

# The ‘Uberisation’ of e-filing in South Africa

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## ***Abstract***

In an attempt to assist individual taxpayers to self-prepare their tax returns and thereby reduce their compliance costs, an innovative new private sector initiative in South Africa has provided a smart portal solution as an alternative to traditional lodgement processes that provides support during the tax preparation and submission process. Based on a thematic analysis of queries on this alternative (and arguably technologically disruptive) electronic platform, this article identifies the substantive and procedural compliance challenges individual taxpayers have been experiencing while engaging with their tax affairs. By reviewing these challenges from the taxpayers’ perspective, it becomes clear that taxpayers require a more holistic approach to simplification. For them, the compliance questions are framed almost at the same time: (i) *what* should I do, *and* (ii) *how* should I do it? Substantive complexity should be addressed concurrently with procedural compliance complexity, namely an acceptance of the need for a holistic offering to address the holistic behaviour of taxpayers. Taxpayer education initiatives can also benefit from the results as specific areas for targeted interventions are identified. For taxpayers, the results can assist them in becoming or remaining tax compliant with a possible reduction in compliance costs.

**Key words:** e-filing; substantive compliance; procedural compliance; simplification; thematic analysis

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*The top principle for disruptive and sustaining innovation is that it has to have a laser focus on customers. Innovation begins with their needs and expectations.<sup>1</sup>*

## 1. INTRODUCTION

Chiang and Limato (2017, p. 59) draw attention to the pronounced change in the way current tax preparation is performed, particularly in the United States. US taxpayers are adapting to new technologies being provided freely by the Internal Revenue Services (IRS). The IRS provides a broader repertoire than otherwise possible to ease the tax-paying process through contracting in expertise that provides online tax preparation software and services to the US taxpayer. In an attempt to capitalise on the benefits of e-services (such as higher accuracy, transaction costs, and lower compliance costs), the IRS therefore encourages the use of self-preparation software through their 'Free File Program' – a program consisting of 14 tax software products provided by private vendors. The IRS thus has acknowledged that their public-private business model could be beneficial to all parties involved, resulting in higher levels of tax compliance and lower levels of inaccurate assessments. Further benefits suggest better goodwill between taxpayer and government, given the ease of transactions between the two parties.

In an effort to ensure higher legitimacy, the inclusion of taxpayers in the further development of the digital service environment should be considered. Pogorletskiy, Kilinkarova and Bashkirova (2016, p. 147) state that this type of partnership with taxpayers in implementing modern tax systems is essential to ensuring effective services result in enhanced compliance. The demand for these e-services in an ever-increasing digital world, backed by capable staff and reliable and secure platforms, should remain part of the long-term approach by tax authorities around the world (Singh, 2016, p. 106). To ensure the demand is recognised, tax authorities should confirm their smart portal solutions are designed to be fit for purpose to ensure taxpayers adapt to the new technologies provided. It is essential for taxpayers not to elect out and remain in the traditional, but more expensive, engagement channels such as manual lodgements.

This also holds true for South Africa. South Africans display a healthy interest in gaining a better understanding of the substantive and compliance complexities prevalent in the tax system. This is positive since a higher level of tax knowledge will lead to higher levels of tax compliance. Having more tax knowledge and awareness will benefit the taxpayer in that risk of penalties or fines related to non-compliance will, in fact, be obviated. Furthermore, compliance costs incurred by taxpayers for the completion of their tax returns can be reduced. Taxpayers can be provided with the necessary skills and functions to become financially capable and empowered to take control of their own tax affairs. Higher levels of tax compliance are furthermore beneficial to a society and country as a whole.

The concept of self-preparation software for purchase by the individual taxpayer is however not well known in South Africa, but a new entrant to the market, 'TaxTim' ([www.taxtim.co.za](http://www.taxtim.co.za)), has been disrupting the traditional way of self-preparation.

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<sup>1</sup> Denise Morrison, cited in Scott Kirsner, 'Campbell Soup CEO Denise Morrison talks corporate innovation in Boston', *boston.com* (8 May 2013), [http://archive.boston.com/business/technology/innoeco/2013/05/campbell\\_soup\\_ceo\\_denise\\_morris.html](http://archive.boston.com/business/technology/innoeco/2013/05/campbell_soup_ceo_denise_morris.html); [https://www.brainyquote.com/authors/denise\\_morrison](https://www.brainyquote.com/authors/denise_morrison).

TaxTim amounts to the 'uberisation' of e-filing in South Africa. Further detail in relation to this initiative will be provided in section 4 of this article. Suffice it to say at this point that tax authorities, tax intermediaries and software providers are challenged by the new demand from taxpayers for an engagement platform to mitigate their non-compliance risk, add value to their tax services, allow for the ease of technology/media and lead innovation with the new generation of taxpayers.

TaxTim is an online platform developed by two entrepreneurs. Coincidentally, one of the originators, Evan Robinson (albeit highly qualified in a non-finance discipline), could not complete his tax return with 'confidence and ease'. Assisted by chartered accountant friend Marc Sevitz, however, the process was completed quickly and with ease. From the discussion following this incident, an interesting question emerged: 'what if I could put Marc's brain in a machine, then put it online, so that everyone could have their very own affordable tax man to help them?'.<sup>2</sup> From this niche example, the first paid self-preparation software platform in South Africa was specifically developed directly to assist current and future individual taxpayers with the completion and lodgement of their tax returns. At the same time, it provides a useful data record for applied and theoretical scholarship, as developed in this article.

By means of smart portal solutions as a mechanism for digital delivery and e-services, purveyors of tax self-preparation software (provided by either the tax authorities and/or paid providers) must ensure that these solutions are developed by taking account of the drivers of demand, i.e., they must ensure the users (or taxpayers) will accept, and even optimise on, the technology provided. Several technology acceptance models have been reviewed in the field of e-services in taxation in various countries. Those studies have employed a quantitative approach via a survey to taxpayers to determine their usage of, and satisfaction with, the platforms provided in the countries. The studies were further oriented towards more pragmatic research outcomes with opportunities not taken to theorise towards the body of knowledge in the disciplinary fields.

The unique contribution of this article is that a qualitative approach opened up scope for both methodological and theoretical insights not previously considered to date. The study therefore provides scholarly and applied insights into important 'what if', 'how to' and 'when to' questions. The ensuing arguments build extant knowledge on taxpayers' demands; the role of technology, and the potential benefits of accuracy and compliance for tax authorities, their partners and the fisc.

To achieve the contribution, the researcher engaged with secondary data housed in a blog of queries and responses that have been received from taxpayers during their own wrestling with understanding tax compliance and tax legislation. This blog amounts to a 'rough yet ready' data base, which had, to date, not been used for academic research purposes, thus bringing novelty to the source of the knowledge itself. Based on a thematic analysis (Nowell et al., 2017) of the TaxTim blog, the author used as the subject for this study the (arguably technologically disruptive) electronic tax return lodgement platform representing the alternative to the traditional lodgement process of the South African Revenue Service (SARS) in South Africa. The line of argument developed in this article aims to identify the problem areas individual taxpayers have raised in their attempts to self-prepare their tax returns based on their queries to the

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<sup>2</sup> TaxTim, 'About us: Imagine if doing tax returns was as easy as having a conversation', <https://www.taxtim.com/za/about-taxtim> (accessed 15 January 2019).

TaxTim blog (as discussed in section 4). Such queries included issues of legislative as well as compliance complexity. The discussion in section 4 is further informed by some of the initiatives by TaxTim (that address suggestions of emerging information technologies (OECD, 2016b, p. 19) and 'smart returns' (Bankman, Nass & Slemrod, 2016)) in an attempt to assist taxpayers in overcoming the complexities.

By means of the analysis of the queries, real-life examples of users' demand for these disruptive services as well as problems with the e-filing system were then analysed. Through then applying the literature, the author provides central conclusions contributing to both theoretical and practical knowledge.

The core issues addressed by this article are as follows: (i) problematic sections of the *Income Tax Act 58 of 1962* (SA) and related sections of the *Tax Administration Act 28 of 2011* (SA) can be identified which will be beneficial in the drive to reduce 'technical' (or legislation) complexity – herein after referred to as substantive complexity, or 'when to' questions; (ii) 'Compliance' (or administrative) complexity issues will also be identified that could be addressed with future enhancements of the e-services portals – herein after referred to procedural complexity, or 'how to' questions; (iii) based on the results, insights can be obtained both to further augment the SARS Modernisation Program and also to promote the value offerings of paid self-preparation platforms. Taxpayer education, another strategic objective of both SARS and the National Treasury, could also benefit from the results of this study as specific areas for targeted interventions can be identified.

From the taxpayer's perspective, this study could assist them in becoming or remaining tax compliant with a possible reduction in compliance costs as the costs of a tax intermediary could be reduced. By better understanding the intended usage from current and perspective users, the findings of this research may provide insights into how to ensure uptake and continued engagement by taxpayers with a self-preparation portal which will help SARS and the private sector to develop a better user-accepted electronic tax-filing system.

