic performance and tax compliance
- Relationship between tax revenue and government
- Accessibility and efficiency of SARS services

Each of these categories has several themes that are discussed separately in the analysis that follows.

3.1 Discussion of categories and themes

CATEGORY A: KNOWLEDGE AND AWARENESS ABOUT TAX OBLIGATION

1. Social development, services and infrastructure

There was consensus amongst participants that people need to pay tax to keep the country going by providing people with the good services and infrastructure. Tax money was understood to be used for building schools, hospital, roads, run government departments and subsidise people who do not have income such as the disabled, pensioners and the unemployed. This was summed up by one of the participants:

Low income:

We pay tax so that houses can be built for those that do not have, so that prisoners can have food everyday, and that old people can have pension money and the orphans to be taken care of.

One of the participants expressed the view that there were “certain basic services” that individuals could not provide for themselves, which required “some sort of pooled money”. This could be achieved either by “a whole lot of companies to run those things or otherwise

you have central government running it". Another participant was cynical by stating that tax is collected so that big people in government can enjoy it.

2. Motivation for paying tax

Participants pointed out a myriad of motives for paying taxing ranging from those concerning them personally to the external, broad, community-based drivers.

Moral obligation

There was some consensus centred on a sense of moral obligation. One participant expressed the sentiment thus:

Large business:

I think that there is a basic underlying moral obligation 'cause the fact of the matter is that money has got to come in for all. So if I don't pay it then you will have to pay it, why should you pay what I am not paying? It is just that let us all pay our fair share, that is what motivates me from the point of view, that yes nobody likes paying tax, we would all like to pay less tax. If I was paying less tax only because I knew [person X] was actually paying what I was short paying, then I would have a problem with it, and to me it is a moral issue from my point of view.

Penalties

There was some jocularly about being afraid of prosecution in the form of fines if one did not pay tax. Penalties mentioned include prison sentence, confiscation or sale of one's assets such as property. Participants saw no way that people could evade tax because even in the event of death, SARS could still claim tax from the assets of the deceased.

Participants agreed that fines should be paid by people who do not pay their tax or if they submit their tax return late. It was also mentioned that you can get an extension from SARS therefore people have no excuse if they submit their returns late. One participant indicated that he paid a fine of R300 once but felt the fine should have been more. Other participants also agreed that SARS should impose higher fines. A contrasting view was that penalties meted out by SARS were excessively large. A participant complained about the way tax assessment was conducted by stating:

Low income:

You cannot understand how they do their assessment.

Another participant suspected that some degree of crookedness existed because sometimes people have the monies owed written off without being provided with a reason. There was also suspicion that people end up paying taxes for others because of negligence on the part of SARS.

Recognised rewards

Another view was that it was worthwhile to pay tax provided that the “money is spent properly” and that they would be able to see what the money is used for. Moreover, people have the right to complain if their tax money is misused. There was a feeling that SARS would encourage people to pay if they provided incentives especially for people who are paying their taxes on time. For instance one participant identified a positive spin-off of tax compliance as being a reduction in the tax rate.

3. Perceived functions of SARS

The following are, verbatim, what participants stated as the functions of SARS:

- Most Groups:
 - Collecting taxes
- High income:
 - It creates finance for the government in a free and fair manner
 - It sees to it that private companies pay their taxes and helps them in the administration of this. They also take policies to the companies.
 - I think the Receiver of Revenue is also there to help us as employees by explaining the Act that they use to the people. Some people have been to the SARS inquiring about this Act.
 - I suppose they want to make things as easy as possible.
 - I also went to them to inquire about something I did not understand on my IRP5 form and they helped me.
- Middle income:
 - To monitor foreign currency influx in the country.

- To monitor counterfeit goods.

- Small Business:

- To collect the money, they collect but do not spend that money and then [hand it] over to different sectors.

- They are more like a collecting agency for the government.

One of the participants felt that SARS at times operates like a secret agency because it has access to lot of things. When probed to be more specific about what SARS knows the participant mentioned that:

Small Business:

SARS know about your bank account. They know about all your dealings, and I think being from the government they are allowed to and that is without your permission.

The overall opinion of the groups was that SARS are doing very well in its effort to make people aware of their tax obligations since it is present in all the provinces. Some mentioned that business with SARS can be conducted through the Internet so people no longer need to stand in long queues. Another participant indicated that you can even take your memory stick or disk to SARS to discuss issues such as your payroll for your staff. It was also felt that the staff of SARS is very helpful and that their offices are now more accessible. Typical comments by the participants included:

Small Business:

And the fact that they are situated in all the provinces and they are talking the same language, yes, they have improved a lot.

Their staff is very helpful, unlike in the past, they used to be “the” people, the ultimatum but now, they are very helpful. When you feel prepared to chat to them, they are willing to listen and help you out.

4. Tax compliance

Asked to define or explain what they understand by the concept tax compliance, participants indicated that it means the following:

- Middle income:

- Conforming to tax regulations

- Paying tax when one has to

- High income:
 - Paperwork, filling of tax returns
- Small Business:
 - Be registered and paying tax on time
- Large business:
 - Paying the right amount of tax that one should be paying according to the salary earned
 - Submitting tax returns that are completed correctly so that one does not overpay or underpay
 - Submitting one's provisional returns on time, making the payment timeously and doing returns in a way that SARS would like to receive it. The schedule that is required is in accordance with the laws and regulations of the Income Tax Act.

Participants argued that, as a way of making people comply, everybody who has an ID, whether employed or unemployed should go to SARS to register for tax so that "everybody is accounted for". However, this suggestion was opposed by the view that the issue of tax compliance is not only about administration but also about billing. One person went even further, indicating that tax compliance entailed "not specifically going into a particular scheme because it has got a tax benefit", which meant manoeuvring and manipulating to save tax. This could be summarised as complying with "the spirit of paying tax as opposed to purely the letter of paying tax".

5. Non-compliance

Strong views were expressed regarding people known not to be fulfilling their tax obligations. According to participants, high-income earners get away with non-compliance because they can find loopholes in the system. The issue of self-employment was mentioned as a factor underlying non-compliance with tax obligations. Paradoxically, this was mentioned by even participants in the large business who would normally not be referred to as poor people. He lamented:

Large business:

Us employed poor people; we don't have a choice in paying taxes. It is taken from us.

Conversely, he pointed out that:

People with their own businesses have the opportunity to put their personal expenditure through companies and businesses and they are normally the people who brag about it and not pay taxes and that is also something that frustrates you, you don't have the luxury of getting that benefit, that freedom. There is very little incentive for individuals, employees left in deductions, all we have left is travel allowances, the rest has been taken away and travel allowances are being phased out as we talk, so that is also frustrating.

Reasons for non-compliance

The following were participants' reasons for non-compliance:

High income:

- Perceptions that the tax money is wasted
- Perceptions that people and some business pay too much tax especially for people who compare their turn over with their tax contributions
- Don't care attitude from small businesses because they think that they do not get any rewards from paying tax

Participants also indicated that they know of a lot of people who are evading tax. One of the participants had the following to say about non-compliance:

High income:

There's a culture of non-compliance out there. People feel they don't need to be paying tax. I'll have to be a businessman myself to know how business people evade tax. In my experience as an individual I am ok and other people's experiences it's their business what happens to them.

When asked whether they would report such people the response was mainly "no" across all the six groups although some were aware of the corruption help line or hotline for reporting tax evaders. A few said that they would report non-compliance anonymously and not if it pertained to their own companies, for fear of retribution (large business).

Impact of non-compliance

Some participants felt that people who do not comply did not affect their motivation to pay because they are doing that as law-abiding citizens. However, its impact is felt and angers those who comply especially when non-compliers brag about not paying tax because people

who are paying would be carrying the burden of those who are not paying. This was supported by the speech that the minister made as eluded by one of the participants:

High income:

Trevor Manuel said that the more people comply, the more he is able to give back and then he is able to cut the tax down as well but there will be a time when he can't give back more and he won't be taxing more as well.

A further impact of the increased complexity of being compliant was the cost entailed therein. One participant pointed out that greater complexity meant less chance of completing a tax return oneself. The implication was to make use of the services of a large company to complete the return.

Completing tax returns forms correctly was seen as a critical aspect of tax assessment because of the inconveniences of being asked to resubmit if some inaccuracies were identified.

Consequences of non-compliance

Non-compliance also results in increased tax burden for those who comply because it is easy to trace the registered non-compliers as pointed out by one of the participants:

Large business;:

The more the guys stuff around and don't pay their taxes the more regulation, the more enforcement there is and the more your compliance burden increases, if you look at your tax returns in 1998 compared to the tax return for a company now in 2006, it has moved from two pages to fifteen because of that, SARS trying to get those guys to comply and stop cheating tax.

6. Education on tax matters

Owing to the perception that there are many tax evaders and an inadequate knowledge of the purposes for which tax revenue is used, participants felt that there is a need for education.

The consensus that emerged is that tax education is essential, however the suggested age and level at which it should start varied from participant to participant. Some felt it should begin as early as primary school while others thought high school or when you start with your first job would be an appropriate time. Here are some comments from the participants:

- Small business:

- As soon as they start working and are eligible to pay tax.
- No, no, I think, at school level, that should be part of school subject.
- Just a chapter on tax should be introduced at school level.
- I think it can be something that is introduced for future matriculants
- From grade eight I should say.
- Three to four years before they leave school and venture into the real life out there.
- They should know as early as grade seven I agree wholly, they should know where the money is going to, what it is used for.

According to participants the kind of education that SARS should provide included teaching people about tax obligation, how to fill in the tax return, information about the latest tax legislation, and on how to invest. There was also an indication that participants were aware of the employers' responsibility to explain to their staff about being tax compliant. There was an agreement that the formulas used for calculations should be explained because it would be pointless to pay for something when one does not understand how calculations were made. One participant who runs a business expressed his frustrations in trying to understand the many taxes he is expected to pay by stating:

Low income:

I run a business but have no clue how some of the taxes are calculated. You just pay tax, VAT, you don't know how it was calculated. You don't know what is in that VAT or tax likes petrol expenses and so on. Now you come to provisional taxes again, how are it calculated and such things?

On how tax education should be provided, participants also indicated that they need to receive tax education and recommended that SARS should offer seminars to ordinary people and people in business. An example was provided on how HIV/AIDS education seminars were given to employees in the work place. It was mentioned that seminars should be presented in a simple way. Some felt that the Internet should be used and that information should be presented in English and Afrikaans. One participant felt that guidelines should accompany the tax forms. The following are specific comments from the participants:

- Small business:

- I am already in the business; I would benefit more if I have to attend a seminar. I can organise that day so that I can get as much as I can so that I get the real thing to help me with my business.
- Well, the seminar in my case, if one of my people were to go there, then, it should not be a holiday but to gather as much knowledge as possible.
- Well, in case of a corporate, it might be different but as business people, an everyday thing that we need to do, I think, as he pointed out, if we can have something that we can refer to all the time, we will benefit more.
- I want to be informed on the latest legislation.
- I am not generally against the seminar but I am saying, it should be presented in a simple as possible way, it should be ongoing so that we are not left behind.

CATEGORY B: CULTURE, CLIMATE AND LEVEL OF COMPLIANCE

1. Tax evasion

Lack of information and openness were reported as reasons why people do not pay tax. One participant stressed that people are sometimes not aware that “they do not have to pay tax” since “their company was operating at a loss”. Another argued, “People are reluctant to pay tax because of lack of openness about how money is used”.

It was also emphasised that people get fed up with the situation of paying tax because others get away with not paying their taxes. Participants also suggested that people refuse to pay tax since they doubt whether they will receive any benefit from government when they are retrenched. Others said if they had an opportunity they would not pay because of lack of delivery of services. Participants indicated that some people deliberately avoid paying tax by “putting money under the mattress” and “paying mainly with cash”. The Taxi Industry was also identified by the participants as one of the industries that gets away with not paying their taxes.

Another issue that was of concern to the participants was the inefficiency of SARS officials in providing accurate figures. This was captured by one of the participants as follows:

Low income:

For example they say I owe R6000 in 2004 because of the car allowances but the following year I didn't have a car but I was told that I still owe, why?

Another participant complained:

Low income:

Sometimes you find that we are earning the same salaries or getting the same allowances but the one person pays more than the other, why? What this simply means is that SARS is not consistent. Their formulae are not consistent.

2. Reporting tax evasion

Although participants were aware of the existence of a corruption help line, some indicated that they were not aware of any mechanism put in place on how to go about reporting tax evaders. The suggestion for SARS was that they should put anonymous mechanisms for people to report tax evaders:

Small business:

Ja, is there no centre where you call and report somebody and you can get a percentage of the fine that, that person is going to pay?

One of the participants indicated that he succeeded in reporting someone he knew was evading tax. According to the participant no action was taken against the individual:

High income:

I found the number and reported a guy once. The following two weeks I saw him again. I phoned the local police station and asked why he hasn't been apprehended yet. I gave them the registration number of his car. They don't care. The system is there. The call centre is also there but they can't help you.

3. Monitoring tax evasion

Most participants said that SARS have the capacity and the facilities to detect tax evasion.

The following comments were received from the participants in this regard:

- Small business:
 - They can.
 - That is why I even said they are spies.
- Low income:
 - They should have because people from SARS get their bonuses on how much they get from us or how much money they collect. If they collect more, they get more bonuses

Like other government departments, SARS should have a system to monitor especially the taxi industry since it would be difficult for SARS to reach out to them through education. A suggestion was given on how this could be achieved:

High income:

Guys with cash always say that their eyes should be opened for SARS. I don't think SARS will be able to educate these people especially the taxi industry. There are a lot of different issues involved in the taxi industry. I suggest that SARS introduce the system of their own discs so that the metro police can easily identify a taxi without this disc. If it doesn't have then it can be pounced on.

Another suggestion on how SARS can somehow monitor is to trace people through other transactions they have such as payment of electricity and light.

4. Historical, cultural, moral or religious practices that influence tax compliance

There was agreement that in the past some people refused to pay their taxes because they did not have political and economic freedom. This changed after 1994 and more people started to pay their taxes. However, there are some groups, particularly farmers, that are very unhappy about direction in which the country is going and appear to be unwilling to pay their taxes.

One of the participants' responses in this regard was:

Small business:

I am aware of the political practices that happened in the past, there were people that used to say, I am not going to pay taxes because I am not part of the country. Now, all of a sudden, they are part of, there is a reason for and more people are opening up to paying because they now feel part of.

Some participants said that religious belief does not seem to play a role. As long as the tax system is perceived to be fair across the board, then nothing matters. For these participants, 'fair across the board' means that everybody should be allowed to access government hospitals, regardless of how much one earns.

5. Mechanisms to improve tax compliance

Participants felt that SARS has improved tremendously over the last five years. They have embarked on a marketing campaign and most people are aware of SARS. SARS should use companies to monitor the process, and should have awareness campaigns such as on TV and

through radio announcements, and distribution of pamphlets. These methods would educate workers about tax compliance. This is what one of the participants had to say about this:

Small business:

We have said earlier on that they do market themselves. They are seen as an independent entity and not seen as part of the government. They have uplifted themselves to be seen in that light.

Others said that SARS needed to create a national health system as in Britain that is accessible to all. SARS should strive to help people see the link between paying tax and improvements in their quality of life. People should be encouraged to pay tax if they want improved roads and hospital services

Some of the participants recommended that SARS should not charge interest on arrears. SARS should improve their infrastructure such as computer software that would register every employer and all employees.

Another view was that it is easy to track people who do not comply as long as SARS work harder:

High income:

Throw the net as wide as possible and catch, do me a favour I can see people living way beyond a non-taxable means, so it must be easier enough to go out there and find these people who are not paying taxes but they are living in a nice place like Eagle Canon and what. There are lots of them, there are lots of people who are earning good money and not paying one cent

High income:

But the majority of taxis are owned by ... you know people who have got a whole lot of them, you know. You know it is like actually they get hold of the person that owns all those taxis

High income: If they are small businesses then they must register company names somewhere down the line. So if you register, the minute ... in fact now if you register a company if it is a trading as or only if you are trading as you don't.

Attracting highly qualified staff was another key factor in encouraging compliance as pointed out by participants in big business. One person referred to the SARS Randburg office as being highly accessible but that the service and advice received depended on the individual

with whom one discussed one's problem. He felt, nevertheless, that "they got a job to do and I think they are doing it pretty well". Another mentioned that he knew of senior people from auditing firms who were qualified in international tax matters who had been employed by SARS. One participant who indicated that his company lost three international tax consultants to SARS recently, owing to the "big money" paid by SARS corroborated this.

6. Bribery of SARS officials

Participants were very unsure whether this is common practice but said it is wrong for people to bribe SARS officials in order to evade tax. Most of the participants however said that they do not think "SARS officials can be bribed". It was felt that SARS have strict rules and guidelines that make it very difficult for officials to be involved in bribery or corruption. On the other hand one of the participants said that it may possible since "money can still buy anything". Some comments from the participants are listed below:

- Small business:
 - Is it possible to bribe them?
 - I think a lot of people have tried but no.
 - Like for instance, if they say for they do not know, if they do not know for sure, they do not know, they would not know how to make you pay less tax. I think it is just impossible to do that.
 - There are rules and guidelines that they have to operate under.
 - We still have to bear in mind that nothing is impossible. We know that money can still buy anything.

CATEGORY C: ATTITUDES AND BEHAVIOUR TOWARDS COMPLIANCE

1. Reasons for tax compliance

Most of the participants felt that to pay your tax is "the right thing to do". They also indicated that the public at large would pay their taxes since they are "scared of getting caught" and they also fear imprisonment. Below are some of the participants' responses in this regard:

- Small business:

- For me, it is the right thing to do.
- Because if they are not paying, they can even go to jail.
- People at large are scared of getting caught.

2. Reasons for non-compliance

It was felt that people who are in the informal sector do not pay tax, while some large businesses do not pay much tax. Some participants were of the view that tax compliance is only concentrated among people who contribute to PAYE. Other participants said ignorance of the provisions of the Tax Act; lack of diligence in completing tax returns; and blatant dishonesty should also be considered as reasons why people fail to pay their tax. Compare the following comments by a participant:

Large business:

I find a lot of companies basically don't have a proper tax function within their company, so they are not structured to deal with tax, if you look at the way that they calculate their tax liability, purpose of financial statements, purpose of submitting their return, they don't do anything. So they are not up to scratch and that is ignorance.