The remainder of this article is structured as follows. Section 2 reviews the literature on the tax knowledge framework relevant to the issue of simplification (substantive as well as procedural) specifically from the individual taxpayer's perspective. Section 3 discusses the methodological approaches, and is followed by the presentation of the results in section 4. Section 5 concludes with discussion and recommendations based on the results.

## **2. THEORETICAL REVIEW: SIMPLIFICATION TO IMPROVE TAX KNOWLEDGE**

The Organisation for Economic Co-operation and Development (OECD) (2012, 2014a, 2014b, 2016a) and the World Bank (2009) both advocate for the modernisation of tax administration systems to create a more conducive compliance environment for taxpayers. This notion of a more efficient, equitable, user-friendly environment requires that taxpayers are given due respect (respecting their rights and capabilities) embedded in an effective service environment (Singh, 2016, p. 105). However, the tax system simplification requires a holistic view recognising competing goals of efficiency, equity and administrative ease (World Bank, 2009, p. 6). On the one hand, suggestions include the simplification of the administration process through the reduction of administrative requirements as well as mechanisms for easier completion and lodgement of income tax returns (Tran-Nam, 2016, p. 31) such as technology. On the other hand, tax legislation

complexity could result due to the aims of a tax system towards equity rather than efficiency in a complex environment. As Budak, James and Sawyer (2016, p. 1) note, 'tax simplicity is desirable as a property rather than an ultimate goal of the tax system, which is to ensure that the economy functions as efficiently and equitably as possible'.

In its endeavours to nurture willing participation (i.e., voluntary compliance) that would result in positive fiscal citizenship (i.e., high levels of trust and willingness to 'do the right thing'), SARS has embedded a client-centric approach in its compliance framework. The Compliance Programme of SARS (SARS, 2012) includes several of the suggestions included in the OECD compliance framework (OECD, 2004, p. 12) to create a responsive regulation model. According to Steyn and Stiglingh (2016, p. 178-179), the SARS Compliance Programme has simplified and improved tax administrative processes since 2006. Evidence to the improvement is reported as the decrease in turnaround time of returns being processed, the introduction of a modernisation program, the focus on technology as well as the new customs management system.

The introduction of the e-filing system has undoubtedly changed the world of interaction between SARS and the taxpayers in South Africa. Concomitantly though, it gave rise to the question, has SARS done enough regarding technological advancements? Quoting a study conducted by Ernst & Young, the OECD (2016b, p. 76) has stated that, similar to consumers in various industries, taxpayers now also expect to interact with their revenue authority by means of e-services. The range of the types of services requested is widely diverse yet inclusive – the filing of a tax return, being able to track the state of a refund, making online payments for taxes due, obtaining copies of a previous year's income tax returns as well as a host of housekeeping services such as the changing of personal information. According to the SARS e-filing website,<sup>3</sup> SARS attends to all such requirements with a variety of forms to be lodged via the e-filing portal (e.g., personal income tax, pay-as-you-earn (PAYE) and value-added tax (VAT)). In the same way, directives can be requested, tax calculators are provided and personal details can be updated.

Hence, on face value, it seems that SARS has indeed reacted in response to the changing environment. However, according to the Ernst & Young survey, interaction with the tax authority should not be limited to a single digital portal and should include access to real time support for any query received (OECD, 2016b, p. 76). On the contrary, these disruptive technologies are forcing tax administration authorities to compete with the private sector in the adoption of new technologies, something governmental institutions are not necessarily known to do. Tax authorities are therefore also challenged to adopt their products, services and business models to be in alignment with the demands of the 21st century, sometimes described as the Fourth Industrial Revolution.

According to Kirchler, Hoelzl and Wahl's 'slippery slope' framework (2008, p. 211), tax compliance is influenced by the interactions between the power of tax authorities and the trust in those authorities. The underlying assumption of this framework is that 'tax compliance can be achieved through increasing levels of power and trust' (Kirchler et al., 2008, p. 212). The perceived legitimacy of the tax authority (i.e., trust) will influence the taxpayers' attitude towards relevant tax policies and rules. Referring to the power of authorities, Kirchler et al. (2008, p. 212) explain that this dimension refers to

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<sup>3</sup> SARS, 'About us – services offered, online services', <http://www.sarsefiling.co.za/Services.aspx> (accessed 15 January 2019).

taxpayers' perception of the potential of the tax authority to detect tax evasion. They further postulate that the power of the tax authority is informed by tax legislation, budget allocations as well as the knowledge and attitudes of taxpayers. For the purposes of this article, the discussion is limited to tax knowledge as one of the variables contributing to the perception of power of tax authorities.

Further to this 'slippery slope' framework, responsive regulation suggests power and trust are necessary for a compliant environment. Educating taxpayers, the correction of unintentional filing errors and provision of user demand-based services are all strategies conducive to increased trust and positive commitment. Education can lead to maintaining the level of compliance. The positive correlation of tax knowledge related to tax compliance has been established in several studies (Eriksen and Fallan, 1996; Tan and Chin-Fatt, 2000; Myers, 2012; Djawadi and Fahr, 2013; Fauziati et al., 2016). Education alone will not be sufficient should the underlying tax system be too complex compared to the capabilities of the intended users.

Although higher tax knowledge has a very positive compliance effect, it can also influence the power and trust relationship between the citizens of a country and their tax authority. Belief in the legitimacy of tax authorities, according to Kirchler et al. (2008), leads to citizens having a positive outlook on tax compliance. Unfortunately, recent events in South Africa have resulted in the perceived level of trust in the tax authority deteriorating to a problematic level. Of vital importance is that the newly elected President announced in his State of the Nation Address (Ramaphosa, 2018) that he will be appointing a Commission of Inquiry regarding governance and tax administration at SARS in an attempt to restore its credibility and capacity to meet its revenue targets. Given that the tax collections were predicted to result in a budget deficit of close to ZAR 50 million for the 2017/2018 financial year (Gigaba, 2017, p. 16), an increase in the VAT rate for the first time since 1993 became necessary (Gigaba, 2018, p. 11).

The increasing social distance between SARS and the taxpayers can have a detrimental effect on the compliance culture in South Africa. SARS will need to ensure that its legitimacy is unquestionable to prevent deterioration in compliance levels. Thus, although SARS has made tremendous inroads with the modernisation of their engagement platforms, their overall conduct is being questioned. Some of the quotes provided in this article confirm that taxpayers do not always trust SARS. Implicitly, the lack of trust could also have a detrimental effect on the direct usage of the e-filing platform as taxpayers may not trust SARS to guarantee their optimal tax position. Taxpayers in South Africa might prefer the services of a tax practitioner or paid self-preparation portals such as TaxTim to conduct their tax affairs rather than to deal directly with SARS.

Before introducing a new framework for thinking about tax knowledge, this section continues with a brief overview of the existing tax literature on complexity.<sup>4</sup> Tax

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<sup>4</sup> It is important to note that the theoretical and literature review is limited to the relationship between tax knowledge and compliance. The benefits of creating a user-friendly electronic portal to improve voluntary compliance have been discussed in a large body of literature (e.g., Hwang, 2000; Fu, Chao & Farn, 2004; Wu & Chen, 2005; Hansford, Lymer & Pilkington, 2006; Hung, Chang & Yu, 2006; Ling & Fatt, 2008; Azmi & Kamarulzaman, 2010; Liang & Lu, 2013; Coolidge & Yilmaz, 2014; Mustapha & Obid, 2015; Jankeeparsad, Jankeeparsad & Nienaber, 2016). These studies have applied technology acceptance models to determine why taxpayers would (or would not) adopt and use electronic platforms. Based on the results

scholars have identified multiple facets of approaches to tax complexity. In terms of approaches to gauge a better understanding of the complexity of the tax system, the World Bank (2009, p. 8) has advocated for tax-compliance cost surveys, a tax inventory as well as the compilation of process maps illustrating the various administrative procedures. This emphasis privileges the tax authorities' and tax practitioners' perspective. Evans and Tran-Nam (2010, p. 249) suggest a 'process approach', Muli and Steyn (2015, p. 195) ponder in what sense the tax complexity is being experienced while Thomas (2017, pp. 1511-1512) differentiates between substantive complexity – comprehension of the substance of the tax rules (thus the 'when to' questions) and procedural complexity – complying with one's tax obligations (thus the 'how to' questions).

Although over time many scholars and commentators have argued for approaches that would simplify the substance of the tax laws, others have argued that complexity is necessary to tax each person according to his or her individual circumstances (Thomas, 2017, p. 1511). These differences arise owing to the competing aims of efficiency versus equity. It is, however, important to realise that improvements to these various dimensions of complexity do not always result in a monotonic relationship.

Returning to two of the multiple facets of tax complexity, scholars have distinguished between the following factors:

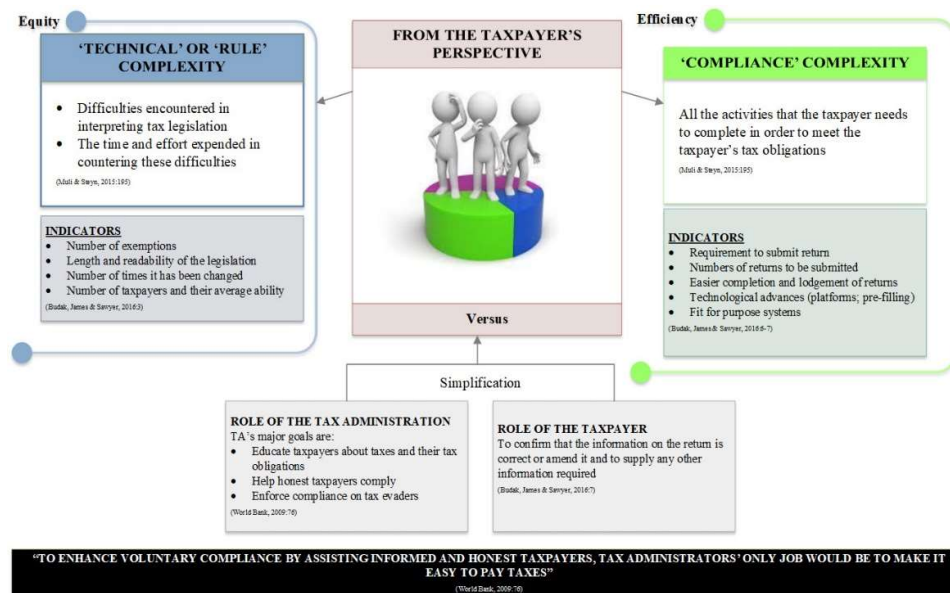
- the volume of tax legislation and regulations, along with the technical nature of many tax provisions. Complexity further arises because of piecemeal amendment to the legislation and the complex framing of the legislation and regulations (Smith & Richardson, 1999; Kenny, 2010; Saw & Sawyer, 2010; Richardson, 2012; Strauss & Toor, 2014; Pau, Sawyer & Maples, 2007). Thomas (2017, p. 1511) refers to this type of tax complexity as 'substantive complexity'. By implication, this means reflecting on the problems taxpayers have so as to fully comprehend the substance of the tax legislation that applies to them. Muli and Steyn (2015, p. 195) refer to technical complexity as indicative of problems experienced in interpreting tax legislation, as well as the time and costs to adhere to all the necessary requirements;
- although taxpayers might understand the relevant legislation, actually to comply with all the necessary requirements can still be a complex process, giving rise to higher compliance costs. Procedural complexity refers to issues experienced by taxpayers in the process of complying with their tax obligations (Gordon, 1996; OECD, 2004, 2008, 2012, 2016b; Lederman & Mazza, 2005). Muli and Steyn (2015, p. 195) perceive this as compliance complexity as it is indicative of the problems experienced by taxpayers in their attempts to meet their tax obligations. Thomas (2017, p. 1512) agrees with the term procedural complexity as indicative of the tedious effort of 'sifting through pages of forms, reading lengthy instructions, and spending hours entering information on returns' that taxpayers have to undergo to fulfil their tax obligations.

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of these studies, most taxpayers adopted the online platforms due to the ease of use of these platforms. However, this type of analysis is beyond the scope of the current article as the data utilised in the analysis does not directly address the 'why' question, i.e. it is not possible to determine exactly why taxpayers would use the TaxTim portal over and above the SARS e-filing platform from the current dataset. This type of information is traditionally obtained from surveying taxpayers directly to gain the relevant answers. However, certain possible deductions will be made in the concluding arguments.

The compliance framework reflecting the two (sometimes competing) attributes relevant to this article is integrated in Figure 1 as is suggested as the tax knowledge simplification framework.

**Fig. 1: Tax Knowledge Simplification Framework**



Source: author.

On the right-hand side of the framework as shown in Figure 1, the substantive complexities are described, supported by some possible measurement indicators. On the left-hand side, the compliance complexity which taxpayers might encounter is indicated. The foundation of the framework is based on the roles of both the tax administration and the taxpayer, indicative of their compliance partnership. It follows from this explanation on the framework that tax compliance can be improved by a more holistic approach focusing simultaneously on the substantive and procedural complexity of the tax system. The individual taxpayer, depicted in the middle, it is suggested, needs to respond to a whole system and not feel overwhelmed by bureaucracy (in its best form), which is the role that the taxpayer expects from the state. This whole-system approach and responsiveness is the core argument distilled in this inquiry.

To provide some insights into the possible improvements in the South African context, the remainder of this article will discuss the research process through a real-world example of the issues that South African citizens are struggling with in their attempts to be tax compliant.

### 3. METHODOLOGY

The study contributes to the literature in that it follows a qualitative approach (Denzin & Lincoln, 2018), using an intrinsic case (Stake, 2006) of an entrepreneurial alternative lodgement platform that has responded more holistically to the needs of taxpayers. Using interpretivist assumptions (Denzin & Lincoln, 2018), the data were gleaned from



the TaxTim blog as the relevant database for the study. Following Nowell et al.'s self-explanatory step-by-step approach for conducting a trustworthy thematic analysis (2017, pp. 4-11), this section will discuss the steps followed to meet the trustworthiness criteria outlined by Lincoln and Guba (1985).

### 3.1 Familiarisation with the data

Novell et al. (2017, p. 5) suggest that researchers read and familiarise themselves with their data. As noted in the introduction, TaxTim is tax return self-preparation software provided by a paid provider in South Africa. Based on personal difficulties experienced by the software developer while trying to submit a tax return, this smart solution portal was developed to assist taxpayers with their own tax submissions. In addition to the paid services relating to full integration with the SARS e-filing platform, the platform provides an online opportunity to engage with tax experts, free of charge. This free engagement is provided in the form of a blog or question-and-answer section where anyone can submit a tax-related question and TaxTim will assist as far as possible (see Figure 2). The blog therefore provides primary data for the central tax issues.

Fig. 2: TaxTim Smart Solution Portal

The image shows two side-by-side screenshots of the TaxTim website. The left screenshot is titled 'PAID ENGAGEMENT' and features a 'TaxTim' logo with a green checkmark. Below the logo, it says 'How Tim helps you complete your tax return right' and 'Answer Tim's simple questions. Get your taxes done the easy way.' A four-step process is shown: 1. Chat with Tim, 2. Pay (EFT), 3. Get your return, 4. Submit to SARS in one click. A section titled 'Tim is your very own digital tax assistant -' explains that Tim helps with simple, plain language questions. A sample question is shown: 'Did you have medical expenditure NOT paid back to you by a scheme or similar institution and DOES NOT relate to impairment or disability?' with 'Yes' and 'No' buttons. The right screenshot is titled 'FREE ENGAGEMENT' and says 'We're here to help you' and 'We've got answers from TaxTim experts and customers like you to help you make tax easy.' It includes a search bar for questions and a 'Get Answers' button. Below, it lists 'Top trending questions from people like you' and 'Other resources to try' such as 'Tax Calculators' and 'SARS notices on SARS e-filing, explain-thing'.

Source: [www.taxtim.com](http://www.taxtim.com)

A data file of all the questions since 2014 was provided to the author. This data file only contained the date the query was raised and answered, the query itself and the answer provided. This served as the 'rough and ready data base'. No personal details were provided and as such no demographic analysis as to the type of person asking the question could be done. The necessary ethical application for the secondary data analysis was obtained by the relevant ethical committee at the author's higher education institution.

The OECD (2016b, p. 12) is of the opinion that the majority of taxpayers do not want to invest time and effort to learn the details of how to be tax compliant from either a tax law and regulation position or an engagement position. However, based on the number of blog entries, it seems that South Africans do display a healthy interest in

understanding the relevant tax law and compliance requirements. The lines of data received counted 1031. It was imported into Atlas.ti8 qualitative research software for the purposes of the thematic analysis. Although data were received for several years, the decision was made to limit the first review of the data to the latest tax year, being 2017 (1 March 2016 to 28 February 2017) due to the annual amendment of the tax legislation. It is however important to note that, during the data analysis phase, several queries were identified that relate to other tax periods as taxpayers were enquiring on a prior period's tax affairs.

### 3.2 Generating initial codes

After familiarisation with the data, Novell et al. (2017, p. 5) state that the second step 'involves the initial production of codes from the data, a theorising activity that requires the researchers to keep revisiting the data'. The coding protocol applied in this article followed Saldaña's (2016, p. 14) streamlined codes-to-theory model. First cycle coding was conducted to allocate provisional and *in vivo* codes to the data (Saldaña, 2016, p. 63).