Sometimes non-compliance is for budgetary reasons. An example was given of someone who had to choose between paying her employees' salaries or making her VAT payment. In this instance, salaries were paid owing to poor cash flow.

Another scenario entails a combination of ignorance and deliberate evasion. The example (large business) given here was of "very smart tax accountants" who advise their clients to adopt schemes that they do not fully understand. The accountants assure the client that it is legal but have actually "fiddled" the books.

Several participants mentioned that they knew people who had not registered with SARS but that they still had tax deducted from their earnings. One said she could not understand this because the people concerned were forfeiting possible refunds for which they might have been eligible. Another said that he had heard of instances of small closed corporations or partners that were deducting tax from their employees' salaries but not paying these amounts

to the Receiver. He suggested that the money becomes “a slush fund and then they make sure that they don’t spend it on anything that can be traced”.

Most participants felt that neither class, nor race nor religion made a difference in rates of compliance. All groupings had both honest and dishonest people and a key factor was knowledge or the lack of it in relation to tax compliance.

3. Do people fear SARS?

Participants were divided on whether SARS is feared more than the police. Some of the participants indicated that in past people feared SARS but this is no longer the situation. Others reasoned that SARS is still feared because it can take away your business, impose penalties and the interest on late payments is high. Typical comments by the participants included:

- Small business
- I think SARS is feared more than police because SARS they can take most of your stuff.
- But SARS can do more harm to you on business than the police.

4. Tax system is unfair

Most of the participants (large business expected) believed that the tax system is unfair and they are paying way too much in tax. Some participants were uncertain about fairness of the South African tax system. These participants indicated that they pay large amounts in taxes but they do not see whether the money is well spent. It was also indicated that the tax system in South Africa is unfair because there are counterfeit goods that are destroying big stores such as Edgars. Typical comments by the participants included:

- Small business:
- System, I do not think so.
- I think we are paying way too much for what we are getting. Why I am saying, if you take a lot of other countries into consideration, they are also paying tax. They will have free medical aid schemes; they will free education and free whatever.

A few participants think that the tax system is unfair since it benefits big business. As an example, they think that dropping the VAT on property transfers only benefits big business rather than private individuals. Participants from the large business focus groups on the other hand felt that the tax system is fair. This group however expressed their reservations around the utilisation of the revenue. One participant felt that he was not getting value for his tax payments. He agreed with the need to pay but pleaded that SARS should “incentivise” him. He complained,

Large business:

I am topping up my medical aid and I am paying security companies and I am paying extra school fees, so what am I getting for the tax that I am paying? I am getting nothing; I am getting a whole bureaucracy that gives me nothing back... I think there was a calculation done by one of the economists who said if you take all of that plus VAT plus your customs duties and everything else you are running at about 75% tax rate... This implied that as a taxpayer he has “to work into the middle of October before I am actually working for myself.

5. Advise to SARS to encourage tax compliance

Participants indicated that all businesses (including spazas) must register and that SARS should ensure that this happens. Methods suggested in the group discussions for the encouragement of greater tax compliance were reporting the people concerned to SARS. One participant (large business) mentioned that he knew that SARS encouraged reporting of internal fraud but did not know how one would go about reporting taxpayer non-compliance. He said, “if you go to SARS office for instance at Carlton Centre you will see a big poster there where you can report SARS officials ... that are corrupt, but not necessarily other taxpayers”.

Some participants (large business) indicated, however, that they would be prepared to report non-compliance if they found out about it. The majority said that they would report it anonymously for fear of reprisal, particularly if it pertained to a situation within their own companies. Another cautionary comment (large business) was that it was too complex to prove non-compliance. If someone alleged a scam, one respondent said it would take him up to eight weeks with the assistance of a tax consultant and “pulling this thing to pieces to see what they are actually doing and why they are doing it and what is the thinking”.

Other suggestions were that SARS should focus on being friendly, accessible and business-like. Taxpayers should be treated as clients. One person suggested that non-compliance within thirty days of the tax deadline should result in blacklisting as is the practice in business.

Attracting highly qualified staff was another key factor in encouraging compliance. One person (large business) referred to the SARS Randburg office as being highly accessible but that the service and advice received depended on the individual with whom one discussed one's problem. He felt, nevertheless, that "they have got a job to do and I think they are doing it pretty well". Another mentioned that he knew of senior people from auditing firms who were qualified in international tax matters who had been employed by SARS. This was corroborated by another participant (large business), who indicated that his company had lost three international tax consultants to SARS recently, owing to the "big money" paid by SARS.

It was also clear that some of the participants were very unhappy about the taxi industry and the manner in which they operate. There was a strong feeling that the taxi industry should be regulated since most taxi operators do not pay tax. Participants were also dissatisfied with people in the informal sector that do not pay taxes. On the other hand they acknowledged that it is a very difficult sector for government to regulate. Some participants for example said that is "virtually impossible to pinpoint" the income of people in the informal sector. It was also stressed that some informal businesses are struggling to make a profit and that it is unfair to tax them. Some comments from the participants are listed below:

- Small business:
 - They must register in order to have a taxi.
 - Yes, before you can even have the number plates and stickers that they have, you must show that you are registered, that should be the criteria used.

Other participants were very creative on how SARS could help people in the cash economy:

(Low income) Get the financial institutions to assist these people because you are getting money from them.

SARS could also provide start up capital to them and then get the money back through taxes. Others suggested that SARS should provide soft loans to people in those sectors, “this way they cannot run away from them because they are indebted to SARS”.

5. Role of tax advisors in tax compliance or non-compliance

With regard to SARS tax advisors, there was consensus that they have a way of sorting things out if it is in a mess by helping in completing the forms and advises on how to do things so that one could get taxed a little less. Others felt that tax advisors at SARS were not helpful at all because they did not help in the calculations but just showed where to write one’s name and nothing else.

All the participants from the small business group indicated that they use a tax consultant to complete their returns. These participants felt that the consultants are very good and that they know the tax legislation very well. They therefore prefer to give all the necessary information to the consultant to complete the forms since it gives them more time to concentrate on their business. Some of the participants in this group mentioned that they are concerned not knowing the tax regulations in detail or better since at the end it is your responsibility and not the consultant’s, to pay your tax. Some comments from the participants are listed below:

- Small business:

- I have a very good tax consultant who negotiates with SARS employees, knows all the ins and outs, very helpful.
- I mean, they want you to be on the right side of the law, doing the right thing, so, they play a very good role and ensure that they keep you out of danger.
- I think at the end of the day, it is the individuals that are reliable that are said to be tax advisors.
- But at the end of the day, it sits on your feet.

Participants from the other groups indicated that tax advisors or tax consultants sometimes use ‘sleight of hand’ to give customers benefits for which they will later be penalised. For other participants, tax advisors or consultants are governed by the Financial Services Board and are therefore beyond reproach. Some participants felt that people who only want to fill in tax forms for others are ‘dangerous’. For another participant, older tax advisors that

previously worked for SARS are 'dangerous' because they think they know the system enough to cheat it.

CATEGORY D: RELATIONSHIP BETWEEN ECONOMIC PERFORMANCE AND TAX COMPLIANCE

1. Role of SARS in the development of the economy

Participants indicated that there is a relationship between SARS and the economic development of the country. It might be conceived in two ways:

- 1) SARS is directly involved with the economy of the country since the tax that SARS collects is used for social development; hence the performance of the government affects tax compliance;
- 2) SARS is not directly involved in the economy of the country since it just collects the tax but has no input on how the money is used or distributed.

One participant said:

High income:

I don't think SARS is directly involved in the development of the country's economy. SARS collects money and gives it to Mbeki. Mbeki and his friends then work out on how to enjoy this money. SARS can influence the economy by collecting funds but the final seal rests with the government.

Overall it was evident that participants were satisfied with the performance of SARS, though not in relation to the performance of the government, since the tax money is used to improve the lives of people. Typical comments by the participants included:

Small business:

I think they are doing well, I think they are there, they are getting the money and that is why I am saying they are doing well. The more they collect from everybody, the better they do.

Large business:

The tax would be a function of ... function of efficiency and I think with ... and to come back to what I said earlier on, to supply proper infrastructure for foreigners to come and invest in South Africa to choose to do business in South Africa you need to provide these basic services, telecommunication, railage, transport, you name it, and without all those things being in place how do you get that in place? Taxes without collecting taxes properly how do you do that so that ultimately it ends and

starts with the proper determination and collection of taxes to enable the country to, economy and infrastructure.

In order to have a say in how the tax money is used participants suggested that there should be referenda to establish what people think about the issues of tax payment, the role of government in SARS duties and the impact on the economy of tax payment.

Other participants noted that, since taxes that are collected are used for social development, SARS should “plough back in the economy of South Africa”. On the other hand, participants felt their tax contributions should be reduced if the economy of the country is doing well.

2. Relationship between tax reduction and economic growth

Although some participants indicated that reduction in tax would impact on economic growth, the general perception was that it would have an impact because people would be encouraged to pay their taxes. Participants also indicated that government is very clever because the reduction in personal and company tax is done against an increase in taxes on cigarettes, liquor and petrol. One participant said that the government should only reduce tax if economic growth continues or remains constant. The following comments were received from the participants in this regard:

Small business:

I think that would be one way of encouraging people to pay tax

Small business:

I think Trevor Manuel is clever or his advisors are because whatever he is giving back on a personal or company level, he is taking from cigarettes, liquor and petrol. He says you have this and unknowingly, he takes it back from them.

Low income:

There is nothing nicer than having a tax reduction. If tax is reduced, all I want to see is my tax to be low. If I can check my payslip and see the difference, I would be happy.

Low income:

Now recently there was a tax relief for people who were earning ... I am not sure whether it was R40 000.00 per annum. Manuel relieved them of paying tax and that is the result of the economy that went up.

3. Impact of government performance on tax compliance

With regard to the question of whether the performance of government had an impact on tax compliance, there was general agreement among the participants that tax is an obligation irrespective of the performance of the government. Participants also mentioned that you have to pay tax in spite of corruption and lack of service delivery. Typical comments by the participants included:

- All in all, we are going to pay.
- I fell, whether the government is doing well or not one has to pay tax
- And all because of the corruption that is there.
- There is lack of services.

An opposing sentiment from one of the low-income participants was:

I beg to differ; you cannot pay tax when we are still walking on the gravel road even today.

If we don't pay we are creating a burden for ourselves and the government that is there.

One perception about government was that the government officials do not pay tax. One view was that it has a negative impact on the government because,

High income

Whether you pay tax or not, the government is never satisfied. The government does not fulfill most of the promises.

CATEGORY E: RELATIONSHIP BETWEEN TAX REVENUE AND GOVERNMENT

1. Government controls SARS

Participants believed that the government controls what SARS does because SARS gets information from the government, and SARS is seen as one of the independent government departments. However, they maintained that SARS does not have control over how the government spends tax revenue. Some indicated that there must be a scale on which we can measure the performance of government or hold referenda about it. Another participant

believed that SARS helps in terms of building the necessary infrastructure from the money that it collects.

Small business:

There should be a scale that is used, a norm and one that is based on the performance.

Low income:

They do help in terms of building the hospitals, making or amending some of the things in the locations, those are paid with the money from SARS. Things like education and so on ... and also in providing with the children's grants.

High income:

I think the government should have more referendums. We are voting every three years. Why are we voting? They should give us questionnaires to fill in asking questions like who we are happy with.

2. Government policies as determinant of compliance

When asked whether they think people decide to pay tax according to the policies of the government of the day participants seemed not to have a clearly spelt out response to this. However, what is in participants' minds seem to be the idea that it is not the government policies per se that determine tax compliance but rather the amount of money that one receives. As one participant noted:

Low income:

It does not depend on whether the government is right or wrong but rather on whether one is supposed to pay a portion of what he/she earns or not.

CATEGORY F: ACCESSIBILITY AND EFFICIENCY OF SARS SERVICES

1. Investigation and educational drive

Participants maintained that SARS collection has improved over the last few years because of their ability to investigate tax evaders and focus on educating the right people:

Middle income:

I think they have investigated and found out there were some companies that have not been paying tax, also individuals.

There was also consensus that SARS could do more if they widen their education campaign.

2. Improved services and infrastructure

Generally there was an acknowledgement on the SARS improved services across the groups. Participants also pointed out that they were satisfied with the manner in which SARS conducts its business, perceived to be “open and more on the eyes of the people”. Another point from the high-income group was that SARS services have improved because it is training its employees and making sure that those who are trained will train others.

Some participants felt that SARS has improved because it has offices all over the country, these offices have been upgraded, they are much more people focused, they are more open and transparent. The following were comments from participants:

Small business:

And that there is so much that is done better because of the request to improve on the infrastructure that needs upgrading. So, they had to device a better and good way of collecting more taxes.

High income:

I think they have improved quite clearly because they have employed high calibre staff in order to ... they simply went out and hired top guns.

Low income:

On the individual side, most of the monies that came through came as a result of efficiency through business because people who import/ export things like cigarettes as in taxes, they are not detected, but SARS developed another strategy of catching those type of people, the people dealing with offshore investments, people investing outside and not paying taxes. SARS came up with another software, computer systems that could detect such things. So much was collected through business and not on individuals.

In addition, there was an indication of participants' satisfaction on the accessibility of SARS because there were offices close to where they work.

3. Time factor

In contrast to the positive sentiments expressed above, some participants mentioned time as one of the problematic areas in SARS service provision. In some instances people were penalised because of mistakes not of their own making but as a consequence of

disorganisation within SARS and not being professional enough. This is what some of the participants had to say about the issue of time:

High income:

...the third one is that they take more than five minutes to answer the phone.

They are not professional enough. I once spent more than 30 minutes on something that would take much less than if they were organised enough.

The time spent to resolve client's problem was also raised as an issue:

High income:

They are very quick to ask for it if you owe them money, but when they owe you money you have to wait six months and if you don't pay ... if they say that you owe R2000 and if you don't pay on time they start charging you interest but yet you wait six months for quiet a bit of money that is due to you and they don't offer one cent.

4. Media coverage and outreach:

Some participants indicated that SARS is now reaching more people through information campaigns:

- Yes, because most people are being informed."
- They are getting there, they are working towards that achievement of reaching everybody.

Participants also indicated that media coverage of tax evaders has an impact on potential taxpayers because people are forced to pay tax because "they would not want embarrassment from the newspapers". However, some participants also indicated that SARS is not reaching all targeted people such as people in the rural areas but these people get the same penalties as anybody else:

Low income:

There are some people that are staying in the rural areas and who cannot have access to TVs but you do not see SARS going there and distributing pamphlets from people to read.

Low income:

But you see them attaching goods in the rural areas.

Participants indicated that SARS is very helpful and will assist you in any way they can and as a result more people are becoming aware of the services rendered by SARS; and most people now know about tax payment.

Participants said that the media campaigns are an effective way of informing people about what happens to tax evaders. One particular participant believed that if you publish the names of tax evaders it would encourage people to pay their taxes. On the other hand there will always be those people that will get away. The following are excerpts about the role of media in dealing with tax evasion:

Low income:

If you see prominent people being arrested for tax evasion you think, what about you who is not as prominent as them?

Small business:

I think yes, letting the people know what happens to tax evaders. They would rather pay than to face the wrath of the law.

High income:

There will always be those that get away with it but the majority is caught and the consequences of their deeds are not interesting, not a happy ending.

High income:

I think, if you mention names, they are published in the press, people have much more fear of doing wrong, they would rather avoid that kind of glamour. (laughter)

For other participants, they felt the media should cover more stories on tax evasion and how the evaders were penalised as they did with a case that appeared on Carte Blanche last year, in 2005. They felt that the focus seems to be more on large business than on small businesses, that is why it has no impact on small businesses:

High income:

You saw small business at the corner being locked off. You've even seen that he has been let off. He was fined R10 000. If you are in a similar business you might think twice but if you don't see it in the paper you don't care about it.

In contrast, some participants in other focus groups were not as impressed with SARS media coverage when compared to the SABC for instance. Participants indicated that SARS would be doing well if they were operating like the SABC which is available every day and whose adverts work:

High income:

They are not SABC TV. It's not in your face seven times a day.

5. Accessibility of SARS offices and points of service

Participants overwhelmingly said that SARS offices are very accessible. One participant indicated that they have extra people moving around the office to help you. They also had additional staff available to collect the tax returns last year. Only one participant complained about 'long queues at the Bellville office' but another said that the problem has been addressed. The following are suggestions from various groups about how SARS can be made more accessible:

High income:

This is what I feel SARS should do, that is, I was saying they should advertise and put more offices close by. You shouldn't have to go to Randburg and in the mean time you are staying in Sandton or you know, far away where I am staying, I have to go to Johannesburg.

Some participants raised concerns about accessing SARS offices through the telephone. There was some dissatisfaction with regard to accessing the SARS helpline as indicated by some of the participants:

High income:

You see I don't agree with these call centers because you should be able to speak to ... 'cause you phone the call centre today and you speak to Thabo and you have told Thabo your whole story. Tomorrow you phone and say that you want to speak to Thabo, no you can't speak to Thabo this is a call center. So then you go and speak to Moses and you have to repeat everything to Moses.

It became clear from the discussions that it is also easy to follow-up on calls because you would be provided with a reference number. Another problem was people who might not be able to access this call centres because they don't have phones and it costs money to make a phone call to the call centre.

6. SARS efficiency in calculating taxes

Some groups agreed that SARS was not efficient in this department as pointed out by one of the participants:

Low income:

No, we said earlier on that they are just good in telling you that, you put in your name here and sign here, that is all. They are not efficient these people. No calculations no nothing. All they are doing is thinking, we can demand R13 000.00 from Kekana.

SARS was perceived as not providing adequate assistance, especially on tax calculations to people and were only concerned with getting more tax from people. SARS was accused of 'putting imaginary numbers without proper assessment'. Some participants pointed out that SARS official might be capable of miscalculating people's taxes if they know their backgrounds:

Low income:

Having local people working at the SARS offices is a disadvantage because they see you driving a big car and they become envious, they than want to clamp on you.