The first cycle coding list originated from OECD's (2014a, p. 33) list of online services offered by revenue bodies in their assessment of the maturity of the online services offered (see Table 1). Given the benefits of improved tax filing services, the reduction of compliance costs for both the taxpayer and tax authority government agencies is an effort to encourage taxpayers to take advantage of the simple and speedy option of electronically filing their income tax returns (Fu et al., 2004, p. 659). To determine the maturity level of online services provided by revenue bodies, the OECD (2014) conducted a survey during 2014. Based on the results of the survey (OECD, 2014, p. 33), the participating revenue bodies self-rated the maturity of each of the 20 online services they provided. The rating occurred based on the following four stages: (i) Stage 0: service not available online – not offered; (ii) Stage 1: information – find out about it; (iii) Stage 2: interaction – initiate it; and (iv) Stage 3: transaction – complete it. The results for the segment of individual taxpayers are presented in Table 1.

**Table 1: Average Aggregated Maturities of Online Services Across Participating Revenue Bodies: Individual Taxpayers Segment**

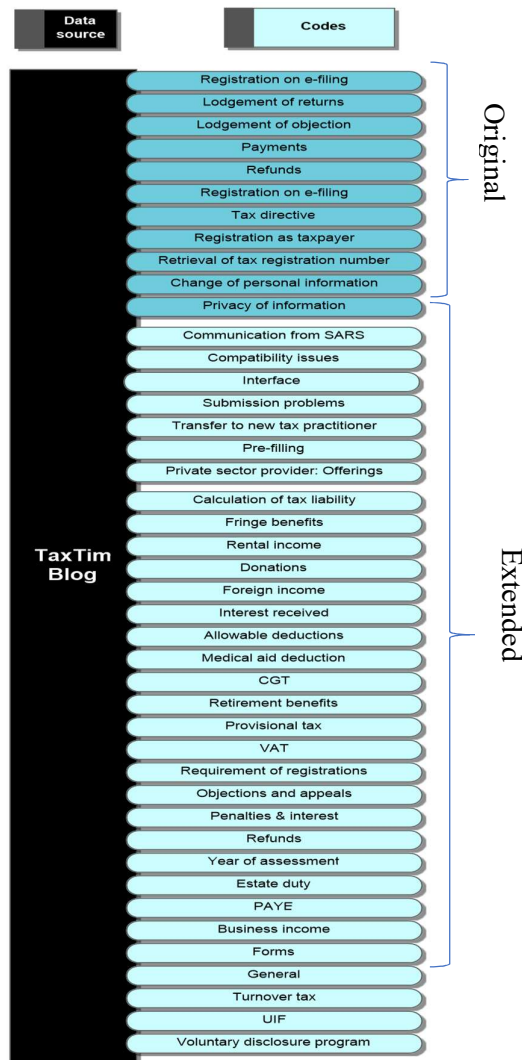
#	Online services	Average aggregated maturity
1	Prepare and file an IT return	3.00
2	Confirmation of receipt of an IT return	3.00
3	Make payment	2.69
4	Amend an IT return	2.62
5	Prepare and file other tax returns	2.27
6	Update registration details	2.25
7	Confirmation of receipt of other tax returns	2.20
8	Register	2.09
9	Update tax obligation details	2.00
10	Access account balances or details	2.00
11	Request an arrangement to pay tax debts	2.00
12	Review correspondence and/or view notices	2.00
13	Make an enquiry	1.92
14	Request refund or transfer	1.67
15	Request statement of account	1.62
16	Amend other tax returns	1.60
17	File an objection	1.50
18	Apply and vary tax credits and entitlements in PAYE/G systems	1.25
19	Request an extension of time to file an IT return	0.77
20	Request an extension of time to file other tax returns	0.77
	<b>AVERAGE RATE</b>	<b>1.96</b>

Source: Adapted from OECD (2014, p. 33).

From all the tax authorities' surveys, the two services which achieved the highest level of maturity were online preparation and lodgement of an income tax return and generating confirmation of receipt of the return, thus reflecting a 'Stage 3: completion of transaction' maturity level. Services such as making payments, amendments to income tax returns, updating of registration details, registration as taxpayers, accessing of account balances and making inquiries all reflected a 'Stage 2: interaction – initiate it' level and above. The results indicate that interaction in these services can occur, but is not completed. Information is provided on requests for transfers or refunds, amendment of other tax returns, filing of objections and, in very limited scope, requests for extension on file returns.

Although the process of code allocation started deductively the author soon realised that various other issues were also present in the data. Inductively the original coding list was extended as indicated in the column labelled codes in Figure 3.

**Fig. 3: Generation of Initial Codes**

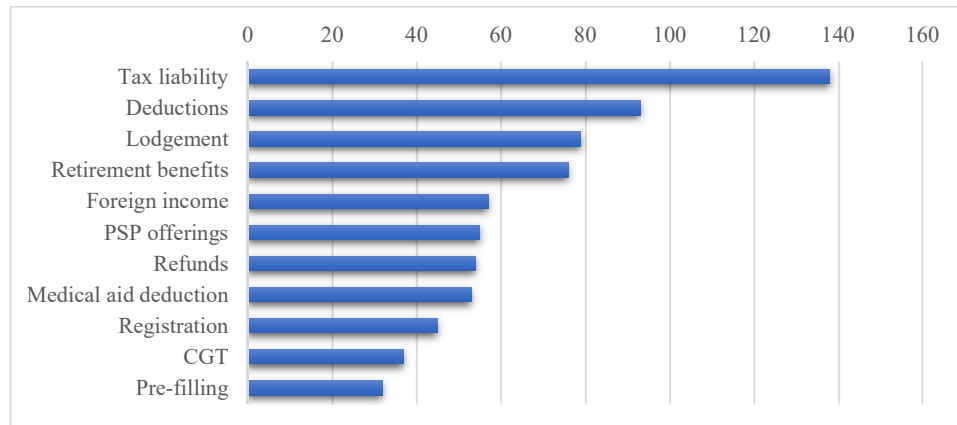


Source: Author.

### 3.3 Searching for themes

According to Novell et al. (2017, p. 8), the third phase (or step) begins when 'all the data have been initially coded and collated, and a list of the different codes identified across the data set has been developed'. To gauge which issues raised the highest number of queries, a frequency count was conducted with the codes receiving a frequency above 30 shown in Figure 4.

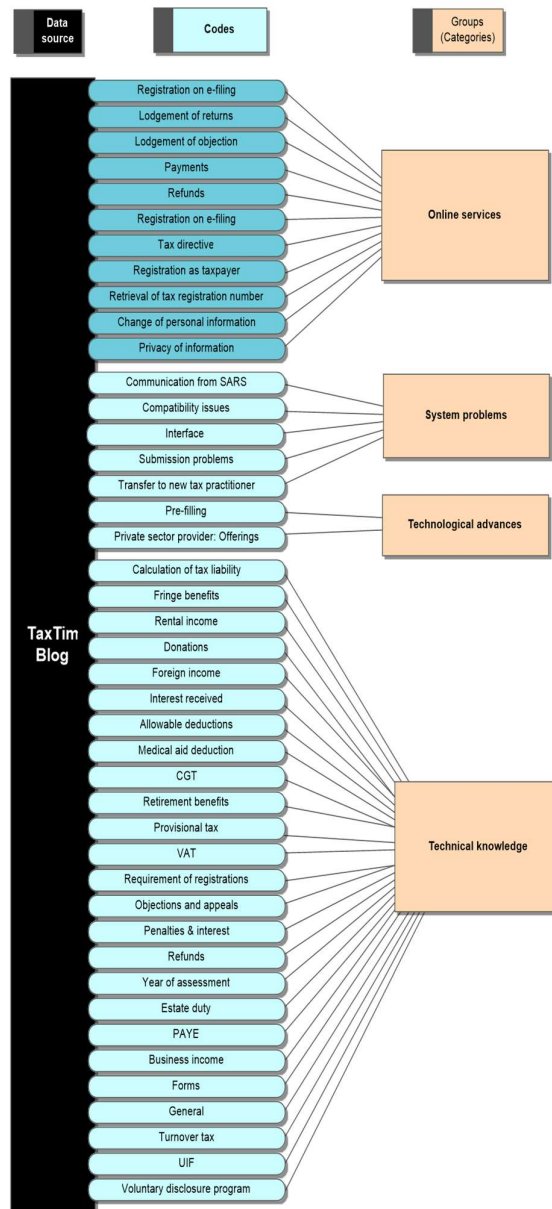
**Fig. 4: Frequency of Queries**



Source: Author.

Following Saldaña's (2016, p. 14) streamlined codes-to-theory model informed by the frequency or blog queries (Figure 4), the next step in the coding process was the identification of possible themes to the coded items. As indicated in Figure 5, the codes that related to the list of online services as discussed were clustered in the 'Online services' category. Items identified as queries relating to compatibility issues between the taxpayer's software and the SARS e-filing platform's software requirements, communication issues, interface and submission problems were all clustered in the 'system problems' category. The 'technological advances' category is indicative of the queries relating to pre-filing issues as well as issues related to the offerings of the self-preparation software (indicated as 'private sector provider: offerings'). The remainder of the codes identified related to substantive compliance issues and were clustered in the 'Technical knowledge' category.

**Fig. 5: Identification of Themes**



Source: Author.

### 3.4 Reviewing themes

Once the set of themes has been devised, Nowell et al. (2017, p. 9) suggest that the coded data extracts of each theme be reviewed to determine whether a coherent pattern can be formed. During the reviewing process, it became clear that certain topics had both a ‘when to’ as well as ‘how to’ component and this possible duality would be lost in the current coding convention. It was therefore decided to revisit the original codes and instead report the underlying questions adjacent to each other when they relate to

the same concept, e.g., registration, but both the 'when to' and 'how to' questions that were raised (see Table 2). To determine the substantive (legislative) problems, codes were allocated to address all issues relating to 'when to', as shown in Table 2. This would enable the author to identify all queries relating to prescriptions in terms of legislation. A further distinction was made in terms of actions required from a taxpayer, e.g., when to register as a taxpayer as opposed to queries relating to the calculation of a tax liability such as fringe benefits. Furthermore, based on the initial extended coding list (Figure 2), the online services codes were compared with the actual conduct of the activity via the smart portal (addressing the 'how to' question relevant to compliance complexity). These questions and their relevant codes are shown in Table 2. Grey columns are indicative of those codes for which only one of the two questions were raised.

**Table 2: Reviewing the Themes**

WHEN TO?		HOW TO?	
When to register as an IT taxpayer?	IT registration	How to register as an IT taxpayer?	IT registration
When to register as a provisional taxpayer?	Provisional registration	How to register as a provisional taxpayer?	Provisional registration
		How to register for e-Filing?	e-Filing registration
Can application be made for tax compliance status?	Status	How to request a statement of account or access account balances or details (status of account)?	Status
What to do if refund is delayed?	Refund	How to request a refund?	Refund
When should an IT return be submitted?	IT return	How to prepare and file an IT return?	IT return
When should other returns be submitted?	Other return	How to prepare and file other return?	Other return
When can an IT return be corrected?	Correct IT	How to amend an IT return (i.e. corrections)?	Correct IT
When can other returns be corrected?	Correct other	How to amend other returns (i.e. corrections)?	Correct other
When can an objection be lodged?	File objection	How to file an objection?	File objection
When must payment be made?	Payment	How to make a payment?	Payment
When can penalties and interest be raised?	Penalties		
What are SARS's timelines i.t.o. refunds etc.?	Enquiry	How to make an enquiry?	Enquiry
When should returns be submitted (including filing season)?	Filing season	How to review correspondence and / or view notices? What correspondence to expect?	Correspondence
		How to apply for a tax directive?	Tax directive
		How to access a tax registration number?	Registration #
When should changes in personal information be reported?	Pers Info	How to change personal information?	Personal Info
		How secure is the portal?	Security
		How to replace a tax practitioner?	Tax practitioner
		How to submit supporting documents?	Sup docs
		How to estimate tax liability?	Tax calculator
		What should be done if selected for audit?	Audit
		Which form should be used? What are the different forms?	Forms
		What to do if synchronisation or interface problems with SARS are experienced?	Synchronisation

		How can software (i.e. Adobe) compatibility issues be resolved?	Com software
		How can pre-filing problems (e.g. issues with third party data) be resolved?	Pre-filing
General principles of taxation (what is taxable?)	General		
How are fringe benefits taxed?	Fringe benefits		
What are the tax implications of rental income?	Rental income		
What are the tax implications of interest received?	Interest		
What are the tax implications of donations (made and received)?	Donations		
What are the tax implications of foreign income received?	Foreign income		
What are the tax implications of being out of the country?	Source		
What can be deducted for tax purposes?	Deductions		
What are the tax implications of medical contributions and expenditure?	Medical aid deduction		
What are the tax implications of capital gains or losses?	CGT		
How are retirement benefits taxed?	Retirement benefits		
How is provisional tax liability determined?	Prov tax liability		
What are allowable claims for VAT purposes?	VAT		
How is estate duty calculated?	Estate duty		
What is PAYE and how should it be handled?	PAYE		

Source: Author.

### 3.5 Defining and naming themes

Quoting Braun and Clarke (2006), Nowell et al. (2017, p. 10) formulate the fifth step as the determination of which aspects of the data are captured by each theme and the identification of the relevance of the theme to the topic at hand. Informed by the original coding output (Figure 2), supported by the tax knowledge simplification framework (Figure 2), and by means of a further round of coding, structural codes and coding groups were applied to the data representing the topics (Saldaña, 2016, p. 97) presenting the problematic issues that could possibly hinder compliance. As a result of the review of Table 2, three themes could be identified.

#### 3.5.1 Theme 1: fit for purpose

As discussed in sections 2 and 3, voluntary compliance could be positively influenced in an environment which allows the taxpayers to engage with the system in a simple and speedy manner. Based on the services required, it would be beneficial if the engagement can be tailored for the purpose required, such as the online services that are provided by tax authorities. Thus, based on the engagement required, the first theme identified is deemed to be reflective of the services to be rendered and whether the engagement platform is fit for the purpose required (Table 3).

**Table 3: Fit for Purpose**

WHEN TO?		HOW TO?	
When to register as an IT taxpayer?	IT registration	How to register as an IT taxpayer?	IT registration
When to register as a provisional taxpayer?	Provisional registration	How to register as a provisional taxpayer?	Provisional registration
		How to register for e-Filing?	e-Filing registration
Can application be made for tax compliance status?	Status	How to request a statement of account or access account balances or details (status of account)?	Status
What to do if refund is delayed?	Refund	How to request a refund?	Refund
When should an IT return be submitted?	IT return	How to prepare and file an IT return?	IT return
When should other returns be submitted?	Other return	How to prepare and file other return?	Other return
When can an IT return be corrected?	Correct IT	How to amend an IT return (i.e. corrections)?	Correct IT
When can other returns be corrected?	Correct other	How to amend other returns (i.e. corrections)?	Correct other
When can an objection be lodged?	File objection	How to file an objection?	File objection
When must payment be made?	Payment	How to make a payment?	Payment
When can penalties and interest be raised?	Penalties		
What are SARS's timelines i.t.o. refunds etc.?	Enquiry	How to make an enquiry?	Enquiry
When should returns be submitted (including filing season)?	Filing season	How to review correspondence and / or view notices? What correspondence to expect?	Correspondence
		How to apply for a tax directive?	Tax directive
		How to access a tax registration number?	Registration #
When should changes in personal information be reported?	Pers Info	How to change personal information?	Personal Info
		How secure is the portal?	Security
		How to replace a tax practitioner?	Tax practitioner
		How to submit supporting documents?	Sup docs
		How to estimate tax liability?	Tax calculator
		What should be done if selected for audit?	Audit
		Which form should be used? What are the different forms?	Forms

Source: Author.

### 3.5.2 Theme 2: engagement with SARS

Drawing on the specific problems identified in relation to the interaction between the taxpayers and the SARS, the second theme is labelled 'Engagement with SARS', representing only compliance complexity codes as illustrated in Table 4.



**Table 4: Engagement with SARS**

HOW TO?	
What to do if synchronisation or interface problems with SARS are experienced?	Synchronisation
How can software (i.e. Adobe) compatibility issues be resolved?	Com software
How can pre-filing problems (e.g. issues with third party data) be resolved?	Pre-filing

Source: Author.

### 3.5.3 Theme 3: understanding legislation (technical knowledge)

The final theme to be identified relates to substantive complexity based on a variety of problematic topics in the taxation legislation which taxpayers are struggling with. Table 5 illustrates the identified topics.

**Table 5: Understanding Legislation (Technical Knowledge)**

WHEN TO?	
General principles of taxation (what is taxable?)	General
How are fringe benefits taxed?	Fringe benefits
What are the tax implications of rental income?	Rental income
What are the tax implications of interest received?	Interest
What are the tax implications of donations (made and received)?	Donations
What are the tax implications of foreign income received?	Foreign income
What are the tax implications of being out of the country?	Source
What can be deducted for tax purposes?	Deductions
What are the tax implications of medical contributions and expenditure?	Medical aid deduction
What are the tax implications of capital gains or losses?	CGT
How are retirement benefits taxed?	Retirement benefits
How is provisional tax liability determined?	Prov tax liability
What are allowable claims for VAT purposes?	VAT
How is estate duty calculated?	Estate duty
What is PAYE and how should it be handled?	PAYE

Source: Author.