Corruption also starts there because of envy and wrong people are put into trouble over nothing.

7. SARS performance

Views varied with regard to the performance of SARS in its roles. One participant expressed satisfaction about the willingness of SARS to extend the deadline for tax returns and about the dissemination of tax compliance information. She indicated that when she had started working she had to make inquiries about how to register for tax. She felt that had she not registered, it would not have been possible for SARS to track her down and enforce her compliance.

Another participant expressed surprise that he had received two sms's from SARS during the previous month. One was to remind him to note the reading on his vehicle odometer on the night of the 28th February and the other to confirm his residential address. He praised their use of this technology. Another was pleased with the information that was available on the Internet, as well as in newspapers, on radio and even in shopping malls, where SARS erected stalls for people in need of assistance. Another liked the cartoon-style instructions on the Internet. Another complimented the "turnaround in their attitude" and the effectiveness of SARS advertising. One person expressed it thus: "years ago you never heard of them, they were at Rissik Street (Johannesburg) and that was that".

One participant expressed his appreciation thus:

High income:

You are sitting with a situation where you have got somebody heading it up who has got a business brain as opposed to a civil servant brain and I think that has turned it around enormously, it has definitely now got more of a business focus than it was where the government would take your tax and that was it.

Another was of the view that SARS seems to have “a strategic plan in place”.

A further feature that received praise was the user-friendly drive-through facility at the Randburg SARS office:

Large business:

You can actually drive through, like Kentucky... you turn your return in and then drive out the other side again.

Another mentioned that service varied between offices, mentioning Johannesburg, Randburg, Megawatt Park, Roodepoort and Krugersdorp. The latter two were seen to be smaller and therefore more accessible.

On the negative side, one view was that the Johannesburg office could do better. He regretted that “Room 101” on the first floor of the Rissik Street facility was no longer there because it was now necessary to “go to the Carlton Centre, the queues are approximately an hour to an hour and a half at the moment”.

Another comment was:

High income:

I have sat with people from SARS who are absolutely intimately knowledgeable of the Tax Act, but the actual application of it, as soon as there is something that is a little bit outside of what the text book would have said, then that throws a bit of a curved ball and then you have gone into a whole new area of debate.

One person expressed frustrations about the SARS call centre. He said that when he phones Megawatt Park he could never get satisfaction.

Large business:

You end up often putting a problem to somebody and they say, we will have to look into it and get back to you, you phone the next day and you actually find that you are talking to somebody else, you have got to go through this whole process again.

8. Interaction with custom officials

Few participants had the opportunity to interact with customs. One participant said, “they have a weird way of doing things”.

Although some of the participants seem not to have an idea of how customs officials operate, some participants seemed happy with the services they received from the customs officials

with regard to the post they received from overseas. However, some were dissatisfied with the operations of customs officials at entry points:

High income:

They don't even check. I have seen that people have tried to do things that are illegal.

In another group discussion, most of the participants were aware that customs officials were found at the border gates, but many have never interacted with them. Only a few have crossed a border. Their experiences were that custom officials are not serious with what they are doing at the gates. They do not even bother to come out and search. They just sit there; look at the passport and that is all. Some however, admitted to having had positive experiences with customs officials.

There seemed to be confusion about the differences between Home Affairs and Customs officials. One participant agreed that, on a personal level, you cannot make the distinction but in business, especially when you do export, obviously SARS would be interested to know what you are dealing.

Some seem to think that customs officials are doing their job because it is even being covered in the media:

High income:

That's when we are reading a paper we see a story of mandrax being discovered and if customs was not checking, nothing like this would be published.

With regard to customs participants in the middle-income group pointed out that the officials at the customs are not efficient because there are many counterfeit goods from other countries as alluded to by one of the participants:

Middle income:

I would say no. There are many foreign counterfeit products which are destroying us. How do you think they enter into this country, they are not strict enough.

As mentioned above, very few participants interacted with customs but one said that they are not doing a good job particularly at airport where you have to declare your goods. It was argued that people constantly complain that customs waste their time when they go through ports. Another participant said people complain that customs officials dealing with imports and exports are very slow to check and clear the goods. This is not a result of incompetence but rather lack of skills. Some of the concerns raised about customs included the following:

Small business:

The people that are using these ports are complaining all the time because of the time that gets wasted there.

Small business:

And those that are dealing with imports and exports also complain because of the goods that sometimes it takes four weeks to be checked and cleared.

Low income:

Not at all. I mean we are complaining about the fong kong cigarettes that we find in our shores. Fake cigarettes that are really making us cough, they are not good and that happens because of corruption at the customs

Small business:

But I would not say that is it incompetence; it is a job that needs to be done. There is a skill that needs to be used in this kind of a job, they know what to do and how to treat customers, it can be locals or foreigners coming in or out.

APPENDIX A. FOCUS GROUP SCHEDULE

Demographic Profile of Participants

1. What is your gender?

Male	1
Female	2

2. In which Race group do you belong?

Black African	1
Coloured	2
Indian/Asian	3
White	4
Other	5

3. How old are you?

0			year s
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4. What is the highest level of education that you have ever completed?

	You
No schooling	00
Grade 0	01
Sub A/Grade 1	02
Sub B/Grade 2	03
Grade 3/Standard 1	04
Grade 4/Standard 2	05
Grade 5/Standard 3	06
Grade 6/Standard 4	07
Grade 7/Standard 5	08
Grade 8/Standard 6/Form 1	09
Grade 9/Standard 7/Form 2	10
Grade 10/Standard 8/Form 3	11
Grade 11/Standard 9/Form 4	12
Grade 12/Standard 10/Form 5/Matric	13
NTC I	14
NTC II	15
NTC III	16
Diploma/certificate with less than Grade 12/Std 10	17
Diploma/certificate with Grade 12/Std 10	18
Degree	19
Postgraduate degree or diploma	20
Other, specify	21
Do not know	22

5. What language do you speak mostly at home?

	Mostly spoken at home
Sesotho	01
Setswana	02
Sepedi	03
Siswati	04
IsiNdebele	05
IsiXhosa	06
IsiZulu	07
Xitsonga	08
Tshivenda/Lemba	09
Afrikaans	10
English	11
Other African language	12
European language	13
Indian language	14
Other (specify)	15

6. What is your current employment status? (WHICH OF THE FOLLOWING BEST DESCRIBES YOUR PRESENT WORK SITUATION?)

Unemployed, not looking for work	01
Unemployed, looking for work	02
Pensioner (aged/retired)	03
Temporarily sick	04
Permanently disabled	05
Housewife, not working at all, not looking for work	06
Housewife, looking for work	07
Student/learner	08
Self-employed - full time	09
Self-employed - part time	10
Employed part time (if none of the above)	11
Employed full time	12
Other (specify)	13

APPENDIX B: FOCUS GROUP DISCUSSION SCHEDULE

Instructions

We thank you for accepting to participate in the focus group discussion. During the discussion we will try to answer some questions about tax compliance and services offered by the South African Revenue Services (SARS).

A. Knowledge and awareness about tax obligation

- 1a. Why do you think people need to pay tax?
- 1b. What motivates you to pay tax or what would motivate you to pay tax? (Follow-up of 1a)
- 2a. Do you understand what tax compliance is? (Explain in case they seem not to know what tax compliance is)
- 2b. Do you understand the consequences of non-compliance to tax regulations? (Follow-up of 2a)
- 2c. What do you think are the real threats to honest taxpayers that are posed by non-compliance by individuals and businesses?
- 3a. What do you think are the functions of SARS?
- 3b. Do you think that SARS is doing well in its efforts to make people aware of their tax obligations? (Follow-up of 3a)
4. If one is found guilty of not paying taxes or submitting late returns, do you think that penalties are sufficiently small/ large to encourage compliance in the future?
If you were to be educated on tax matters, at what stage in your life should that take place?
5. Do you think you need education on tax matters?

B. Culture, climate and level of compliance

- 1a. What do you think are the motivations that influence tax evasion by individuals and businesses in your area? (a. Are you aware of any practices designed to evade tax by either individuals or businesses in your area? Explain. b. Are you aware of any opportunities provided by SARS to report such cases? c. Would you be willing to report such cases to the authorities? Explain why and how? These can be used as follow-ups or prompts in case no reference is made about them)
- 1b. Does SARS have the capacity and the facilities to detect tax evasion? Explain?
2. Are there certain historical, cultural, moral or religious practices that you are aware of that influence people's tax compliance?
3. How should SARS create an atmosphere that will make it easy for people to be tax compliant?
4. Some people think that the best way to cheat the tax system is to bribe SARS officials.
What are your views?

C. Attitudes and behaviour towards compliance

- 1a. People are tax compliant either because they fear being taken to court or because it is the right thing to do. What are your views?
- 1b. There is a general perception that SARS is feared more than the police. What are your views?
2. What do you think is the role played by tax advisors in tax compliance or non-compliance?
3. Do you think the tax system in SA is fair? Explain
4. What would you advise SARS to do to encourage tax compliance in industries like taxis, small business, and other sectors of the cash economy?

D. Relationship between economic performance and tax compliance

- 1a. What is the roles of SARS in the development of the economy?
- 1b. Many South Africans would expect individual tax reduction if the economy does well; for instance if there are changes in petrol price, interest rate or exchange What are your views?
2. How do you think the general performance of the government affects tax compliance by individuals and business?

E. Relationship between tax revenue and government

1. Do you think that people should pay taxes in terms of what they think about the performance of the government of the day? Explain
2. Both SARS and the government are involved in various ways in the tax system.
 - a. Do you think that government controls the activities of SARS?
 - b. Do you think that SARS has any control over how tax revenues are spent by the state?]

F. Accessibility and efficiency of SARS services

1. How would you describe the efficiency of SARS in assisting both individuals and businesses on tax compliance?
 - 2a. Tax collection by SARS over last few years has improved tremendously. What do you think are the reasons for this improvement?
 - 2b. Do you think that SARS' campaigns on tax compliance reach the targeted audience?
 - 2c. Do you think the media reports on people charged for tax evasions have any impact on potential tax evaders?

3. Do you think that SARS' offices or points of service are easily accessible? (in terms of availability, visibility and accessibility)
4. Have you ever had an opportunity to interact with customs officials on personal or business related matters? What was your experience? (Customs are taxes payable to SARS on goods imported from other countries usually collected from border posts, ports and airport)
5. Do you think that the custom departments at the ports of entry into the country are doing a good job?

APPENDIX C: REPORTS ON EACH FOCUS GROUP SESSION

MIDDLE INCOME GROUP, NORTH WEST

Knowledge and awareness about tax obligation

Social development

Participants indicated that they pay tax so that the money would be used for building schools, hospitals, roads as well as to subsidise people who do not have any income such as pensioners, disabled and the unemployed. One of the views was that the December month should be a tax free month.

Participant: They should, the citizens of South Africa they need to pay tax. As you are from Gauteng, you are using Rustenburg roads, such monies develop these roads, and since tax is deducted monthly from your salary, and you have a mortgage house, SARS should at least pay for four months should you loose your job

Tax compliance

To be tax compliant means to conform to tax regulations; to pay tax when one has to. However, one of the participants felt that they pay too much tax:

But tax is too much. We pay it everywhere like shops, banks.

Tax evasion

Tax evaders are punished in several ways including jail sentence, have their goods repossessed. According to participants, people who evade taxes makes everyone suffer because they spend the money on their families. These include foreigners, whose children use the educational system in South Africa, people who are involved in 419 scams as explained by one of the participants:

Participant: It involves the Nigerians, whereby they pay cash for whatever they buy so as not to pay tax, and there are the highest drug dealers. Why they pay cash is because if they use credit, they would have to provide personal details which would lead to detection, as they are illegal immigrants.

Participants maintained that SARS does not have mercy for tax evaders because if they track you, you have to pay immediately.

Perceptions about functions of SARS

Functions of SARS include the following:

- To monitor foreign currency influx into the country
- To make sure that companies and people pay tax
- To monitor counterfeit goods

To ensure that people comply SARS send reminders in the form of letters; through posters and adverts.

Participant: They do send to the “due to you” and “due by you”

One of the concerns was that SARS does not provide people with feedback about how people respond to its awareness campaigns.

Tax education

Participants indicated that they need education on tax matters because they would know what they are paying for. For them tax education should begin at high school level for individuals 18 years plus. According to participants people who would benefit from tax education would be the people in business or those who are studying business. Thus, they perceive tax education to have future implications for their compliance while awareness campaigns are short term and should be done regularly:

Participant: There are some kids who pass well and get bursaries. Tax education should automatically be involved in their business studies, as that would help them in their business life

Culture, climate and level of compliance

Who are tax evaders?

There was an indication that participants seem to know people who evade taxes and potential tax evaders. According to participants, tax evaders include people who are in small business and those who are not registered such as taxi owners. The implication is that although it is easy for people who are not registered to evade tax, it is not easy for SARS to trace those people

Reporting tax evaders

Although they indicated that they are not aware of any mechanisms put in place to report tax evaders, participants indicated that they would blow the whistle for people who do not pay because those who are not paying should not be the only ones who are paying. The suggestion for SARS was that they should put anonymous mechanisms for people to report tax evaders. There was also a consensus that it is wrong for people to bribe SARS officials in order to evade tax.

SARS should create an atmosphere that makes people to pay tax SARS should use companies to monitor the process, do awareness campaigns such as TV and radio announcements; distribution of pamphlets; and give workers lessons about tax.

Attitudes and behaviour towards compliance

Tax system is unfair

Participants indicated that the tax system in South Africa is unfair because there are counterfeit goods that are destroying big stores such as Edgars.

To ensure that everyone (including small, medium and large business) who is eligible to pay tax pays, SARS must help them to register:

Participant: I think SARS should help people to register like spazas

Relationship between economic performance and tax compliance

Since the taxes that are collected are used for social development, SARS should “plough back in the economy of South Africa”. On the other hand participants felt that they tax should be reduced if the economy of the country is doing well.

Government controls SARS

Participants believed that the government controls SARS because they get information from the government. However, SARS does not have controls on how the government spends tax revenues as indicated by one of the participants:

Participant: SARS knows our salary so they know how much we should spend, so is the case with state departments, they decide themselves how to spend their money.

Accessibility and efficiency of SARS services

Investigation and education

Participants maintained that SARS tax collection has improved over the last few years because of their ability to investigate tax evaders and focusing education on the right people:

Participant: I think they have investigated and found out that there were some companies that have not been paying tax, also individuals

Media coverage and outreach

Participants indicated that media coverage of tax evaders has an impact on potential tax payers because people are forced to pay tax because they would not want embarrassment from the media. In addition, there was an indication of participants' satisfaction on the accessibility of SARS because there were SARS offices close where they work.

Interaction with custom officials

With regard to customs participants pointed out that the officials at the customs are not doing their job because there are many counterfeit goods from other countries as alluded by one of the participants:

Participant: I would say no. There are many foreign counterfeit products which are destroying us. How do you think they enter this country? They are not strict enough

HIGH INCOME GROUP, KWAZULU-NATAL

Knowledge and awareness about tax obligation

Social development

There was a consensus from the participants that people need to pay tax because the money would be used to run the army, pay for roads and run government departments. One of the participants had a different view about how tax should be collected:

Participant: If you go to Las Vegas people don't pay tax because of casinos. Things like hospital rates, schooling medicals are offered free

Motivation for paying tax

Forced to pay

Participants seem to suggest that there are various forces that motivate people to pay tax from perceiving it as something they had to do or something they were obliged to do under certain circumstances. There was a consensus among participants that they just had to pay tax because they do not have a choice since the money is deducted from their salaries otherwise they would not be paying.

Participant: When you get paid and look at your salary slip you always feel that from the little that I get they still take money for tax

Moderator: So you are telling me that you are paying tax because it is deducted? If it were not deducted you wouldn't be paying?

Participants: Yes!

Recognised rewards of tax revenue

There was an indication from participants that it is easy for them to see what their tax money is used for, thus, the motivation to pay. Moreover, people have the right to complain about what their tax money is used for. One of the participants gave an example of the differences in what people get from paying tax and for paying TV licenses:

Participant: I'll go back to the TV license situation. We know how much money they are advertising. We know how much advertising there is. So I can justify my R180, it's a drop in the ocean. What is it doing? It pays for Chichis and Mercedes Benz. I think we know where our tax is going. We can see it where there have been reforms. We can see the benefits. I can pick up the phone and complain that will get fixed

Still some participants felt that people just had to pay tax irrespective of the evident rewards

Obligation

Paying tax was viewed as a must for everyone because it is the right thing to do. There seemed to be an agreement that it would be fair if everyone whose supposed to pay tax was paying.

Penalties

People are paying tax because they do not want to be penalised

Educated people have knowledge

According to participants educated people seem to have more knowledge about tax how the tax system works compared to those who are not educated. Since participants fell under the category of people who are educated they tended to have some knowledge of how the tax system work as it was observed from a statement made by one of the participants:

Participant: You also question if someone around us know. I think the educated ones do but I think garden workers don't know. He doesn't understand that when he buys a tin of coke ten cents of the R5 he pays is for tax

Tax compliance

As a way of making people compliant, participants argued that everybody who has an id, whether they are employed or unemployed, should go to the receiver of revenue to register for tax "so that everybody will be accounted for regardless of whether they are getting money or not". This suggestion was opposed by a view which stated that the issue of tax compliance is not only about administration but about billing.

Reasons for non-compliance

Participants stated the following reasons for non-compliance:

- Perceptions that the tax money is wasted
- Perceptions that people and some business pay too much tax especially for people who compare their turn over with their tax contributions
- Don't care attitude from small businesses because they think that they do not get any rewards from paying tax

Participants also indicated that they know of lot of people who are invading tax. On of the participants had the following to say about non-compliance:

Participant: There's a culture of non-compliance out there. People feel they don't need to be paying tax. I'll have to be a businessman myself to know how business people evade tax. In my experience as an individual I am ok and other people's experiences its their business what happens to them.

Impact of non-compliance on compliant people

The belief about what non-compliance meant for the compliers emanated from participants' perception of evasion. According to participants there should not be a grey, area of tax payment its either one has to pay or not pay because compliance would benefit everyone who is supposed to pay tax. This was supported by the speech that the minister made as alluded by one of the participants:

Trevor Manuel said that the more people complain is the more he is able to give back and then he is able to cut the tax down as well but there will be a time when he can't give back more and he won't be taxing more as well

Consequences of non-compliance

Although participants seem to have an idea about what SARS is capable of doing to non-compliers, they seem to agree that there is no enough media coverage on the non-compliers which might be used as a deterrent for potential non-compliers:

Participant: I think the only setback in this country that encourages no compliance is that there's no statement in terms of who has been convicted for non-compliance.

Participant: We heard about Brett Kerble owing about R145 million, but you being taken down for R5000 we don't hear

Participant: We hear only what they talk about at conferences like the last one, but us, we don't know anything

Influence of tax consultant on compliance/non – compliance

From the participants' point of view there was no suggestion whatsoever that tax consultant have a role in non-compliance. In fact, the consultants' role was that of helping people to get more money from their tax returns as alluded by one of the participants:

Participant: If it means that when my tax consultant claims more on my returns by doing the best he can, am I the better or worse person than my buddy who is evading tax?

Sometimes people use tax consultant to learn how to do the returns so that they would be able to do it themselves.

Perceptions that SARS is more feared than the police emanates from the history of SARS being dominated by whites. Another reason was that SARS will get you if you don't pay tax.

Sometimes the fear arises from ignorance. However, this perception is diminishing because SARS is more understanding and people are given chances to negotiate payment of fines

Functions of SARS

The following are, in verbatim, what participants stated as the functions of SARS

- It creates finance for the government in a free and fair manner
- It sees to it that private companies pay their taxes and helps them in the administration of this. They also take policies to the companies
- I think the receiver of revenue is also there to help us as employees by explaining the act that they use to the people. Some people have been to the SARS enquiring about this act
- I suppose they want to make things as easy as possible
- I also went to them to enquire about something I did not understand on my IRP5 form and they helped me

Tax education

Due to the fact that most people evade tax, participants felt that there is a need for education starting from as low as pupils who are five years old. More stress was on students who were registered for commerce subject at high school. Moreover, not only would the education be beneficial to tax payers but SARS administrators also need education on service provision:

Participant: I think the education of educators of the administrators is needed on how to handle people.

According to participants the kind of education SARS should provide to people should include teaching people about their tax obligation; how they would go about filling the forms; education that would help people is on investment. However, there was an indication that participants were aware of the employers' responsibility to explain to their staff about being tax compliant.

Tax evasion

One of the old reasons, which was valid ten years ago, was that non whites were being exploited and they did not have to pay tax

Another reason was that people are reluctant to pay tax because of lack of openness about how the tax money is used as stated by these participants:

Participant: I think they should be more open on how the taxes are used. Appear on TV and showing people what their money is being used for. Nobody is told where the money goes to

Participant: Also show us was tax payer money was the year before and also show us the successes, the targets and all the things done

Participant: They can tell us why we are getting a little bit in Mpumalanga. They are taking a little bit more on motorcars. Why? What are they going to use it for?

Greed and ignorance as drivers of tax evasion

Greed and ignorance were identified as the two motives for people to evade tax. Ignorance comes when people approach SARS officials to help them about the tax and they end up paying bribes to the officials instead of getting help.

According to participants SARS seem to have some control to deal with tax evasion. Since people are randomly audited, they do get to pay tax but after some time they tend to go back to evading taxes. On the other hand there are alleged no go areas where SARS cannot reach like SABC because the inspectors are killed, but they need to go there.

Reporting tax evasion

Participants seem to be aware of the SARS hotline to report tax evaders although the consensus was that they would not report those people for fear of intimidation. One of the participants indicated that he succeeded in reporting someone he knew was evading tax.

According to the participant no action was taken against the individual:

Participant: I found the number and reported a guy once. The following two weeks I saw him again. I phoned the local police station and asked why he hasn't been apprehended yet. I gave them the registration number of his car. They don't care. The system is there. The call center is also there but they can't help you

Another eyewitness to the intimidation was reported by one of the participant:

Participant: I also know of the intimidation on the hotline of a company that commits this crime. I've seen the intimidation in court on the reporter

Participants indicated that bribery is rife especially among business men compared to individuals whose taxes are deducted from salaries

Monitoring tax evasion

Like other government departments, SARS should have a system to monitor especially the taxi industry since it would be difficult for SARS to reach out to them through education.

Here is a suggestion on how that can be done:

Participants: Guys with cash always say that their eyes should be opened for SARS. I don't think SARS will be able to educate these people especially the taxi industry. There are a lot of different issues involved in the taxi industry. I suggest that SARS introduce the system of their own discs so that the metro police can easily identify a taxi without this disc. If it doesn't have then it can be pounced on

Another suggestion on how SARS can somehow monitor is to trace people through other transactions they have such as payment of electricity and light

Perception on the performance of the economy and tax

Participants suggested that should have referendums to find out how people think about the issues of tax payment, role of government in SARS duties and impact of the economy on tax payment

Accessibility and efficiency of SARS services

The time factor was mentioned as one of the problematic areas in SARS service provision. In some instances people were penalised because of mistakes not of their own making but from the SARS disorganisation and not being professional enough. This is what some of the participants had to say about the issue of time:

Participant: ... the third one is that they take more than five minutes to answer the phone

Participant: They are not professional enough. I once spent more than 30 minutes on something that would take much less than is they were organised enough

SARS not as effective as SABC

In terms of how SARS was doing in their responsibility as tax collectors, participants indicated that SARS would be doing well if they were operation like SABC which is available everyday and whose adverts work:

Participant: They are not SABC TV. It's not on your face seven times a day

Some of the participants seem indicated how impressed they were with the services they received from SARS:

I was trying to follow-up on my tax return. I was asking for my money. I had phoned probably once a month for four months. I think after the third phone call I received a call from their center telling me when I should call again. I was seriously impressed.

SARS is improving on their systems by training their employees and making sure that those who are trained will train others. This is the reason why they are collecting more tax. They have also increased number of service points and recruited new staff even though some offices have problems of parking. They should have more offices close to shopping complexes.

Media coverage on enforcement

The media should cover more stories on tax evasion and how the evaders were penalised as they did with a case which appeared on Carte Blanche last year (2005). The focus seem to be more on large businesses not on small business that is why it has no impact on small business:

Participant: You saw the small business at the corner being locked off. You've even seen that he has been let off. He was fined R10 000. If you are in a similar business you might think twice but if you don't see it in the paper you don't care about it.

SARS and government

There is a perception that the government controls SARS and SARS has no input in how the tax money should be used. Some participants fee that SARS is one department which is not manipulated by the government

Customs

Although some of the participants seem not to have an idea of how customs officials operate, some participant seemed to be happy with the services they received from the customs officials with regard to the post they received from overseas. However, some were dissatisfied with the operations of custom officials at entry posts:

Participant: They don't even check. I've seen the people have tried to do things that are illegal

Some seem to think that custom officials are doing their job because it is even been covered in the media:

Participant: That's when we are reading a paper we see a story of mandrax being discovered and if customs was not checking nothing like this would be published

LARGE BUSINESS GROUP, GAUTENG

Knowledge and awareness about tax obligation

Asked about the need for a tax system, participants responded that the government needed to be funded. One person said tax needed to be collected “so that the government can afford the services that provide the infrastructure for us to do business in South Africa”. Another expressed the view that there were “certain basic services” that individuals could not provide for themselves, which required “some sort of pooled money”. This could be achieved either by “a whole lot of companies to run those things or otherwise you have central government running it”. Another gave specific examples of basic education and housing that should be provided by government using tax revenue.

Motives behind paying tax

On the issue of paying tax, there was some jocularly about being afraid of prosecution if one did not pay tax. However, consensus centred around a sense of moral obligation. One person expressed the sentiment thus:

“I think that there is a basic underlying moral obligation ‘cause the fact of the matter is that money has got to come in for all. So if I don’t pay it then you will have to pay it, why should you pay what I am not paying? It is just that let us all pay our fair share, that is what motivates me from the point of view, that yes nobody likes paying tax, we would all like to pay less tax. If I was paying less tax only because I knew [person X] was actually paying what I was short paying, then I would have a problem with it, and to me it is a moral issue from my point of view”.

Another complimented SARS’ increasing success in its tax collection endeavours. He identified a positive spin-off of tax compliance as being a reduction in the tax rate: “we have seen the tax rate go down because SARS has broadened the tax base because of better tax collections, I think that is the benefit”.

Definition of tax compliance

Asked to define or explain the concept of tax compliance, the most simple response that emerged was “paying the right amount of tax that I should be paying according to the salary that I am earning”. Another said that in addition to paying your dues, tax compliance meant that “you are submitting your tax returns” and that they are “completed correctly and you are not overpaying or underpaying”.

A further perspective was given from a corporate point of view, namely “submitting your provisional returns on time, your tax returns on time, making the payments timeously, when doing your returns doing it in the way that SARS would like to receive it, the schedules that is required all of those things, that to me is compliance with the laws and regulations of the Income Tax Act”.

One person went even further, indicating that tax compliance entailed “not specifically going into a particular scheme because it has got a tax benefit”, which meant maneuvering and manipulating to save tax. This could be summarised as complying with “the spirit of paying tax as opposed to purely the letter of paying tax”.

Views about non-compliance

On the issue of people who are known not to be fulfilling their tax obligations, some strong views were expressed. One participant said that the existence of such people did not affect his own motivation to comply; however it “starts to possibly impact on my motivation to be civil to the people who I know are not paying tax”. Another concurred, saying that attempts should be made to “get those people to pay tax, to broaden the base”. A similar sentiment emerged in the another comment that other people’s non-compliance would not affect his obligation to settle his own taxes, but that it angered him “when somebody brags about not paying their taxes” because “whatever he is not paying I am maybe paying a percentage. So we are all carrying the burden of that one person not paying his taxes”. It was also observed that invariably people who have “a far better lifestyle than I have” was a consequence of such people not paying their taxes. Some participants appeared less concerned with the tax compliance of others than with their own, indicating that their primary concern was to be law-abiding themselves.

The issue of self-employment was mentioned as a factor underlying non-compliance with tax obligations. One participant lamented that “us employed poor people, we don’t have a choice in paying taxes. It is taken from us”. Conversely, he pointed out that “people with their own businesses have the opportunity to put their personal expenditure through companies and businesses and they are normally the people who brag about it and not pay taxes and that is also something that frustrates you, you don’t have the luxury of getting that benefit, that freedom. He added that “there is very little incentive for individuals, employees left in deductions, all we have left is travel allowances, the rest has been taken away and travel allowances are being phased out as we talk, so that is also frustrating”.

A result of the non-compliance of some was that the burden of compliance increased on those who do normally comply. One observation was that “the more the guys stuff around and don’t pay their taxes the more regulation, the more enforcement there is and the more your compliance burden increases, if you look at your tax returns in 1998 compared to the tax return for a company now in 2006, it has moved from two pages to fifteen because of that, SARS trying to get those guys to comply and stop cheating tax”. He added that this was “impacting on the people who were already compliant, because the guys who were not compliant are the guys who are still going to duck and dive and find some way of getting around it all and so you will end up with a whole lot of guys who will just be more, moving more and more towards cash based transactions while the guys sitting around the table here are getting all the compliance, the receiver of revenue knows where to find us because we are putting in our tax returns and the minute I make the slightest mistake on my tax return he can then come back and give me penalties because he knows where I am and he knows what I earn all of the way down and the guy who hasn’t been compliant is still not compliant, and that is the frustration that I get to and I don’t know what the answer is to that one”.

A further impact of the increased complexity of being compliant was the cost entailed therein. One participant pointed out that greater complexity meant less chance of completing a tax return oneself. The implication was to make use of the services of a large company to complete the return. “For them to try and close the loopholes they introduce stuff like advanced rulings, stuff like the reportable agreements, you have to report special agreements that you do, those things never used to be in place, now suddenly you have to report certain agreements and arrangements to SARS and again, so that is going to cost the firm, the company, the individual money again, so it is just a vicious circle”.

Specialists in different aspects of tax need to be consulted. As one participant indicated, the need to deal with issues such as VAT and capital gains tax, requires specialists, all of whom have high charge-out rates, the average for a VAT consultant at "one of the big firms" was quoted as being R1200 per hour. Company auditors could not be used for tax work because they are not independent.

SARS performance

Views varied with regard to the performance of SARS in its roles. One participant expressed satisfaction about the willingness of SARS to extend the deadline for tax returns and about the dissemination of tax compliance information. She indicated that when she had started working she had had to make inquiries about how to register for tax. She felt that had she not registered, it would not have been possible for SARS to track her down and enforce her compliance.

Another participant expressed surprise that he had received two sms's from SARS during the previous month. One was to remind him to note the reading on his vehicle odometer on the night of the 28th February and the other to confirm his residential address. He praised their use of this technology. Another was pleased with the information that was available on the Internet, as well as in newspapers, on radio and even in shopping malls, where SARS erected stalls for people in need of assistance. Another liked the cartoon-style instructions on the Internet. Another complimented the "turnaround in their attitude" and the effectiveness of SARS advertising. One person expressed it thus: "years ago you never heard of them, they were at Rissik Street (Johannesburg) and that was that".

One participant expressed his appreciation thus: "you are sitting with a situation where you have got somebody heading it up who has got a business brain as opposed to a civil servant brain and I think that has turned it around enormously, it has definitely now got more of a business focus than it was where the government would take your tax and that was it".

Another was of the view that SARS seems to have "a strategic plan in place".

A further feature that received praise was the user-friendly drive-through facility at the Randburg SARS office. "You can actually drive through, like Kentucky... you turf your return in and then drive out the other side again". Another mentioned that service varied between offices, mentioning Johannesburg, Randburg, Megawatt Park, Roodepoort and Krugersdorp. The latter two were seen to be smaller and therefore more accessible.

On the negative side, one view was that the Johannesburg office could do better. He regretted that "Room 101" on the first floor of the Rissik Street facility was no longer there because it was now necessary to "go to the Carlton Centre, the queues are approximately an hour to an hour and a half at the moment". He mentioned that he had been there recently and that "the queues are a bit difficult, you don't have that personal access like you used to. In the past you could go to any of one of the five floors in Rissik Street and see an assessor or auditor or one of those people and sort your problem out. Unfortunately now you can't see the back office people at all, you can only see the front sort of office staff at the Enquiry Counter which is at Carlton Centre. So they are not as accessible as they used to be and also what makes it difficult is that you cannot phone and ask a question. From three phone calls you would probably get three different answers unfortunately, so they have this whole system whereby you can actually ask for an opinion, some you will pay for and some you won't, depending on whether you want it to be binding or not, but that may cost you again and that is a whole process, so it is not as user friendly as I would like it to be, it would have been nice to have

some sort of access to SARS. We don't have it at this point in time and it is becoming increasingly difficult to be a tax consultant or even being an individual understanding or dealing with tax matters now".

Another comment was "I have sat with people from SARS who are absolutely intimately knowledgeable of the Tax Act, but the actual application of it, as soon as there is something that is a little bit outside of what the text book would have said, then that throws a bit of a curved ball and then you have gone into a whole new area of debate. But from the actual point of view of while you are talking to the person, they can tell you that it is in section this, sub-section that, whatever page it is on and everything else like that but it is the actual application where you say but look at that in terms of my business and apply it to my business and you throw them out ..."

This was complemented by another argument that "Especially on the corporate side, SARS has implemented a business system since 1999 where [on] the new form there are codes next to each column in your return ... and you fill a number next to that". The participant was aware of a system available to SARS whereby a taxpayer could be audited but that the system was not being utilised. He also said that SARS has "integrated audit teams" at Megawatt Park comprising "VAT and income tax people". The consequence is that "you will have a VAT person doing a review of income tax that has no knowledge of income tax, but he is still requested to sign off income tax, you have a person that manages the group, the team member that signs off on the total audit that is a VAT person or an income tax person who has got no real grasp of the Income Tax or VAT Act, which are very different, separate types of taxes". He concluded that team incompatibilities with work content were currently impacting negatively of SARS effectiveness.

Another had a more simple complaint, "I haven't actually been to SARS looking for information ... I have been trying to phone them, I was querying my return for last year and I haven't been able to get through to them".

One person expressed frustrations about the SARS call centre. He said that when he phones Megawatt Park he can never get satisfaction. "You end up often putting a problem to somebody and they say, we will have to look into it and get back to you, you phone the next day and you actually find that you are talking to somebody else, you have got to go through this whole process again". In contrast, previously this person was able to pin down a particular contact person who would sort out his particular problem. "You went to that person and you said 'This is my problem' and they went and did all of the shopping around in the SARS office and they said 'Let's get an answer for this guy' ... I think that might just be a sign of the times where everybody has got call centres, it seems to be the flavour of the month at the moment. Conversely, another participant said that he had a specific contact person who deals with all of his company's PAYE issues. He said that the Megawatt Park office had now allocated a single contact person to each big company. However, he remarked cynically, "that person, when you phone, has probably left". Another expressed doubt about whether her particular contact person was the correct one, "I don't know if she is anything other than a message taker and conveyer; we have got a good relationship and we are becoming very good friends".

From another perspective, however, one person mentioned, that the Tax Act was problematic in that it was too complex and too open to interpretation. He said, "you get a new piece of legislation and then you get an interpretation; and then you get another practice note and then

you get another letter; and then you go and sit and talk to two different people at the SARS office and you get two different opinions on how you are supposed to interpret this. I mean I have been quite involved with the Tax Act and it is not a friendly piece of paper I can tell you that, it is a horrible document to interpret and I think that as a long term plan they probably need to start at page one and go through that thing and start fixing it”.

Perceived functions of SARS

Asked what they thought should be the functions of SARS, three main points were mentioned. Assistance with the completion of tax returns was a basic need expressed by some participants. Most participants said that they were in need of education about tax matters and that SARS should be facilitating the provision thereof.