## 3.6 Producing the report

According to Nowell et al. (2017, p. 10) the final step should provide 'a concise, coherent, logical, non-repetitive, and interesting account of the data within and across themes'. This step will be addressed next, in section 4.

## 4. PRESENTATION OF THE FINDINGS

This section will present the findings of the thematic analysis, first focusing on the 'Fit for purpose' demand of South African taxpayers. Problem areas regarding engagement with SARS will follow before the section concludes with identifying problematic areas in the tax legislation. Where applicable, additional support provided by the TaxTim smart solutions portal will be incorporated.

### 4.1 Theme 1: fit for purpose

As shown in Table 3, the completion of income tax returns seems to be the greatest problem – taxpayers are unsure when they are required to complete a return but are also struggling with the completion of the return itself. This supports the point made in section 2, that simplification efforts should be done holistically. Taxpayers are struggling to understand when and if they should do something; and, if they need to do

it, they immediately want to know how. The complex areas identified were as set out below.

#### 4.1.1 *When and how to register as a taxpayer (income tax, provisional tax and e-filing)*

Taxpayers endeavour to understand when they should register for income tax as well as how to register. Based on their queries, one of the pivotal issues taxpayers are struggling with is determining whether they are liable for taxation. They seem incapable of understanding the concept of a tax threshold as several questions to this effect are constantly received. Following is an example of a question relevant to a tax threshold.

I don't get a very large salary and the whole Tax thing makes me quite nervous. I have used your calculator before and it shows that I don't pay any tax. My monthly salary is R5 500.00 and only UIF gets deducted. Do I still have to do a tax return? I have no idea how this works and want to do the right thing," but am at a loss at how at this moment. Please help!!!

The major concern of taxpayers was that they needed to have registered and paid their taxes. They were further very unsure as to whether they should have registered personally or whether their employers should register them. Additional obstacles encountered during the registration process included the provision of the necessary supporting documents (a proof of address specifically).

Being able to access one's tax registration via the smart online portal is an online service that several taxpayers requested. Not having to phone SARS to obtain the number would reduce a number of queries in this regard.

#### 4.1.2 *How to estimate the tax liability (or better understanding of the tax threshold)*

In an attempt to assist taxpayers in determining their tax liability, TaxTim provides a variety of calculators on its website free of charge (see Figure 6).

**Fig. 6: TaxTim's Free-of-Charge Tax Calculators**



Source: TaxTim. <https://www.taxtim.com/za/calculators/>.

Table 6 presents an extract of the usage of the various TaxTim website pages. It indicates over 13 million unique page views, thus representing the number of visits during which the page was viewed one or more times.

**Table 6: Website Usage Indicators**

Page	Pageviews	Unique Pageviews	Avg. Time on Page	Entrances	Bounce Rate
	18,591,355 % of Total: 99.94% (18,602,804)	13,232,675 % of Total: 99.91% (13,245,001)	00:06:27 Avg for View: 00:06:27 (0.00%)	7,7072,462 % of Total: 99.98% (7,074,211)	41.07% Avg for View: 41.07% (0.00%)
1. <a href="#">/za/calculators/income-tax</a>	<b>2,944,150</b> (15.84%)	2,121,111 (16.03%)	00:24:28	1,853,957 (26.21%)	26.18%
2. <a href="#">/za/get-started</a>	<b>780,562</b> (4.20%)	421,612 (3.19%)	00:03:20	126,654 (1.79%)	33.34%
3. <a href="#">/za/calculators/</a>	<b>598,768</b> (3.22%)	412,825 (3.12%)	00:01:16	145,088 (2.05%)	23.37%
4. <a href="#">/za/</a>	<b>554,021</b> (2.98%)	435,117 (3.29%)	00:02:39	338,214 (4.78%)	20.19%
5. <a href="#">/za/calculators/tax-refund</a>	<b>404,751</b> (2.18%)	288,100 (2.18%)	00:14:07	183,463 (2.59%)	38.76%
6. <a href="#">/za/my-returns</a>	<b>392,656</b> (2.11%)	176,800 (1.34%)	00:01:00	10,700 (0.15%)	24.81%
7. <a href="#">/za/SARS-income-tax-calculator.php</a>	<b>341,635</b> (1.84%)	255,756 (1.93%)	00:02:53	233,690 (3.30%)	62.02%
8. <a href="#">/za/calculators/income-tax?10x=</a>	<b>329,621</b> (1.77%)	252,854 (1.91%)	00:29:13	219,553 (3.10%)	18.18%
9. <a href="#">/za/calculators/retirement-fund-lump-sum-tax</a>	<b>306,112</b> (1.65%)	212,889 (1.61%)	00:10:24	176,654 (2.50%)	61.06%
10. <a href="#">/za/free-tax-season-reminders</a>	<b>300,616</b> (1.62%)	221,612 (1.67%)	00:00:34	4,296 (0.06%)	52.90%

Source: Sevitz (2018).

Table 6 shows clearly that over 2 million users viewed the TaxTim calculator webpage. On average, they spent 24 minutes on this specific page. Of the 2.9 million users who landed on the calculator page only 26% bounced, meaning they did not interact on the page. In answering their queries with regard to determining their tax liability, TaxTim referred users to the income tax calculator page. By making use of the calculator, the actual tax liability could have been established and would have answered the taxpayers' questions. However, TaxTim had to refer numerous taxpayers to the calculator as the latter had the necessary information to conduct the calculation, but the users either did not have the confidence to use the calculator and trust the answer obtained or were not aware of the calculator's existence and preferred to ask TaxTim to do the calculation.

As illustrated in Figure 7, the design and output of the calculator are extremely user-friendly and would have been able to address a large number of queries.

Fig. 7: Income tax calculator

**SARS Income Tax Calculator for 2019**  
Work out salary tax (PAYE), UIF, taxable income and what tax rates you will pay

**INCOME**

Which tax year would you like to calculate? (2018)

What is your total salary before deductors? (R240,000)

How often do you receive this salary? (Monthly)

**PENSION / RAF / PROVIDENT FUND / TRAVEL ALLOWANCE**

Your age? (35)

**Calculate**

Let TaxTim help you submit your Tax returns!

TaxTim will help you:

- Do Your Tax Return Easily
- Avoid penalties
- Maximise your refund

Tim uses your answers to complete your income tax return instantly and professionally, with everything filled in to the right place.

Let Tim submit your tax return direct to SARS in just a few clicks!

**Get started!**

**Your Income Tax Calculation**  
Your take home pay is: **R13312**

Hi there,  
You just used TaxTim's SARS Income Tax Calculator to work out your PAYE, taxable income and take-home pay. The results of this calculation is below:  
Your take home pay is: **R13312**  
In the previous year this would have been **R12410** (now R902 more!).

**This is how you work it out:**

Taxable income = Annual gross salary - Pension / Provident / RAF (limited to 27.5% of salary, limited to R350k) - 20% of travel allowance  
(You are taxed on 80% of the travel allowance in your Gross salary, so we subtract 20% for the calculation of Taxable income.)  
Taxable income = R 240,000.00 - R 60,000.00 - R 2,400.00  
Taxable income for the year: R 177,600.00  
Tax you will pay / PAYE (Pay As You Earn) for your age group and income bracket: R 1,539.00 (as per PAYE tables provided by SARS)  
Take home pay = Gross salary - PAYE - UIF - Pension / Provident / RAF  
(UIF / Unemployment Insurance Fund is levied at 1% of your gross income, at most R148.72/month.)  
Take home pay = R 20,000.00 - R 1,539.00 - R 148.72 - R 5,000.00  
Take home pay: R 13,312.28 per month :)

Regards,  
Tim

Source: TaxTim website.

#### 4.1.3 When and how to complete a return (income and provisional tax)

Once registered, the annual filing of the income tax return was another area that rendered very many queries. Comprehending the principles for completion was in certain cases limited, e.g., asking how to 'enter a negative amount on my tax return (e-filing)'. Ignorance was another prevalent issue. In spite of SARS's active 'filing season' campaigns, numerous queries were posted to obtain certainty on submission timelines to escape penalties for late submissions. Other timing issues related to unemployment experienced during the year and the effect it might have on the timing of submission. How to submit while out of the country was another issue that evoked countless queries. Taxpayers were not sure whether their local or international employers would assist them or what their own personal responsibilities would entail.

With the actual completion, several problems emerged as taxpayers tried to understand the various codes. Examples of questions asked include:

- 'How is 3699 Gross Remuneration arrived at, particularly as reflected on a payslip first month of a new job? It seems inconsistent to what my actual gross remuneration is';
- 'What are this code for 369 3697 & 3698? Where should we put the amount from certificate for income tax purposes from SANLAM?';
- 'Under your retirement heading you mention a code 4002 for pension fund contributions. I do not have 4002 but 4001 as my pension fund contribution on my IRP5'.