A third important function of SARS was seen to be the enforcement of compliance. In respect of the need for penalties for non-compliance, there were mixed views. One person felt that that fines of R600 or 200% of the value of the assessment were too heavy. Another had felt that penalties were appropriate because paying tax is something that is necessary. He indicated that “if you are upfront and honest and say this is where I am and this is what I don’t understand; this is what I think I have done right or wrong whatever and you get to the point where there is a relationship where he trusts you and you trust him, I think that would be the ideal situation. If you are going to be late with your tax return pick up the phone and say for the following reasons this is a problem that I have got and this is why it is going to be late, etc. etc. I am not saying that they then mustn’t give you a penalty or anything else like that, but I just think you are going to have a much better relationship than if you start ducking and diving...”

Another said that the penalties were not sufficiently severe because “if you just don’t worry about submitting a return, the worst that can happen is that they can summons you, and you still have 30 days to submit the return and if worse comes to worst you will just have to pay a penalty for submitting your returns late, which is R600, R1200, maximum R1800 after the third offence, end of story, if, should you be summonsed you pay an admission of guilt fine to the court of R300 per account and that is the end of story, so for big high flyers with lots of money that is not a penalty”.

Tax evasion

It was pointed out that tax evasion is sometimes practiced in order to please company shareholders. One person said that in some instances shareholders tell their tax consultant “how much tax they want to pay this year and you make it work”. Even internationally, the United States might tell the tax people “guys this is just what it is, what it needs to be, these are the profits that we have promised our shareholders”. Another said “A lot of people I think do it purely for the challenge, it is almost like catch me if you can, an exciting thing, you know, let me see what I can get away with this year type of thing”.

Attitudes underlying compliance or non-compliance

Participants were asked what they thought led to a person being tax compliant. Personal values on the one hand, and fears of prosecution on the other, were the main reasons seen to be behind tax compliance.

Three main responses were mentioned and elaborated upon by participants with regard to non-compliance. These were ignorance of the provisions of the Tax Act; lack of diligence in completing tax returns; and blatant dishonesty.

Said one participant, "I find a lot of companies basically don't have a proper tax function within their company, so they are not structured to deal with tax, if you look at the way that they calculate their tax liability, purpose of financial statements, purpose of submitting their return, they don't do anything. So they are not up to scratch and that is ignorance". He opined that "the main reasons why SARS is not collecting all of the money" are lack of information (40%) and deliberate tax planning for evasion (60%).

Sometimes non-compliance is for budgetary reasons. An example was given of someone who had to choose between paying her employees' salaries or making her VAT payment. In this instance, salaries were paid owing to poor cash flow.

Another scenario entails a combination of ignorance and deliberate evasion. The example given here was of "very smart smarmy tax accountants" who advise their clients to adopt schemes that they do not fully understand. The accountants assure the client that it is legal but have actually "fiddled" the books.

Several participants mentioned that they knew people who had not registered with SARS but that they still had tax deducted from their earnings. One said she could not understand this because the people concerned were forfeiting possible refunds for which they might have been eligible. Another said that he had heard of instances of small closed corporations or partners that deducting tax from their employees salaries but do not pay these amounts to the Receiver. He suggested that the money becomes "a slush fund and then they make sure that they don't spend it on anything that can be traced".

Most participants felt that neither class, nor race nor religion made a difference in rates of compliance. All groupings had both honest and dishonest people and a key factor was knowledge or the lack of it in relation to tax compliance.

Asked about the capacity of SARS to follow-up on evaders, most agreed that it had more extensive powers than the police. One participant said that this was because SARS "can clear out your bank account with a moment's notice. They have access to all of that, they have access to any person or company or firm or institution in South Africa, [which are] are forced to give them information..".

The fairness of the tax system

The consensus was that the tax system in South Africa is fair. Reservations expressed were around the utilisation of the revenue. One participant felt that he was not getting value for his tax payments. He agreed with the need to pay but pleaded that SARS should "incentivise" him. He complained, "I am topping up my medical aid and I am paying security companies and I am paying extra school fees, so what am I getting for the tax that I am paying? I am getting nothing, I am getting a whole bureaucracy that gives me nothing back... I think there was a calculation done by one of the economists who said if you take all of that plus VAT plus your customs duties and everything else you are running at about 75% tax rate... This implied that as a taxpayer he has "to work into the middle of October before I am actually working for myself".

Two participants could not see the logic of secondary tax (STC).

Others complained about the “waste” of tax money on the Gautrain project, which would not be of benefit to many motorists because of the inconvenience that would have to be incurred in order to make use of the service rather than a car. He suggested that the same money could have been used to build “fifteen million houses”. One suggestion was that rather than reducing tax, the government should “take that money and take a whole lot of unemployed people sitting on the side of the road and get them out there fixing pot holes in roads and something like that... rather take that money and turn it around through the economy and give me something back, rather than giving me that cash, which now everybody goes charging down the road and goes and buys a video machine or something or the other and there is still that guy sitting on the side of the road and there is still the pothole...”

Encouraging compliance

Methods suggested in the group for the encouragement of greater tax compliance were reporting the people concerned to SARS. One participant mentioned that he knew that SARS encouraged reporting of internal fraud but did not know how one would go about reporting taxpayer non-compliance. He said, “if you go to SARS office for instance at Carlton Centre you will see a big poster there where you can report SARS officials ... that are corrupt, but not necessarily other taxpayers”.

Another participant, who happened to be a former SARS employee, indicated that a system for reporting individual non-compliance would be problematic because many people would report neighbours with whom they might be annoyed. He estimated that “vindictive” reporting of this nature would account for 75% of reports, a load that SARS would not be able to handle.

Most participants indicated, however, that they would be prepared to report non-compliance if they found out about it. The majority said that they would report it anonymously for fear of reprisal, particularly if it pertained to a situation within their own companies. Another cautionary comment was that it was too complex to prove non-compliance. If someone alleged a scam, one respondent said it would take him up to eight weeks with the assistance of a tax consultant and “pulling this thing to pieces to see what they are actually doing and why they are doing it and what is the thinking”.

Other suggestions were that SARS should focus on being friendly, accessible and business-like. Taxpayers should be treated as clients. One person suggested that non-compliance within thirty days of the tax deadline should result in black-listing as is the practice in business.

Attracting highly qualified staff was another key factor in encouraging compliance. One person referred to the SARS Randburg office as being highly accessible but that the service and advice received depended on the individual with whom one discussed one’s problem. He felt, nevertheless, that “they have got a job to do and I think they are doing it pretty well”. Another mentioned that he knew of senior people from auditing firms who were qualified in international tax matters who had been employed by SARS. This was corroborated by another participant, who indicated that his company had lost three international tax consultants to SARS recently, owing to the “big money” paid by SARS.

Customs

Nobody in the group had had sufficient dealings with Customs issues to be able to comment on the effectiveness of this sector of SARS.

Responses to 2006 budget

There were several mutters about the recent budget because in one view, [the Minister] “took with one hand and he gave with the other, it is ridiculous, he pushed up the company car tax, he pushed up the medical aid, unless you have got twenty children then you get to score. He pushed up the tax on car allowances from 50 to 60 percent and he gave you a measly rebate...” Another participant said that from the salesman’s point of view, he didn’t shout very loud on the medical aid side of it etc. etc. there was a lot of talk about what is coming down, and the others just slipped through quietly”.

SMALL BUSINESS GROUP, WESTERN CAPE

Knowledge and awareness about tax obligation

The first two questions concentrated on why people pay taxes.

1a. Why do you think people need to pay tax?

1b. What motivates you to pay tax or what would motivate you to pay tax? (Follow-up of 1a)

Participants were all in agreement that people have to pay tax so that government can run the country and build infrastructure. Typical comments by the participants included:

- “Infrastructure has to be put in place”
- “Money is needed to run the country”.

When asked what motivates them personally to pay taxes participants overwhelmingly said “to avoid fines”. Some also indicated that they do not have a choice. Compare the following comments:

- “Not having to pay the fines”;
- “Not having to pay the fine is an incentive itself”
- “Well, we do not have choice”.

Another participant were very vocal that he will pay tax if the “money is spent properly” since that should be “enough incentive”. Participants felt that they may be encouraged to pay their taxes if SARS gives incentives to people who pay on time.

Next we asked participants what they understand by tax compliance.

2a. Do you understand what tax compliance is? (Explain in case they seem not to know what tax compliance is)

2b. Do you understand the consequences of non-compliance to tax regulations? (Follow-up of 2a)

2c. What do you think are the real threats to honest taxpayers that are posed by non-compliance by individuals and businesses? This question is too complex for me. I would like to recommend that we simply say: What are the consequences for ordinary tax payers if people and businesses do not pay taxes? Is my interpretation of this question correct?

Most participants indicated that tax compliance mean that you have to be registered as tax payer and that you have to pay your tax on time. Others felt it is about honesty and openness.

Typical comments by the participants included:

- “Be registered and paying on time”;
- “Having to pay tax, you have to pay”
- And “Be honest and open”.

The overwhelming response to non-compliance was that you need to pay a fine or face going to jail. Participants were not sure about the specific amount of the fines but some indicated that it “seems to be quite severe”. Compare the following comments:

- “The main thing being fines”;
- “And secondary being going to jail”;
- “When we read the newspapers, it seems to be quite severe”.

It was also mentioned that non-compliance may result in your assets being taken away from you. One participant specifically said that “I worry that if I do not pay, then, I will have to part with some of my assets”.

Participants reported the following issues when asked about the consequences for ordinary taxpayers when people like yourself and business do not pay their taxes:

- When people and business do not pay their taxes it will lead to an increase of rates for ordinary taxpayers.
- The government will also not be able to maintain the infrastructure and disperse grants to pensioners and disabled people.
- Some participants also said that it will increase unemployment since government will not be able to create jobs.

Participants were then asked what the implications for you are personally when people and businesses do not pay their taxes. It was strongly felt that you will have to pay “higher taxes to subsidise others that are failing to pay”. Other group participants reasoned that service delivery will be influenced. Typical comments by the participants included:

- “Your money that should have been spent in your area would then be spent in other areas if people are not paying. There would be imbalances”
- “At the end of the day, you are then subsidising their standard of living”.

3a. What do you think are the functions of SARS?

3b. Do you think that SARS is doing well in its efforts to make people aware of their tax obligations? (Follow-up of 3a)

The general view among the participants was that SARS are merely collecting tax on behalf of government and that they are not allowed to spend any of the tax. Typical comments in this regard were that:

- “Their function is to collect the money, they collect but do not spend that money and then hand over to different sectors”;
- “They are more like a collecting agency for the government”.

One of the participants felt that SARS at times operate like a secret agency. The participant said that SARS “have access to lots of things that none of us around this table knew about”. When probed to be more specific about what SARS know the participant mentioned that SARS:

- “Know about your bank account”;
- “They know about all your dealings”;
- “And I think, being from the government, they are allowed to”
- “And that is without your permission”.

The overall opinion of the group was that SARS are doing very well in its effort to make people aware of their tax obligations. It was mentioned that SARS has a presence in all the provinces and that they are consumer friendly. Some of the participants also said that you can now deal online with SARS and therefore do not have to stand in long queues. Another participant indicated that you can even take your memory stick or disk to SARS to discuss issues such as your payroll for your staff. It was also felt that the staff of SARS is very helpful and that their offices are more accessible. Typical comments by the participants included:

- “And the fact that they are situated in all the provinces and they are talking the same language, yes, they have improved a lot”;
- “And they are very consumer friendly. I mean, people can actually phone in and ask whatever and that says, they are actually providing a service. If you were to go there, they will help you.”
- “Their staff is very helpful, unlike in the past, they used to be “the” people, the ultimatum but now, they are very helpful. When you feel prepared to chat to them, they are willing to listen and help you out.”;
- “Today, they are more open and friendly to talk to like he said, then in the days, people were afraid to approach them.”
- “Their accessibility through the Internet has also made them easily accessible.”
- “I might be wrong, but I think they are now more available for longer hours, they are more in tune with the business, and there are more of workers now. They are well prepared. They never even take their lunches (laughter).”

All the participants indicated that they use a tax consultant to complete their tax return. They think it is best to leave the tax issues to the experts but are concerned about their lack of knowledge. One participant said that “I think a lot of us are ignorant on this whole issue because we pay people to do these things for us not knowing the real impact of what can happen or what one can do. We obviously pay the experts to do it for us.”

4. If one is found guilty of not paying taxes or submitting late returns, do you think that penalties are sufficiently small/ large to encourage compliance in the future?

Participants all agreed that people need to pay a fine if they do not pay their tax or if they submit their tax return late. It was also mentioned that you can get an extension from SARS therefore people have no excuse if they submit their returns late. One participant indicated that he a paid a fine of R300,00 once but felt the fine should have been more. Other participants also agreed that SARS can impose higher fines. Compare the following statements:

- “Then, I would suggest that the R300.00 was just sufficient, just right. (Cell phone going on). I mean, if you know that you can ask for an extension, then, you still do not adhere, and then you should know that you are going to be fined.”
- “I guess they have to be stricter.”
- “It depends on how many times, for the first time, I think the fine should be made smaller.”
- “And the second time it happens, then, it should be set higher.”
- “I could not agree more.”

5. Do you think you need education on tax matters?

If you were to be educated on tax matters, at what stage in your life should that take place?

A range of opinions were expressed on whether education on tax is necessary and at what age it should start. The consensus opinion is that education on tax is a must but at what age and level it should start varied from participant to participant. Some felt it should begin as early as primary school while others thought high school or when you start with your first job.

Here are some comments from the participants:

- “As soon as they are working and eligible to pay tax.”
- “No, no, I think, at school level, that should be part of school subject.”
- “Just a chapter on tax should be introduced at school level.”
- “I think it can be something that is introduced for future matrics.”
- “From grade eight I should say.”

- “Three to four years before they leave school and venture into the real life out there.”
- “They should know as early as grade seven I agree wholly, they should know where the money is going to, what it is used for.”

Participants also indicated that they need to receive tax education and recommended that SARS should offer seminars to ordinary people and people in business. One participant said that the seminars should focus on the latest tax legislation. Other participants were more concerned with the way the tax education should take place. It was mentioned that seminars should be presented in a simple way. Some felt that the Internet should be used and that information should be presented in English and Afrikaans. One participant felt that guidelines should accompany the tax forms. Specific comments from the participants:

- “I am already in the business; I would benefit more if I have to attend a seminar. I can organise that day so that I can get as much as I can so that I get the real thing to help me with my business.”
- “Well, the seminar in my case, if one of my people were to go there, then, it should not be a holiday but to gather as much knowledge as possible.”
- “Well, in case of a corporate, it might be different but as business people, an everyday thing that we need to do, I think, as he pointed out, if we can have something that we can refer to all the time, we will benefit more.”
- “I want to be informed on the latest legislation.”
- “I am not generally against the seminar but I am saying, it should be presented in a simple as possible way, it should be ongoing so that we are not left behind.”

Culture, climate and level of compliance

1a. What do you think are the motivations that influence (are the drivers of) tax evasion by individuals and businesses in your area?

a. Are you aware of any practices designed to evade tax by either individuals or businesses in your area? Explain.

b. Are you aware of any opportunities provided by SARS to report such cases?

c. Would you be willing to report such cases to the authorities? Explain why and how? (These can be used as follow-ups or prompts in case no reference is made about them)

1b. Does SARS have the capacity and the facilities to detect tax evasion? Explain?

One participant said that lack of information is one of the biggest reasons why people do not pay tax. The participant stressed that people are sometimes not aware that “they do not have to pay tax” since their company was operating at a loss.

Participants indicated that some people deliberately avoid paying tax by “putting money under the mattress” and “paying mainly with cash”. The Taxi Industry was also identified by the participants as one of the industries that get away with not paying their taxes. Some of the participants were of the opinion that tax evasion is a serious offence and that it should be reported. It was even recommended that anonymous phone calls should be made to inform SARS. These were typical comments from the participants:

- “Yes, because they are not properly informed.”
- “People putting money under the mattresses.”
- “People mainly paying cash.”

- “What I am saying is the assumption of people, I am saying, this could be one of the industries that can avoid tax easily. If there could be someone that can go and find out exactly what their income is.”
- “Ja, is there no centre where you call and report somebody and you can get a percentage of the fine that, that person is going to pay.”

Most participants said that SARS have the capacity and the facilities to detect tax evasion. The following comments were received from the participants in this regard:

- “They can”.
- “That is why I even said, they are spies.”
- “I think they are doing a good job there.”

2. Are there certain historical, cultural, moral or religious practices that you are aware of that influence people’s tax compliance?

There was consensus that in the past some people refused to pay their taxes because they did not have political and economic freedom. This change after 1994 and more people started to pay their taxes. However, there are some groups particularly the farmers that are very unhappy about direction in which the country is going and appear to be unwilling to pay their taxes. The participants said that corruption is one of the problems that contribute to people refusing to pay their taxes. One participant indicated that although certain groups like the farmers are dissatisfied with the current situation they are still willing to pay their taxes because of the fines that they will have to pay. Below are some of the participants’ responses in this regard:

- “I am aware of the political practices that happened in the past, there were people that used to say, I am not going to pay taxes because I am not part of the country. Now, all of a sudden, they are part of, there is a reason for and more people are opening up to paying because they now feel part of.”
- “I think that could be the case, there could be a reverse to that thinking, it could be coming from the farmers, the farmers that are disgruntled with what is going on.”
- “Maybe, on the question of corruption. People can turn around and say, there is so much corruption, where is the money going to, and there is so much corruption because the money is going somewhere else.”
- “The thing is, they might not feel like paying but they are going to pay because of the fines that they would have to face if they are not paying. They would pay eventually, the question of not paying, I do not think that would come to that.”
- “I am sure that there is certain people that are saying we are not going to pay and they stick to that. They will say, we are not going to contribute to the government and that is the end of the story. I am sure, there is a certain group of people.”
- “I think the farmers are very enraged, they would not like to pay but they have to because it is law. I believe that taxes have always been paid.”

3. How should SARS create an atmosphere that will make it easy for people to be tax compliant?

Participants felt that SARS has improved tremendously over the last five years. They have embarked on a marketing campaign and most people are aware of SARS. SARS has done well to make sure that people see them as an agency of government responsible for the collection of taxes and that they operate independently from government. People are also much more aware now that they have to pay their taxes than a few years ago. In spite of this

some participants indicated that SARS should increase their information campaigns to be more effective. Typical comments by the participants included:

- “They are there if not done with that already. A lot of people know and they have changed a lot.”
- “They can still give out or send out more information.”
- “We have said earlier on that they do market themselves, they are seen as an Independent Identity and not seen as part of government. They have uplifted themselves to be seen in that light.”

4. Some people think that the best way to cheat the tax system is to bribe SARS officials.

What are your views?

Participants were very unsure whether this is common practice. Most of the participants said that they do not think “SARS officials can be bribed”. It was felt that SARS have strict rules and guidelines that make it very difficult for officials to be involved in bribery or corruption. Not a single participant was aware of any person that has bribed an official. On the other hand one of the participants said that it may possible since “money can still buy anything”. Some comments from the participants are listed below:

- “Is it possible to bribe them?”
- “I think a lot of people have tried but no.”
- “Like for instance, if they say for they do not know, if they do not know for sure, they do not know, they would not know how to make you pay less tax. I think it is just impossible to do that.”
- “There are rules and guidelines that they have to operate under.”
- “We still have to bear in mind that nothing is impossible. We know that money can still buy anything.”

Attitudes and behaviour towards compliance

The next section focuses on people’s attitudes and behaviour towards tax compliance.

1a. People are tax compliant either because they fear being taken to court or because it is the right thing to do. What are your views?

1b. There is a general perception that SARS is feared more than the police. What are your views?

Most of the participants felt that to pay your tax is “the right thing to do”. They also indicated that the public at large will pay their taxes since they are “scared of getting caught” and they also fear imprisonment. Below are some of the participants’ responses in this regard:

- “For me, it is the right thing to do.”
- “Because if they are not paying, they can even go to jail.”
- “People at large are scared of getting caught.”

Participants were divided on whether SARS is feared more than the police. Some of the participants indicated that in past people feared SARS but this is no longer the situation. Others however reasoned that SARS are still feared because they can take away your business. Typical comments by the participants included:

- “Not as much as in the past, people are paying now.”
- “I think SARS is feared more than police because SARS they can take most of your stuff.”
- “And that they can see anything, anywhere at anytime.”

- “But SARS can do more harm to you on business than the police.”

2. What do you think is the role played by tax advisors in tax compliance or non-compliance?

All the participants indicated that they use a tax consultant to complete their returns. The participants felt that the consultants are very good and that they know the tax legislation very well. They therefore prefer to give all the necessary information to the consultant to complete the forms since it gives them more time to concentrate on their business. Some of the participants mentioned that they are concerned not knowing the tax regulations in detail or better since at the end it is your responsibility and not the consultant to pay your tax. Some comments from the participants are listed below:

- “I have a very good tax consultants who negotiates with SARS employees, knows all the ins and out, very helpful.”
- “I mean, they want you to be on the right side of the law, doing the right thing, so, they play a very good role and ensure that they keep you out of danger.”
- “I think at the end of the day, it is the individuals that are reliable that are said to be tax advisors.”
- “But at the end of the day, it sits on your feet.”

3. Do you think the tax system in SA is fair? Explain

Most of the participants believed that the tax system is unfair and they are paying way too much in taxes. Some participants were uncertain about fairness of the South African tax system. These participants indicated that they pay large amounts in taxes but they do not see whether the money is well spent. Typical comments by the participants included:

- “System, I do not think so.”
- “I think we are paying way too much for what we are getting. Why I am saying, if you take a lot of other countries into consideration, they are also paying tax. They will have free medical aid schemes, they will free education and free whatever.”
- “If you take the Budget that has just been announced, people are saying, they are going to pay less tax but people who smoke, who drink, they are paying more on the liquor and cigarettes. It is for this people gone up and do not actually getting anything on the tax.”
- “I think it is unfair.”
- “I really do not know, I hear what you are saying on the government, I am actually not sure.”
- “I also do not know.”
- “That is a cause for concern because we do not see for sure what is being done or how the money is being spent. What we see is the fraction but the other lot, we are not in the clear.”

4. What would you advise SARS to do to encourage tax compliance in industries like taxis, small business, and other sectors of the cash economy?

Participants indicated that all businesses must register and that SARS should ensure that this happen. It was clearly that the participants were very unhappy about the taxi industry and the manner in which they operate. There was a strong feeling that the taxi industry should be regulated since most taxi operators do not pay tax. Participants were also dissatisfied with people in the informal sector that do not pay taxes. On the other hand they acknowledged that it is a very difficult sector for government to regulate. Some participants for example said it is “virtually impossible to pinpoint” the income of people in the informal sector. It was also

stressed that some informal businesses are struggling to make a profit and that it is unfair to tax them. Some comments from the participants are listed below:

- “They must register in order to have a taxi.”
- “Yes, before you can even have the numberplates and stickers that they have, you must show that you are registered, that should be the criteria used.”
- “I think they should pay VAT.”
- “The women that sell at the robots, they are making more money than most of the employed people.”
- “If they can say for an example, if you have a business, then, this is so much that you have to pay tax on, but that is also not fair because some businesses are just for bringing in a little bit and taking it out, like hand to mouth, so, those cannot be expected to pay anything.”

Relationship between economic performance and tax compliance

1a. What is the roles of SARS in the development of the economy?

It was evident from the discussion that participants were very satisfied with the performance of SARS. Most participants indicated that the tax SARS collected has helped government to improve the lives of people. The tax revenue has also enabled government create jobs.

Typical comments by the participants included:

- “I think they are doing well, I think they are there, they are getting the money and that is why I am saying they are doing well. The more they collect from everybody, the better they do.”
- “There is a fair amount of job creating that is one through the monies they make, they are playing a certain role.”

1b. Many South Africans would expect individual tax reduction if the economy does well; for instance if there are changes in petrol price, interest rate or exchange What are your views?

A mix response was received when we asked this question. Some participants felt that tax reduction would encourage people to pay their taxes, while others indicated it is not necessarily the case. Few participants indicated that government is very clever because the reduction in personal and company tax is done against an increase in taxes on cigarettes, liquor and petrol. One participant said that government should only reduce tax if economic growth continues or remains constant. The following comments were received from the participants in this regard:

- “I think, that would be one way of encouraging people to pay tax.”
- “I think that Trevor Manuel is clever or his advisors are because whatever he is giving back on a personal or company's level, he is taking from cigarettes, liquor and petrol. He says you have this and unknowingly, he takes it back from them.”
- “It depends if the government can keep the economic growth rate constants.”
- “Yes and it is only then that they can bring it down.”

2. How do you think the general performance of the government affects tax compliance by individuals and business?

There was general agreement among the participants that you will have to pay whether government performs or not. Participants also mentioned that you have to pay tax in spite of corruption and lack of service delivery. Typical comments by the participants included:

- “All in all, we are going to pay.”
- “And all because of the corruption that is there.”
- “There is lack of services.”

Relationship between tax revenue and government

1. Do you think that people should pay taxes in terms of what they think about the performance of the government of the day? Explain

The participants reasoned that the performance of government play a role when people decide to pay their tax or not. Some said that their must be scale on which we can measure the performance of government. See comments below:

- “Yes, on the performance.”
- “There should be a scale that is used, a norm and one that is based on the performance.”
- “Ja.”

2. Both SARS and the government are involved in various ways in the tax system.

a. Do you think that government controls the activities of SARS?

b. Do you think that SARS has any control over how tax revenues are spent by the state?]

The overall opinion of the participants was that government controls SARS and that SARS has no control over government. SARS are therefore just collecting the tax while government decides how to spend it. Typical comments by the participants included:

- “Ja, definitely.” - Government controls SARS.
- “That is for sure.” - Government controls SARS.
- “No.” SARS has any control over how tax revenues are spent by the state?
- “That is correct.” - In other words, you have a situation where the government is controlling SARS yet SARS have no saying whatsoever in a way, that money is spent?
- “They are playing the part of the middleman.”

Accessibility and efficiency of SARS services

1. How would you describe the efficiency of SARS in assisting both individuals and businesses on tax compliance?

Participants indicated that SARS is very helpful and will assist you any way the can. See comments below:

- “We have said before that they are very helpful.”
- “Yes, they will assist you in any way that they can.”

2a. Tax collection by SARS over last few years has improved tremendously. What do you think are the reasons for this improvement?

Participants indicated that this was discussed earlier. Some participants however felt that SARS has improved because it has offices all over the country, there offices have been upgraded, they are much more people focused, they are more open and transparent. See comments:

- “We also mentioned that before.”
- “I think because they are consistent all over the country.”
- “And that there is so much that is done better because of the request to improve on the infrastructure that need upgrading. So, they had to device a better and good way of collecting more taxes.”
- “And that they are more efficient, they are doing things the open way, they are more on the eyes of the people, and people know what is happening with the monies that they are giving as part of tax.”

2b. Do you think that SARS' campaigns on tax compliance reach the targeted audience?

There was consensus among the participants that SARS are reaching much more people through information campaigns. Some participants also indicated that SARS are more accessible. See Comments:

- "Yes because more people are being informed."
- "And the fact that are easily accessible makes them reach almost everyone."
- "They are getting there, they are working towards that achievement of reaching everybody."

2c. Do you think the media reports on people charged for tax evasions have any impact on potential tax evaders?

Participants said that the media campaigns are an effective way of informing people about what happens to tax evaders. One participant believed that if you publish the names of tax evaders it would encourage people to their taxes. On the hand there will always be those people that will get away, but the bulk is normally caught. Typical comments by the participants included:

- "I think yes, letting the people know what happens to tax evaders. They would rather pay than to face the wrath of the law."
- "There will always be those that get away with it but the majority is caught and the consequences of their doing, is not really interesting, not happy ending."
- "I think, if you mention names, they are published in the press, people have much more fear of doing wrong, they would rather avoid that kind of glamour. (laughter)"

3. Do you think that SARS' offices or points of service are easily accessible? (in terms of availability, visibility and accessibility)

Participants overwhelmingly said that SARS offices are very accessible. One participant indicated that they have extra people moving around the office to help you. They also had additional staff available to collect the tax returns last year. Only one participant complained about "long queues at the Bellville office" but another said that the problem has been addressed. See some comments below:

- "They are."
- "But there are queues in Bellville."
- "Not any more."
- "Last year, there were actually people from SARS that were out there and willing to help people even out there at the robots. If you are in the building itself, there is always people all over, walking along willing to assist you."

4. Have you ever had an opportunity to interact with customs officials on personal or business related matters? What was your experience? (Customs are taxes payable to SARS on goods imported from other countries usually collected from border posts, ports and airport)

Very few of the participants had the opportunity to interact with customs. One participant said that "they have a weird way of doing things". See comments:

- "Yes, if you do imports, yes."
- "They have a weird way of doing things. I have."
- "No, I have not."
- "I have not really had any dealings with them."

5. Do you think that the custom departments at the ports of entry into the country are doing a good job?

As mentioned above very few participants interacted with customs but one said that they are not doing a good job particularly at airports where you have to declare your goods. It was argued that people constantly complain that customs waste their time when they go through the ports. Another participant also said that people also complain that customs dealing with imports and exports are very slow to check and clear the goods. This is not a result of incompetence but rather the lack of skills. Typical comments by the participants included:

- “The part where you have to declare.”
- “The people that are using these ports are complaining all the time because of the time that gets wasted there.”
- “And those that are dealing with imports and exports also complain because of the goods that sometimes it takes four weeks to be checked and cleared.”
- “But I would not say that is incompetence, it is a job that needs to be done. There is a skill that needs to be used in this kind of a job, they know what to do and how to treat customers, it can be locals or foreigners coming in or out.”

LOW INCOME GROUP, LIMPOPO

Why people need to pay tax?

All agreed that it was for the government to meet its obligations such as social development and infrastructure. One of the participants was very cynical by stating:

It is collected so that the big people in Government can enjoy it. In fact, we are working for them and not ourselves.

We pay tax so that houses can be built for those that do not have, so that prisoners can have food everyday, and that old people can have, pension money paid to them and the orphans to be taken care of.

Motivation (or drivers) for paying tax

There was consensus that corruption at high places with those involved earning a lot of money but doing nothing can encourage people to evade paying tax. Another disappointment was that the tax money was used in spoiling prisoners because they eat for free.

Level of understanding of tax compliance

All agreed that if people were tax compliant, it means, they were paying tax. Some indicated that tax compliance is the law that forces people to pay tax.

The consequences of non-tax compliance

All participants saw the price of tax compliance as going to prison. The irony of this was that people in prison are fed by using the same tax. Other penalties involved sale of ones assets such as property. Majority saw no way that people can evade paying tax because even if one was dead, SARS could still claim it from the estate.

Consequences for ordinary taxpayers if some people and businesses do not pay their tax or do not meet their tax obligations

There would be an increment of the amount of tax paid because only a few people would be paying. There was consensus that if the collected taxes were misused, then, delivery of social services would be compromised. There will not be enough money to do most of the needed services. One participant remarked, "SARS officials would not allow it to happen because they get their bonuses based on the amount of tax collected." All the participants did not think that there were people that were not paying taxes because there were special people trained by SARS and sent out to check on people's taxes. In other words, "SARS has big eyes that watch over individuals and businesses. One participant summed it up by stating, "You can run but you cannot hide forever."

Functions of SARS

The participants saw the main function of SARS as that of collecting taxes. However, they indicated some dissatisfaction with some aspects of the how it is done. For example, one participant wondered:

Why when one requests for a reassessment the amount comes out to be different but they never explain how they get the different figures.

Efforts made by SARS to make people aware of their tax obligations

It was unanimously agreed that SARS was doing very well in making people aware of their tax obligations. Some of the methods used by SARS were cited as advertisement on TV. Other media channels did not appear popular among the participants in this regard.

Are the penalties meted by SARS to tax non-compliant appropriate?

There was consensus that the penalties meted by SARS were excessively large. All the participants concurred that if one failed to pay tax on time for whatever reason, hefty penalties were imposed. A participant that complained of the way tax assessment was conducted by stating:

You cannot understand how they do their assessment.

Another participant suspected that some degree of crookedness existed because sometimes people have those monies owed written off and you do not get the reason why.

There was suspicion that people end up paying taxes for others because of negligence on the part of SARS. Another participant disagreed that it was negligence and termed it as inefficiency by saying that "it is not really negligence, if you make a follow-up, you find that they just give you the sorry, sorry stories, they know what they are doing but they are acting as though they made a blunder."

Education on tax matters

Participants felt that people should be educated on tax matters when they start working or when they are liable for paying tax. There was agreement that the formulas used for calculations should be explained because "it is of no use to pay when you do not even understand what you are paying and how the calculations were made."

One participant who runs a business expressed his frustration in trying to understand the many taxes he is expected to pay by saying:

I run a business but have no clue how some of the taxes are calculated. You just pay tax, vat, you don't know how it was calculated; you don't know what is in that vat or tax like the petrol expenses and so on. Now, you come to provisional taxes again, how is it calculated, such things

The calculations of taxes are very complex for an ordinary person. All participants agreed that they needed education on tax matters so that they do not pay the consultants when they could do it themselves.

They all agreed that paying tax was their obligation, but lacked knowledge on how to go about it. This was considered one critical barrier to paying tax that led to wastage of money on consultants when one "can sit down, do the calculations and pay."

Drivers of tax evasion by individuals and businesses

None of the participants was aware of individuals or businesses in the area that were not paying tax. But some were very open in saying that if they had an opportunity they would not pay tax because of lack of delivery of services.

Another issue that was of concern to the participants was the inefficiency of SARS officials in providing accurate figures. This was captured by one of the participants in the following words "For example, they say I owed R6000 in 2004 because of the car allowances but the following year I didn't have a car but I was told that I still owed, why?" Another participant complained, "some times you find that we are earning the same salaries or getting the same

allowances but one person pays more than the other, why? What this means is that simply that, SARS is not consistent. Their formulae are not consistent.”

Completing the tax return forms correctly was seen as critical for tax assessment because of the inconveniences of being asked to resubmit if some inaccuracies were identified. Some of the participants admitted that they approached consultants (also referred to as accountants) to complete the forms for them. However, they indicated their disappointment with some of the consultants whose main aim is to swindle people of money.

Opportunities provided by SARS to report people evading payment of taxes

All participants were aware of the existence of a *corruption help line*. Asked if they would use that process of corruption help line, majority responded in the negative because they did not see what they would gain by doing that? “If by reporting there would be improvement in delivery of service then I can consider” One participant went further to indicate “if the municipalities were not delivering, SARS must leave us alone. They must not tax us because we are not getting any service deliveries.”

SARS’ capacity and the facilities to detect tax evasion

There was consensus that SARS had the capacity and facilities to detect tax evasion. A participant stated:

They should have because people from SARS get their bonuses on how much they get from us or how much money they collect. If they collect more, they get more bonuses.

Furthermore the success in collecting taxes witnessed in 2004/05 could only be attributed to their capacity to identify tax evaders.

Historical, cultural, moral or religious practices that influence people's tax compliance?

There was consensus that people’s tax compliance was influenced by both historical and political practices. If people were politicised not to pay tax, then it is political but can also be historical. This was most common during the years of the liberation struggle where non-compliance was used as a form of resistance to oppression.

It can be religious too because “people pay tithes by taking a 10% from their salaries/income.”

How SARS should make it easy for people to be tax compliant

Most of the participants recommended that SARS should come up with reasonable tax and should not charge interest on what one owes them. SARS could also come up with computer software that would register every employer and all the employees. This will prevent employers from cheating on tax. The reasons for this are that, we have people working in the rural areas, in the shops or warehouse, and construction sector who could observe that someone was making money but was not paying tax. They would report such individuals or businesses to the authorities.

Cheating the tax system by bribing the SARS officials

All agreed that one could evade paying taxes by bribing SARS officials. One of the participants was affront in saying “you either pay less or not pay at all.” An example was given of someone who owed SARS about R600 000.00 but only paid R10000 to a SARS official to have the total amount written off.

Another reported case of corruption was of a SARS’ official resulted in him being apprehended because he collected money from many people, but failed to clear their taxes.