Enquiries were made about how to account for prepaid taxes such as provisional taxes; in fact, queries and uncertainties stretched across various sections of the form.

Submission of outstanding returns led to two strands of questions. The first strand was related to the submission of outstanding returns caused by taxpayers' unawareness of their outstanding returns or they did not realise they had to submit zero income returns. To be able to access any refunds, all the previous years' tax affairs have to be updated and in order. Ignorance of this stipulation resulted in several taxpayers suddenly realising they had outstanding returns. The process or detection of outstanding – but also the submission of these outstanding returns – is not clearly understood.

The second strand of inquiry was related to taxpayers knowing they had outstanding returns, but not submitting them because of personal circumstances or various other reasons. The threat of prosecution seems to spur them on to act as the next taxpayer's response verifies:

I am now threatened with prosecution so need to act quickly and am hoping I can get refunds that cover what is outstanding. Would you be able to assist with expenses (in a shoebox) and the tax returns and what I can successfully claim for or do you think I should just sort them, add them up and take a flyer with codes and continue with the tax returns myself.

Many questions were raised on how to submit these outstanding returns. Potential implications regarding penalties and interest on these outstanding returns (even though zero income) perturbed taxpayers as evidenced in their questions. The scope of the voluntary disclosure program was also explored by one taxpayer. Numerous taxpayers experienced problems with acquiring and submitting supporting documents when requested to do so by SARS.

The bulk of the queries related to income tax returns although several with reference to provisional tax returns were also posted. Queries included when to register for provisional tax, how to complete the IRP6 (i.e., where to access it), how to submit outstanding returns, how to determine the taxable income as basis for the payment, and when to submit. Whether capital gains should be included in the calculation was another vague area taxpayers had questions about.

#### 4.1.4 *When and how to amend or correct a return*

Regarding corrections, taxpayers were uncertain whether it was permissible to claim omitted allowable deductions, especially with reference to previous years. In situations where they omitted to claim, e.g., medical expenditure in previous years, they were not sure whether they could still claim these expenses although the taxpayer had already been assessed. Furthermore, should it be allowable to claim, taxpayers did not know how to proceed to actually claim. One particular taxpayer was quite concerned about a mistake he picked up after he had been assessed. SARS requested additional information and during that process, the taxpayer realised he had made a mistake in his calculations. The system, however, did not allow him to file a correction as the account had by that time been audited as per an email he received from SARS. The taxpayer was not sure how to rectify this *bona fide* mistake.

#### 4.1.5 *When and how to lodge an objection*

Should taxpayers not agree with their assessments, when to object and how to object were problematic issues which consequently elicited a number of questions. Some taxpayers were unclear about what the rules were in terms of the lodgement of

objections. Others had lodged their objections, but had not received any feedback or response from SARS (they tried the SARS customer help line).

#### 4.1.6 *When and how to change personal information such as banking details or change of address*

Taxpayers were unsure when and if they needed to change their personal details such as their addresses. Some, although knowing they had to inform SARS about any changes, shied away from the administrative work needed to activate such a change. Changing bank details (especially once out of South Africa) was problematic. Several taxpayers were seeking alternatives to change this information without actually visiting a SARS branch.

#### 4.1.7 *When to apply or how to request a refund*

Time frameworks related to refunds is another area that resulted in several queries. Taxpayers queried whether there were any limitations on SARS's timeframe for activating refunds – some indicated they had been waiting for more than a year. Mistrust in the tax authority for delaying payment was also expressed as evident from the following example:

I was notified that my assessment was complete and SARS owed me money. 60 working days after the claim, I have been asked for the same supporting documentation required in the first place. Is this a delay tactic to pay up?

The process towards activating refunds relating to PAYE contributions, especially in situations where the taxpayer had not been employed for the full year, was also questioned. Some taxpayers had the perception that once a return was submitted a refund would follow automatically regardless of whether they paid taxes or whether the taxes withheld were sufficient to cover their tax liability. Interpreting the Statement of Account indicating a ZAR 0 balance with a pending refund also confused some taxpayers as they had not actually received the refund because it was reflected to be paid in the next day or two.

#### 4.1.8 *Determination of tax compliance status / access to status of account*

Another online service currently available on the SARS e-filing platform, but which is apparently not known to many taxpayers, is the ability to check one's tax compliance status. Taxpayers expressed the need to make sure their tax affairs were up to date; however, they were not knowledgeable enough and lacked understanding of how to go about it. Related to the compliance status was also the issue of applying for tax directives. Reasons for not obtaining a directive would be very helpful to taxpayers as one reported:

Please note that your tax return cannot be processed immediately due to an outstanding Tax Directive. Therefore, manual intervention is required. SARS will advise you as soon as your tax return has been assessed – this is what my SARS eFiling tax summary has been saying from the 28/01/2016. What does this mean?

This query was posted on 9 March 2016 indicating the particular taxpayer had been waiting for almost six weeks without any resolution to his problem.

Another area taxpayers did not grasp was SARS's rights to recover unpaid taxes. Conversely, taxpayers also did not sufficiently understand their own rights either, as verified in the following extract:

I am unemployed at the moment and am the sole breadwinner in the household. I owe SARS money but due to financial constraints, money is extremely tight. I see SARS has debited my account with money R6500 owing to them which has crippled me financially that I can't buy food for my family. I will pay them when I employed but has just added extra financial burden.

#### 4.1.9 How to replace a tax practitioner on the e-filing platform

As the TaxTim portal is a paid self-completion portal, the users are predominantly individuals who wish to administer their own tax affairs. Several questions were raised regarding the process of how to replace their current tax practitioners with either themselves or with TaxTim. Some taxpayers felt confident enough to submit directly via the SARS platform and only made use of the free services provided on the TaxTim website. Others were obviously pleased with the responses to their queries – to the extent that they were interested in replacing their current tax practitioners with the offerings from TaxTim. Problems experienced with current tax practitioners revealed the frustrations taxpayers felt by not being able to access their own accounts if their affairs were handled by tax practitioners.

In summary, it is evident from the discussion in this section that several substantive issues exist which taxpayers are not familiar with. Several of these issues have been introduced in the *Tax Administration Act* which governs the actions of SARS and describes the responsibilities of taxpayers as well. In addition to the substantive regulations, taxpayers are unfortunately not very clear on how to execute their compliance activities.

## 4.2 Theme 2: engagement with SARS

Further compliance simplicity initiatives to reduce the burden on taxpayers involve, among others, the reduction of administrative requirements and easier completion and lodgements of returns (Tran-Nam, 2016, p. 31). To ensure trust in the tax authority remains intact, it is necessary for the interaction with the administrative smart portal not to be overly time-consuming or too challenging for taxpayers. For several tax authorities, one of the major advancements in this domain was the incorporation of pre-filing capabilities in their digital solution platforms. Through pre-filing of the tax returns, security and the accuracy of the information are improved with significantly lower compliance burdens on the taxpayers. By means of surveys, several researchers have explored the reasons why taxpayers are willing to adopt technological advancements such as electronic filing systems (Wu & Chen, 2005; Fu, Farn & Chao, 2006; Azmi, 2010; Liang & Lu, 2013; Jankeeparsad et al., 2016; Andriani, Napitupulu & Haryaningsih, 2017). Through the analysis of the real-life problems raised by taxpayers, additional and richer insights are gained on how they actually experience the ease of use (or not) of these various platforms instead of only relying on the perceived usage or ease thereof.

The second theme identified related to engagement problems with the SARS e-filing platform. These all referred to issues that could result in compliance complexity. Over and above the challenges taxpayers experienced with completing their returns, certain

areas were identified where taxpayers struggled in their engagement with SARS and the e-filing platform. These issues are listed next.

4.2.1 *Compatibility problems between SARS and TaxTim or Adobe Acrobat versions*

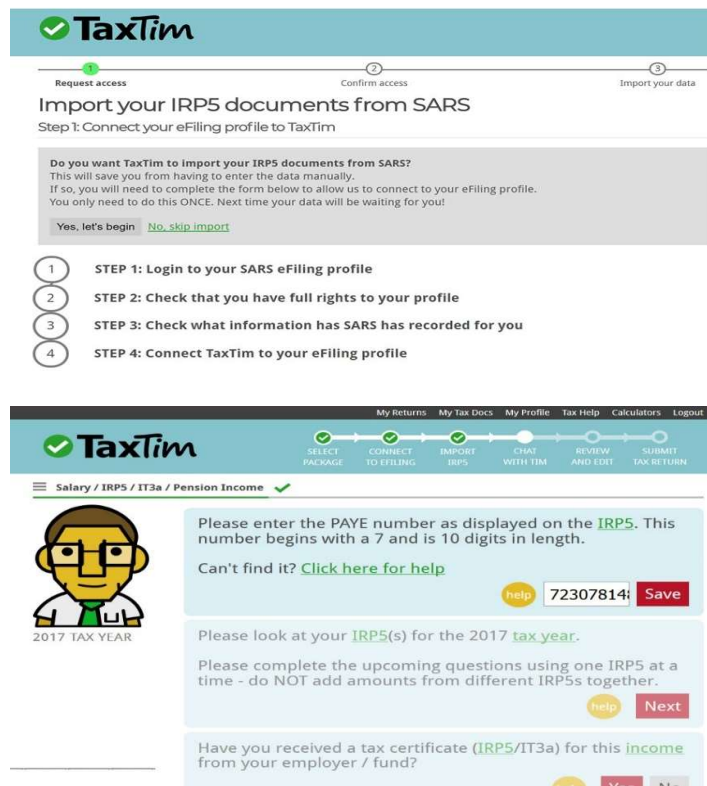
Several taxpayers experienced software compatibility problems as the SARS platform requires specific versions of Adobe (not all taxpayers have the correct version). Access to the correct version is provided via the SARS platform and it is not clear whether this resolved the issue.