Most of the people that had given him money found out that they were still in the red and reported him. There was consensus that corruption should not be encouraged through bribing SARS officials.

Pay tax for fear of being taken to court or because it is the right thing to do

They felt it was both, because if one didn't pay s/he was taken to court and sometimes one pays because it is a must. People get discouraged to pay tax because of the high taxes charged. One participant captured it this way "you find that the tax that is taken from your pay is half your salary, so you are tempted to go and bribe someone so that you get something back."

General perception amongst people that SARS is feared more than police

People are scared of SARS because they could auction their property. They also attach other assets and one becomes embarrassed in the community. One participant alluded:

If SARS was a person, I would definitely say, it is a very cruel person because some demands on taxes are very unrealistic.

Unfair treatment by SARS was also cited by a number of respondents. For example, they cited the big names in South Africa who owe tens of millions of Rands to SARS, but are allowed to pay some, and then negotiate on how to pay the balance. But when it comes to an ordinary person because he/she is not so much known, SARS is very harsh.

The role/s of tax advisors on tax compliance

There was consensus that they have a way of sorting things out if in a mess by helping in completing the forms, and advising on how to do things so that one could get taxed a little less. Other participants felt that tax advisors at SARS were not helpful at all because they did not help in the calculations but just showed where to write one's name and nothing else.

The role of independent tax advisors

They were considered very helpful because they helped not only in completing the tax return forms but also worked out the calculations and somehow the tax would be less. They were considered shrewd on tax matters and knew how to cheat on tax.

Is the tax system in SA fair?

There was general consensus that the tax system is not fair and people are forced to pay a lot of taxes. A number of reasons were cited such as "for every income that you get, you have to be taxed", also there are times that "for people getting the same salary, one is taxed more than the other one, and that is totally unfair." Other complained of the many types of tax, for instance "you pay tax through salary, you get to the shop and you pay tax, you invest you pay tax, you stop you pay tax, everywhere, you just pay tax. You retire, you still pay tax, you die you pay tax."

People are taxed from all angles.

What would you advise SARS to do to encourage tax compliance in industries like taxis, small business and other sectors of cash economy?

One participant was very creative on how SARS could help people in the cash economy "get the financial institutions to assist these people because you are getting money from them". SARS can also provide start up capital to them and then get the money back through taxes.

Others suggested that SARS should provide soft loans to people in those sectors, "this way they cannot run away from them because they are indebted to SARS."

The role of the SARS in the development of the country's economy

Majority of the participants did not think that SARS was directly involved in the development of the country's economy. SARS collects money and gives it to the government. The decision on how it is spend rests with the Government.

One participant thought "they do help in terms of building the hospitals, making or amending some of the things in the locations, those are paid with the money from SARS. Things like education and so on. And also in providing with the children's grants."

Individual tax reduction if the economy does well

There was consensus that tax reduction would be welcome by everyone. One respondent pointed out "there was nothing nicer than having a tax reduction. If tax is reduced, all I want to see is my tax to be low. If I can check my pay slip and see the difference there, I would be happy. Irrespective of whether petrol or interest rates went up, I would welcome a tax reduction." Another pointed out that the tax relief given by the Minister of Finance in his budget is the result of the economy doing well.

There was consensus that when the economy improves, there should be a tax reduction. Very interesting two opinions, whether things are high or up, reduction is always welcome.

Does the general performance of the government of the day affects tax compliance by individuals and business?

Participants differed in their response to the question with some saying "whether you pay tax or not, the government is never satisfied and never fulfills most of the promises." There was consensus that "whether the government is doing well or not, one has to pay tax." Others agreed that the performance of the government affects tax compliance. One respondent was very firm in saying that "you cannot pay tax when you are still walking on the gravel road even today." However, others were sympathetic by saying "if we don't pay, we are creating a burden for ourselves and the government that is there."

The participants felt that the performance of the government of the day would somehow affect tax compliance behaviour of its citizens.

Do you think that the government controls SARS?

According to one participant "the Government does not control SARS because there is so much corruption within SARS and if the government were in control, things would be running smooth. Furthermore, SARS is running things on its own and have their own cops."

Do you think that SARS has any control over how tax revenues are spent by the state or the government?

All agreed that it is the duty of SARS to collect money and give to the government. Some felt that SARS controls the government as they are collecting tax and then handing over to the government. One participant correctly indicated, "SARS is there because of the legislation of the government and if it were not for that, they would not be existing."

Efficiency of SARS in assisting both the individuals and the businesses on tax compliance

There was a “no” consensus on the issue. SARS was perceived as not providing adequate assistance especially on tax calculations to people and were only concerned with getting more tax from people. SARS was accused of putting imaginary numbers without doing proper assessment. Some participants pointed out that “having local people working at the SARS offices is a disadvantage because they see you driving a big car and they become envious, they then want to clamp on you. Corruption also starts there because of envy and wrong people are put into trouble over nothing.”

Improvement of tax collection by SARS

Could be because of more people getting into formal employment and paying taxes that is reflected as growth. Getting money from different angles may reflect as growth or improvement. It was reported that they have also given extension of deadline, which they have managed very well and people are now allowed and willing to pay later. SARS has been able to close loopholes where those who import/export things like cigarettes were never detected, but SARS has developed a strategy of catching them. SARS has been able to catch up with the people dealing with offshore investments, or people investing outside who were not paying taxes. Through these efforts so much has been collected through businesses and not on individuals.

SARS itself, do you think their campaigns on tax compliance reach the targeted audience?

There was consensus that they were not reaching all the targeted people. Efforts have been made however, to reach everyone through the media. One participant pointed at the problem of access by stating “there are some people that are staying in the rural areas who have no access to TV's, but you do not see SARS going there and distributing pamphlets for people to read, but you see them attaching goods in the rural areas.”

Do media reports on people charged for tax evasion have any impact on potential tax evaders?

There was consensus that it does. “If you are to see prominent people being arrested for tax evasion, you think, what about you, who is not as prominent as them”. Another participant agreed by stating:

It does really make an impact because, your conscious is checked in one way or the other.”

SARS offices or points delivery, of service, are they easily accessible?

There was consensus that SARS' offices were accessible to those who were staying near towns but not for those in rural areas?

Have you had an opportunity to interact with custom officials on personal or business related matters? Do we all know what custom officials are?

Most of the participants were aware that custom officials were found at the border gates but many have never interacted with them. Only a few have crossed the borders. Their experiences were that custom officials are not serious with what they are doing at the gates. They do not even bother to come out to search. They just sit there; look at the passport and that is it. Some however, confessed having had a positive experience.

There seemed to be confusion about the difference between a Home Affairs and Custom official. One participant agreed on personal level that he could not make the distinction but

on business especially when one is doing export, obviously SARS would be interested to know what you are dealing.

Is Customs Department at the ports of entry into the country doing a good job?

There was a general agreement that Customs Department at the ports of entry into the country is not doing a good job. Participants cited examples such as illegal importation of “Hong Kong cigarettes” and other types that make smokers cough, because they are not good. They attributed this to corruption at the customs. Another example was the illegal immigrants from Zimbabwe coming through the right channels to our country. “They pass like legal people and are helped by the custom officials.

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Why pay tax?

Most participants gave as their reason for paying tax the fact that they wanted to keep the country going. The following quotations illustrate this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:3)

“R: I suppose to keep the roads.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:4

“R: To maintain the country.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:6

“R: One has to pay tax; I mean I don’t think that you can get away with it you know.”

Whilst participants are of the view that paying tax is to keep the country going and to spend money on infrastructure, there are those who feel they are compelled to because they are on the PAYE system and they can do nothing about it, as the following quotation illustrates.

P 2: SARS - HI INCOME GAUTENG.doc - 2:7)

“R: You know what I have seen? unfortunately I am ‘pay as you earn’, so I am a captive audience I have no choice, okay, but there is a lot of people out there that maybe need an incentive because there are a lot of people who are ducking and diving taxes, there is no two ways about it.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:8

“R: You are working for an employer so you have no choice.”

Motivation for paying tax:

It seems that it is not so much motivation but rather the fact that people are held captive through paying PAYE. Another factor is that, through the FICA act, SARS has access to everybody and therefore there is nowhere to run.

The following quotations illustrate this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:15

“R: The captive audience, such as people who are employed, we are the easy target, we have to pay X amount, X percent, the government needs X amount of money and they will get it one way or the other. So therefore, if you have a targeted audience, because we are employed, we have got records and we have got this that and the other, if they need X amount of billion they will take 30% of ours. If everybody was paying taxes, maybe they would take 18% of ours.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:16

“R: the thing is, today, like he said, SARS has got access to everybody, all they need to do is get into your bank account and they have ways and means.

P 2: SARS - HI INCOME GAUTENG.doc - 2:17

“R: FICA requirements and all of that in, there are ways of catching out people. Look, it is going to get harder and harder.”

The other motivating reasons for paying tax are illustrated in the following quotations.

P 2: SARS - HI INCOME GAUTENG.doc - 2:10 Codes: [Motivation/drivers for paying tax]

“R: I mean basically tax is eating into people’s income. I mean most people view it as being too expensive at the moment, so you can dodge it if you can, the motivation would be to make taxes reasonable.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:15 Codes: [Motivation/drivers for paying tax]

“R: The captive audience, such as people who are employed, we are the easy target, we have to pay X amount, X percent, the government needs X amount of money and they will get it one way or the other. So therefore, if you have a targeted audience, because we are employed, we have got records and we have got this that and the other, if they need X amount of billion they will take 30% of ours. If everybody was paying taxes, maybe they would take 18% of ours.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:16 Codes: [Motivation/drivers for paying tax]

“R: the thing is, today, like he said, SARS has got access to everybody, all they need to do is get into your bank account and they have ways and means.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:25 Codes: [Motivation/drivers for paying tax]

“R: Yeah, because we have got tax numbers, someone who doesn’t have a tax number doesn’t pay.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:34 Codes: [Motivation/drivers for paying tax]

“R: Yeah, you have got the Internet now, you can get all the information that you want.”

The consequences of non-tax compliance:

It would seem that the consequences of non-compliance is mostly that fewer services are available to people and income tax increases for those who are paying. The South African Revenue Service also charges interest to those who do not comply.

The following quotations illustrate the above.

P 2: SARS - HI INCOME GAUTENG.doc - 2:18 Codes: [Consequences of non-tax compliance]

“R: Well another consequence is fewer services are available to more unfortunate people.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:19 Codes: [Consequences of non-tax compliance]

“R: They charge penalties and interest for those who don’t”.

P 2: SARS - HI INCOME GAUTENG.doc - 2:26 Codes: [Consequences of non-tax compliance]

“R: For every rand that is not paid in, we have to pay it in.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:27 Codes: [Consequences of non-tax compliance]

“R: At the end of the day, every rand that is evaded, the captive audience has to pay. It is as simple as that.”

Opportunities provided by SARS to report people evading payment of taxes:

Type: Reporting tax evader

It would seem as if the existence of a fraud line to report those evading tax may not be as effective if people hate to snitch those who are closer to them. Another reason for refusing to report is that it is culturally inappropriate to snitch one's close relative to authorities.

The following quotations illustrate this argument:



Reporting on tax evaders

It would seem as if the existence of a fraud line to report those evading tax may not be as effective if people hate to snitch those who are closer to them. Another reason for refusing to report is that it is culturally inappropriate to snitch one's close relative to authorities.

[2:29][181] R: Are you going to phone in a..
 R: Are you going to phone in about your sister who is not, who is doing little jobs on the side?
 R: No.

[2:67][413] R: I am not going to split on ..
 R: I am not going to split on my uncle, cousin or brother.

[2:68][415] R: What I am trying to say is ..
 R: What I am trying to say is that there are different cultures in South Africa, I mean within the cultures, lets say this thing of reporting the fraud line, I mean if you come to our side, you can't snitch on anybody because it has been frowned upon, it has been stigmatized, so I mean even for the right thing we find it difficult.

supports

supports

Other quotations associated with reporting on tax evaders were the following:

P 2: SARS - HI INCOME GAUTENG.doc - 2:28 Codes: [Reporting tax evaders to SARS]

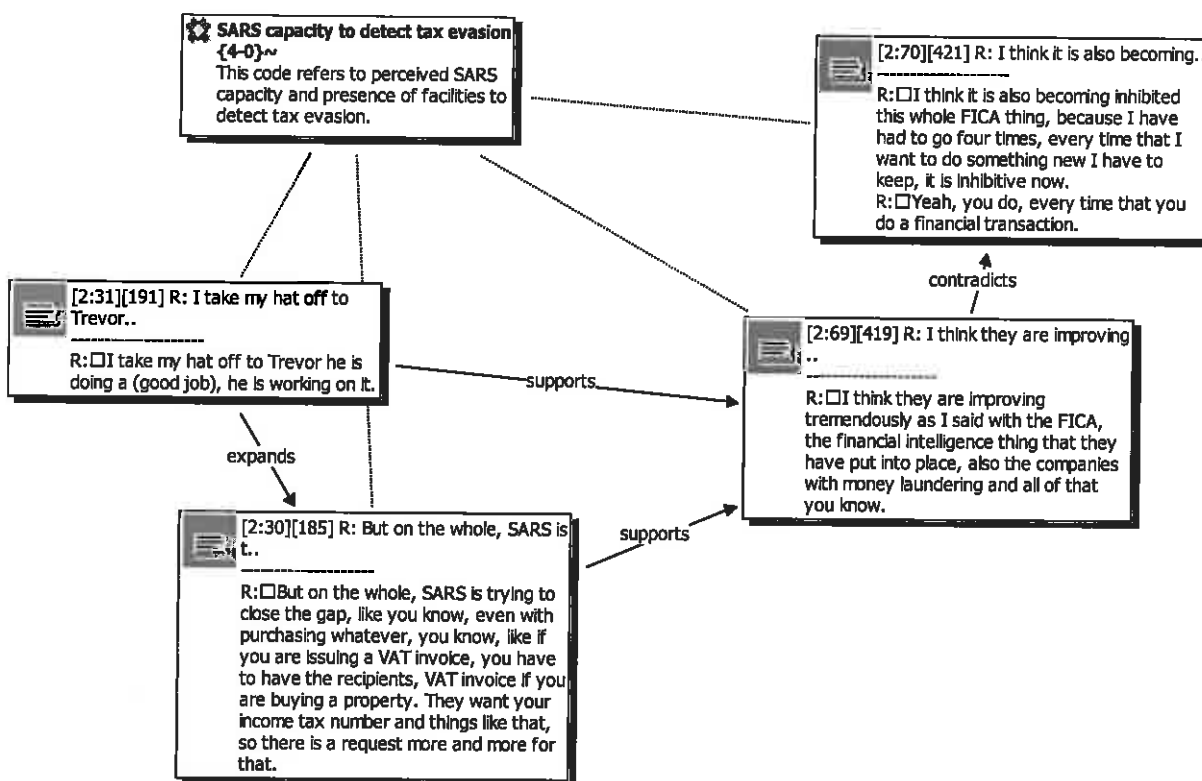
“R: But SARS has got a fraud line, if you suspect somebody, you just phone them and it is all confidential.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:66 Codes: [Reporting tax evaders to SARS]

“R: Yeah, there is a fraud line where they say if you know of anybody, it is totally confidential, you can phone in, that has been in process for quite a while.”

SARS capacity and facilities to detect tax evasion:

Overall, participants were impressed with SARS capacity and facility to detect tax evasion. However, there was some concern that the Financial Intelligence Centre Act (FICA), though enabling SARS to detect tax evasion easier, was becoming quite bureaucratic and prohibitive. The following table illustrates this in a visual fashion.



How SARS enables tax compliance:

It would seem that one of the difficulties with getting through to SARS is that their phones are continuously engaged. The other problem is that there are many people using the call centre. The following conversation illustrates this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:43 Codes: [How SARS enables tax compliance]

“R: I am in Jo’burg, so you would imagine, I can’t get through to any of the numbers.

R: But you can go to any Receiver, you can go to any SARS office.

M: Just a point of interest here, when you say that you cannot get through, what do you mean, it is perpetually engaged or maybe when you get there you cannot get help?

R: It is engaged, continuously engaged, I am telling you, you can try the whole day it is continually engaged.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:44 Codes: [How SARS enables tax compliance]

“R: I know that they have got a call centre as far as I know, they have improved I know, but again if the call centre is that busy, you know how many people there are as opposed to call centre people, I mean it is millions.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:150 Codes: [How SARS enables tax compliance]

“R:....when you phone through and whoever has taken that call initially must know who, what is your circumstances, who to put you through too so that the end, by the time you are put through that person must be able to help you and not pass to 101 people and I think that Jo’burg particularly is so big that they were just not coping with the calls and the actual queries which were coming through and I think that actually is important thing that they need to look at, how many people are out there as opposed to how many people are in their call centre, or taking the calls and assisting with the queries.”

Historical, cultural, moral or religious practices that influence people’s tax compliance:

There seemed to be no historical, cultural, moral or religious practices that influence people’s tax compliance. The only conversation resembling some kind of moral issue was the following comment:

P 2: SARS - HI INCOME GAUTENG.doc - 2:72 Codes: [Historical, cultural, religious practices]

“R: I think what would make people more tax compliant is when they find it fair across the board cause I am paying a bucket load of taxes but I can’t go to a government hospital, I then still have to pay over and above all of that medical aid, because I earn too much to go to a government hospital which I am paying for.”

How SARS should make it easy for people to be tax compliant:

It would seem as if that one of the mechanisms at SARS disposal to improve tax compliance would be to account for the money collected, as in the following quotation. What is also coming out is that an improvement in infrastructure will account to where the money is going and therefore improve tax compliance. Moreover, government must not be seen to be wasting money in building white elephants.

These are the comments made by participants about this matter:

P 2: SARS - HI INCOME GAUTENG.doc - 2:75 Codes: [Mechanism to improve tax compliance]

“R: They must be receiving billions in VAT payments, I have to pay my VAT across because even an insurance premium you have to pay VAT in this country, and we don’t even see where that money is going too.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:76 Codes: [Mechanism to improve tax compliance]

“R: Where the money is supposedly going, none of that is functioning.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:77 Codes: [Mechanism to improve tax compliance]

“R: Here we are sitting with hospitals and they have no beds.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:78 Codes: [Mechanism to improve tax compliance]

“R: Roads are broken.”

R: No roads which are functioning, no improvements in the road structure.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:79 Codes: [Mechanism to improve tax compliance]

“ R: Like their hospitals and that there are people who are dedicated there and yes it is a job to them, they have dedicated their lives to the sick people and they are tending to the elderly or the youngsters or the kids who have got really bad you know bad diseases and things like that, if you look at some of the government hospitals and that they are poorly bedded, they are poorly staffed, they are poorly, so they need to look at that and say what is happening to those taxes, why is this not being improved to a point where the people who do go, like us that could go there, they could benefit from it.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:80 Codes: [Mechanism to improve tax compliance]

“R: But I know also because of the construction they build these clinics in the rural areas which cost four to six million rand, fully kitted not in use, they have got security going around because none of the nurses want to go and work in the rural areas and the doctors, so you have got these clinics with the cost of four, six maybe even more scattered around.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:87 Codes: [Mechanism to improve tax compliance]

“R: I don't think it is that easy in SARS but you know it is not really the point of who is evading taxes and whatever, there is a hell of a lot of income going into SARS, but where is it going, what is it being utilized for.

R: That is true.

R: Exactly.”

Cheating the tax system by bribing SARS officials:

It would seem that whilst most participants are aware of the difficulty of bribing a SARS official, largely because one can never be sure who audits the tax forms, there is a minority view that one can do it if one tries hard enough, as in this quotation.

P 2: SARS - HI INCOME GAUTENG.doc - 2:86 Codes: [Bribing SARS officials]

“R: I think bribing a SARS officer, I mean, it doesn’t matter you are always going to get someone who is going to want to bribe somebody whether it is the police, the SARS office, it doesn’t matter somebody is always going to try it, whether they get away with it is another story, it depends on the person who is corrupt within the company, I mean in every company you get corrupt people.”

Also the following comment seems to suggest that SARS is corrupt:

P 2: SARS - HI INCOME GAUTENG.doc - 2:24 Codes: [Bribing SARS officials]

No memos

“R: Isn’t SARS corrupt? I mean maybe there is corruption within SARS; people within SARS are actually stealing money, whatever, who knows.”

However, the following comments seem to suggest it will be folly to bribe SARS officials.

P 2: SARS - HI INCOME GAUTENG.doc - 2:83 Codes: [Bribing SARS officials]

No memos

“R: No you don’t take a chance because they could be spies for SARS and the next thing.”

P 2: SARS - HI INCOME GAUTENG.doc - 2 Codes: [Bribing SARS officials]

“R: No what I am saying even if you give money at that time, because the information is there then, if they decide to pick you for auditing whatever you have paid them it will come back to you.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:85 Codes: [Bribing SARS officials]

“R: They usually do audit you if your return is over R2000.00, so it is not just one person looking at your form.”

Attitude and behaviour toward tax compliance:

Pay tax for fear of being taken to court or because it is the right thing to do:

The one participant who answered this question was of the opinion that it had nothing to do with it being the right thing to do but rather because one is forced to by workday practices.

This is how the participant said it:

P 2: SARS - HI INCOME GAUTENG.doc - 2:89 Codes: [Attitude and behaviour toward tax compliance]

“R: I don’t think it is because they think it is the right thing to do, I just think it is because that is what has been instilled in them from the time that they worked, that is how it works, that is what gets deducted, you accept it or you don’t work there.”

General perceptions amongst people that SARS is feared more than the police:

The rumour that SARS is often feared more than the police seems to be validated by the following two quotations.

P 2: SARS - HI INCOME GAUTENG.doc - 2:93 Codes: [Attitude and behaviour toward tax compliance]

“R: The police leave me alone.

M: Is that true?

R: That is true, because, that is what I did, you know after they haven’t replied to me, I thought I don’t want to get into trouble, that is why I had it stamped to say you know I have submitted, but they didn’t send (unclear) before I went there.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:96 Codes: [Attitude and behaviour toward tax compliance]

“R: I know some people fear SARS terribly, because it is like talking on your cell phone in your car, when you get caught it is R500.”

The role of tax advisors on tax compliance:

There seems to be confusion between the definition of a tax advisor and someone who feels in a form for one.

“R: Can you clarify tax advisors and people who fill in your tax form?

R: Tax consultants are one thing and then you get people who are, “Okay give me all of your information and I will fill it in for you”, I never see them, mine is in Cape Town.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:100 Codes: [Role of tax advisors]

“R: Tax advisor and tax consultant as opposed to someone who fills in your tax form is a different thing.”

However, one participant likens the definition to that of insurance brokers and suggests that they also fall under the Financial Services Board. Most of these tax advisors seem to have worked for SARS and left to become independent advisors.

P 2: SARS - HI INCOME GAUTENG.doc - 2:102 Codes: [Role of tax advisors]

“R: Tax consultants or advisors are they like what insurance brokers have become now. They have to be member of the Financial Services Board, register with the Financial Board or are they just a man on the street as well? Are there regulations, you work for an auditing firm, everyone takes it for granted that you can go to an auditor and he will charge you accordingly and he will do your tax return for you. I have a guy who is an accountant for an insurance company that does my tax returns for me and does the company tax and pays the VAT every quarter, I think some of these guys who stick up a board outside their place and say they are tax consultants all they can really do is fill in the forms.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:103 Codes: [Role of tax advisors]

“R: You find it is a lot of the older SARS guys who have left SARS and became that, this guy was one of them, so you actually trusted him because he knew the ins and outs.”

One also finds that participants think that it is older SARS officials who left SARS employ and became tax advisors, as the following quotation illustrates:

P 2: SARS - HI INCOME GAUTENG.doc - 2:104 Codes: [Role of tax advisors]

“R: You find it is a lot of the older SARS guys who have left SARS and became that, this guy was one of them, so you actually trusted him because he knew the ins and outs.

M: Sorry, sorry.

R: He knew the connections, you know so you trust him because he knew everything and at the end of the day our fingers got burnt so I would never trust anybody again I would rather battle and do it myself.”

Is the tax system in South Africa fair:

The general consensus seems to be that the current tax system is unfair.

The following quotations illustrate this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:109 Codes: [Fairness of the tax system]

“R: Basically I mean the tax system is unfair as he has pointed out, (unclear) the amount of money where you start getting taxed, pay tax, those people as you say you can't go to hospitals, the government delivery they say is geared towards the poor, so I think that the delivery should be towards everybody, you have a choice if you don't want to use that facility you don't have to.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:110 Codes: [Fairness of the tax system]

“R: But I was really jerked that they dropped the percentage on transfer, or VAT for properties for companies, because the majority of the big companies or whoever, you know they can afford to pay more so why don’t they get more revenue in from there, how much money are they putting in their pockets anyway, that they are not sharing with their staff or whatever, and I have, I just feel that they should have raised it, rather than drop it.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:115 Codes:[Fairness of the tax system]

“R: But if you look at it, I mean in a way, the whole system is unfair on guys like the taxi guys, because I mean if you look at large companies, the public utility companies, they get huge subsidies, but the taxi guys don’t get.”

What would you advise SARS to do to encourage tax compliance in industries like taxis, small business and other sectors of the cash economy?

It would seem that participants agree that the informal/secondary or cash economy is the one that escapes being compliant as this quotation illustrates.

The following three quotations illustrate the argument above:

P 2: SARS - HI INCOME GAUTENG.doc - 2:111 Codes: [SARS encouragement in cash economy]

“R: Trawl the net as wide as possible and catch, do me a favor I can see people living way beyond a non taxable means, so it must be easier enough to go out there and find these people, who aren’t paying taxes but they are living in a nice place, in Eagle Canon and what, there are lots of them, there are lots of people that are earning good money and not paying one cent.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:114 Codes: [SARS encouragement in cash economy]

“R: But the majority of taxis are owned by you know people who have got a whole lot of them, you know, you know it is like actually they have to get hold of the person that owns all those taxis that are...

R: It is cash.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:117 Codes: [SARS encouragement in cash economy]

“R: You look at Putco, what Putco is getting and what service they are getting they are giving, they are getting quite a lot of money, they are making their profits solely on

subsidies, cause their buses are running half empty most of the time, or they only run at peak hour.

R: But at the end of the day don't you think the people are looking at it, the taxis is a company, okay, people who run taxis it is their company, so what other company gets subsidies so that is the mindset of people, they are saying fine why should the taxis get subsidies if other companies are not getting subsidies.

R: They are providing a public utility service.

M: Okay, now we are talking taxis.

R: The only way that they could actually try and control it is, the guys who own and run taxis have to purchase a vehicle so you know can't they get them like that, they have got to have proof."

Encouraging tax compliance in small businesses:

It would seem that a few participants think that the loophole in SARS efforts to have greater tax compliance is in not pursuing informal earners and private businesses as this quotation seems to suggest.

P 2: SARS - HI INCOME GAUTENG.doc - 2:92 Codes: [Attitude and behaviour toward tax compliance]

"R: The biggest hole is the informal earners and private businesses and the guys who are doing building and plumbing, green grocers on the corner, these guys are earning more than I am I will tell you that much and they are not paying taxes."

Other comments were as follows:

P 2: SARS - HI INCOME GAUTENG.doc - 2:20 Codes: [SARS encouragement in cash economy]

"R: I think what needs to be done as well, is to employ more people than to look on the self-employed, because most of the time..."

R: But the self employed pay provisional tax up front and then they get audited.

R: Only if they are known."

R: Only if the government knows."

P 2: SARS - HI INCOME GAUTENG.doc - 2:114 Codes:[SARS encouragement in cash economy]

"R: But the majority of taxis are owned by you know people who have got a whole lot of them, you know, you

know it is like actually they have to get hold of the person that owns all those taxis that are .

R: It is cash.”

There was however, some kind of argument between participants about whether SARS encourages small businesses like taxis or not. The following conversation illustrates this:

P 2: SARS - HI INCOME GAUTENG.doc - 2:116 Codes [SARS encouragement in cash economy]

“R: But the taxis get, they do, petrol they do definitely, you never see a taxi in the local petrol station, never, never, never, because they have their certain.

R: What they have done is set up those petrol stations, the associations, the government is not contributing anything, that is the money that they have pooled together to have their own service stations which they use.”

Government performance and tax compliance:

In so far as people feel that some of the government requirements, like the FICA act is cumbersome, then they feel this affects tax compliance, as is noted on the following quotation.

P 2: SARS - HI INCOME GAUTENG.doc - 2:123 Codes: [Government performance and tax compliance]

“R: As I say they are closing the gap more and more with these FICA requirements, there is basically nothing that you can do without supplying FICA documents and your FICA documents are who you are, where you live, physical address and whatever they are and they will eventually catch up with you.

R: I can go to the police station and say I live here, stamped, thank you.

R: That is not acceptable really, you have to proof, either an account or a utility or something like that.

R: I rent from a landlord who.

R: The landlord has to do your name and a letter.

R: Give me a letter, thank you.”

Do you think that government controls SARS?

Many participants think that government does not control SARS as such but rather uses SARS to collect its revenue. This is shown by the following quotations.

P 2: SARS - HI INCOME GAUTENG.doc - 2:128 Codes:[Government control SARS revenue]

No memos

“R: SARS does the collections and the government controls the money.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:130 Codes:[Government control SARS revenue]

No memos

“R: Trevor Manuel goes to SARS and they have their monthly meeting and he says how much have you brought in this month.

R: How much have I got in my pocket this month?

R: How much still needs to be collected, okay collect that one.”

SARS efficiency in assisting both individuals and businesses on tax compliance:

This section refers to accessibility and efficiency of SARS services. Most people thought that SARS was efficient. However, they could be more efficient if they ask tax returns throughout the year instead of once a year as the following quotation indicates.

P 2: SARS - HI INCOME GAUTENG.doc - 2:133 Codes: [SARS efficiency]

“R: They should do it right throughout the year, not just before your tax return is due.”

These are some of the suggestions that were made by participants to SARS so that efficiency could be improved.

P 2: SARS - HI INCOME GAUTENG.doc - 2:131 Codes: [SARS efficiency]

“R: I think they need to advertise you know, like the service that you are saying, you can go to SARS and they can explain.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:132 Codes: [SARS efficiency]

“R: Yes, if the person or the business approaches SARS, if the individual or the business is aware or is going to be compliant, they could approach SARS and they would help them but it is not readily available, I don't believe that it is readily available, as to help the individual, you know whereas the individual the man in the street, how many people know that they can call and make an appointment go and see them and get the help, I don't think enough people know that.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:134 Codes:[SARS efficiency]

“R: they should advertise and put more offices close by, you shouldn’t have to go to Randburg and in the mean time you are staying in Sandton or you know far away, where I am staying I have to go to Johannesburg.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:140 Codes: [SARS efficiency]

“R: I think they have improved quite clearly because they have employed high caliber staff in order to, they simply went out and hired some top guns.

R: And they did improve, now somehow in the last year or two they have slipped back to their old system.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:143 Codes: [SARS efficiency]

“R: For more efficient gathering of tax is by targeting and finding the right people.

R: Absolutely.

R: Qualified people doing that job.

R: Absolutely.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:166 Codes: [SARS efficiency]

“R: They really have improved, they are trying their best at all times to improve.

R: No, they have improved.

R: It is awareness.

R: The more they catch the less I have to pay.”

SARS campaigns on tax collection:

There seems to be some who think that campaigns should be like those done for other big communications campaigns like AIDS awareness whilst others complain that SARS is not as evident in the public mind as they should, with no radio adverts to speak of. The following quotations refer:

P 2: SARS - HI INCOME GAUTENG.doc - 2:141 Codes: [SARS campaigns on tax compliance]

“R: Like what they used to do with this AIDS awareness, they used to send people to all of the companies to talk to people about AIDS, they could do the same thing and talk about tax, you know, get somebody who would speak to the different levels of people in the company.”

P 2: SARS - HI INCOME GAUTENG.doc - 2: Codes: [SARS campaigns on tax compliance]

“R: Yeah, you never see them you know, you never ever see them, maybe now and then you will hear something on the radio.”

The impact of media reports on those charged with tax evasion:

It would seem that whilst people agree with high profile media reports on those charged with tax evasion, like the Brat Kebble case, people also feel that people should also be charged at local level, like ordinary level or something like a traffic like tax blitz. The following quotations illustrate this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:146 Codes: [Media report on those charged with evasion]

“R: Some people are not scared, if you think of the Brett Kebble story and how he evaded them and he used to just get away with it, they think that money.”

“R: The closer it gets to home, in terms of a media report, if it doesn't touch you, then it doesn't affect you, the closer those reports get to, if it is close to you in someway or other then whoops I had better go and do something.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:147 Codes: [Media report on those charged with evasion]

“R: The closer it gets to home, in terms of a media report, if it doesn't touch you, then it doesn't affect you, the closer those reports get to, if it is close to you in someway or other then whoops I had better go and do something.”

Interacting with SARS officials on a personal or business related matter:

Whilst participants acknowledge a loophole with airport customs, others feel that it is not at airports that most goods pass through but rather through (ship) containers.

The following discussion is a case in point.

P 2: SARS - HI INCOME GAUTENG.doc - 2:156 Codes: [Interaction with customs officials]

“R: They have got huge loophole at the airport customs, you know, no nothing to declare that is it.

R: That is the chance you take.

R: Yeah, I know but I think it is a huge loophole as well.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:157 Codes: [Interaction with customs officials]

“R: There is a huge loophole of income that is coming in there as well, because I think there is a lot of people that know how to.

R: It is not coming in with people carrying it in, it is coming in containers.

R: You can't take enough through there to make a dent in the economy.

R: Yeah, but still.

R: The loopholes is not happening through your airports personally people walking in and out.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:158 Codes:[Interaction with customs officials]

“R: I don't think there is any follow through in that as well, you know that, I mean, there isn't anybody really checking, you know stuff that you are bringing into the country, even if it is just a camera or whatever you know, every tenth person is bringing in a camera you know.

R: And what about all of the illegal people in the country, how do you get them to pay tax, they are spending money here bringing in the drugs and corruption and they never pay tax.”

Is the customs department at the ports of entry into the country doing a good job?

It would seem that, whilst there is general agreement that customs officials have improved their performance, they are still hampered by their small numbers.

The following quotation illustrates this.

P 2: SARS - HI INCOME GAUTENG.doc - 2:159 Codes: [Customs official performance]

“R: Look at the guys who stand on the street corners selling DVD's that haven't even come out in this country, or have just come out, they are standing on our street corners.

R: Those are copies.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:160 Codes:[Customs official performance]

“R: But I think that the customs guys have improved, they have improved as well.”

P 2: SARS - HI INCOME GAUTENG.doc - 2: Codes: [Customs official performance]

“R: If you look at places like Beit Bridge, I mean the traffic grinds to a halt because they know they are smuggling goods through there and they focus on it. They are rated on how much they bring in.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:162 Codes: [Customs official performance]

“R: I have just done a trip around Europe, five countries in Europe last month and I go in and out of countries, and it is a whole image of the country, I mean I move in, boom, show my passport and it is efficient, but I get to South Africa and it is WELCOME BACK!! The queues were a mile up to the escalator and he guys go (laughter).”

P 2: SARS - HI INCOME GAUTENG.doc - 2:163 Codes: [Customs official performance]

“R: Yes, I believe in the need for security and all of these things, if you have the need for it then staff up for it, don't have 5000 people going in one door, then increase the doors, make sure that people feel good, they arrive they have just had a 15 hour flight, they come, they must be processed quickly and they must enjoy the country.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:164 Codes: [Corruption] [Customs official performance]

“R: But I want to tell you illegal immigrants that are going out of the country, you say what do you, what do you do with the papers and whatever at the border, no we took his money, there is the corruption.”

P 2: SARS - HI INCOME GAUTENG.doc - 2:165 Codes: [Customs official performance]

“R: The customs guys are more vulnerable.

R: Yes, they are, it is not an easy job, but at the end of the day they must be paid for the job that they are doing, that is the way that I feel about it.”