4.2.2 *Synchronisation problems (delay in activation of e-filing profile)*

Another area that created a few problems was the interface between TaxTim and SARS’s e-filing platform. Taxpayers needed some guidance to fully integrate the two systems.

To assist taxpayers in their engagement with SARS and eliminate as many interface problems as possible, TaxTim has developed several guides and templates to assist the user through the process. Users are taken through a variety of steps as shown in Figure 8 to ensure ease of interaction.

**Fig. 8: Process of Engagement**



Source: TaxTim website.



#### 4.2.3 *Prefilling problems (problems with incomplete or incorrect IRP5 forms and employers absconding without finalising their third party responsibilities)*

Returning to the problems experienced while completing the income tax return, taxpayers are not always aware that their tax certifications should have been pre-filled. The reconciliation between their payslips and their tax certificates is also problematic. Although technological advancements proclaim the benefits of prefilling to reduce capturing errors and enhance compliance levels, taxpayers are caught between the third party responsible for the prefilling and SARS. Pre-filling in the South African context is predominantly done by employers who need to upload the required employee tax certificates. Should employers refrain from doing it or mistakes are made on the employee tax certificates, taxpayers are not sure how to resolve these issues to ensure their tax affairs are finalised. A lack of cooperation from the employers places strain on the taxpayers who strive to be tax compliant. Taxpayers are not sure what their responsibilities are and what the responsibilities of the employers are.

### 4.3 Theme 3: problematic legislative issues

Richardson and Sawyer (1997, p. 333) report on one of the first reviews of legislation rewrites in New Zealand based on drafting guidelines proposed by that country's Organisational Review Committee. The drafting guidelines proposed that short, well-structured sentences and plain, everyday words should be used. Australia and the United Kingdom are also in the process of rewriting their income tax legislation to ensure it comprises simple and clear language understandable to an ordinary taxpayer. Several scholars report on these rewriting processes and the measurement of the success these efforts have achieved. Malaysia is one of the first developing countries to also conduct a readability assessment of its income tax legislation (Saad, Udin & Derashid, 2014).

Based on indicators such as the Flesch Reading Ease Score, the Flesch-Kincoide Grade Level Index, average sentence length and the percentage of passive sentences, mixed success has been reported on these rewriting endeavours (Martindale, Koch and Karlinsky, 1992; Pau et al., 2007; Kenny, 2010; Saw & Sawyer, 2010; Richardson, 2012). The importance of taxpayers clearly understanding the legislation in a self-assessment country such as New Zealand or Malaysia is non-negotiable. As far as the author is aware, no readability assessment of the South African tax legislation and supporting material has been conducted. However, based on the queries raised to TaxTim, some indication of the most problematic areas could be identified.

The final overarching theme identified was specific sections of the various tax Acts that speaks to substantive complexity. Taxpayers expressed a lack of understanding of several specific sections of the income tax Act but also to the overall principles applicable to taxation. Numerous queries were posted but the following quote illustrates how several taxpayers felt:

... tried to enlighten myself by reading the Tax website but it's all greek to me, I can't seem to figure it out. I just need to know if I make say R 80 000 give or take a year - what do I do with it" how much of it must I sacrifice to SARS. How do I pay them. I just want to be on the right side and know it's all good.

Table 7 provides an indication of the frequency of the legislation the taxpayers had trouble understanding.

**Table 7: Frequency of queries**

Fringe benefits	22
Rental income	20
Interest	16
Donations	21
Foreign income	57
Deductions	94
Medical aid deduction	53
Capital Gains Tax	36
Retirement benefits	76
Provisional tax liability	8
VAT	24
Estate duty	3
PAYE	27

Source: Author.

Fundamentals such as minimum liability, the difference between PAYE and provisional tax as well as the pre-paid taxes and final assessments were some of the major issues taxpayers did not understand. One taxpayer enquired whether it was possible to get a refund of taxes paid on his pension money due to fact that he had resigned, while another questioned the legality of deducting PAYE without his permission.

Focusing on the specific components of the income tax, non-deductible expenditure is an area where there is a scarcity of knowledge with reference to what is allowable and what is not. Taxpayers are not familiar with the principle of 'in the production of income' and queried the deductibility of private expenditure, e.g., the maintenance of ex-wives. One taxpayer understood the principle of equity. In the query he sent regarding his 'contribution' to his saving account for retirement purposes, he wanted to understand if was possible for him to claim it was a retirement fund contribution, given that it served the same purpose as formal 'contributions' taxpayers make to a retirement fund policy.

Taxpayers, especially retired persons, have the impression that given their age they are exempt from taxation. They do not necessarily understand they have a reduced tax burden given the higher rebates. Nonetheless, retired persons questioned whether they were liable for taxation when they had only been receiving interest – the tax threshold is a concept that creates a lot of misunderstanding.

Given the changes in the retirement benefit tax dispensation over the last few years, it comes as no surprise that this topic also raised a multitude of questions. Similar to the income tax calculator discussed previously, taxpayers had numerous questions on the tax liability they would incur based on lump sums they would be receiving. However, they did not utilise the tool provided to assist them in that regard.

Taxpayers were also struggling with certain fringe benefits and allowances, especially the travel allowance. The issue of a logbook as supportive of their business kilometre claims was understood in the majority of cases, but the more pragmatic problem of actually having a logbook was the bigger bone of contention. To assist taxpayers in alleviating the burden of a manual logbook as well as to cater for the new C-generation, TaxTim provides an online logbook to its users (see Figure 9).

**Fig. 9: Online Vehicle Logbook**


**TaxTim**

Vehicle Logbook app for recording Work Travel  
Our electronic logbook makes logging travel expenses for tax purposes easy.

Get our SARS logbook app on your phone today.  
Easy to use. Works on ANY phone with web access.

Keeping your SARS travel logbook in order used to be a headache!  
Now you can keep your vehicle log book up to date with **one-click simplicity** from TaxTim.

- ✔ Built-in intelligence saves you time
- ✔ Electronic logbook is stored safely online
- ✔ Employer integration via *Employee Assist*
- ✔ Saves trips, fuel and maintenance expenses
- ✔ Tax-relevant summary provided at year end
- ✔ Download full vehicle logbook records to your PC

Our logbook is a mobile site, thus it works on iPhone, Android, Blackberry, Symbian and more.

**HOW TO GET YOUR LOGBOOK**  
Associate with TaxTim and look out for instructions in your email inbox.  
Already a TaxTim user? [Login](#) then return to this page.

Get confident doing your tax return today with TaxTim! [Click here](#)

https://www.taxtim.com/sars/services/mobile-vehicle-logbook

Source: TaxTim website.

The focus of the discussion in this section has been limited to the major queries raised in terms of income tax compliance. Several questions were also received however regarding other tax Acts and topics such as VAT. These are areas that justify further exploration; it was outside the scope of this review. The most urgent need seems to be clearly indicated in this final quote:

I'm a female 20 years of age, married and currently unemployed. I want to know how to claim my VAT from my grocery slips shopping slips etc. Would you be able to help me.

#### 4.4 Summary

The need for simplification of the current tax legislation in South Africa was evident from the clear lack of understanding of a variety of sections. The lack of understanding is spread across substantive requirements as well as compliance requirements, thus both the *Income Tax Act* as well as the *Tax Administration Act*. Returning to the core argument of this article, several suggestions have been made in the literature to simplify the tax systems (see section 2). The majority of the suggestions are framed from either the policy-maker's or the tax administration's perspective. Very few suggestions view it from the taxpayer's perspective. By reviewing the substantive and compliance challenges from the taxpayer's perspective, it became clear, as asserted in the novel enquiry carried out in this study of interpretation of taxpayer data, that taxpayers require a more holistic approach to simplification. For them, the compliance questions are framed almost at the same time: 'what should I do' and 'how should I do it?'

### 5. DISCUSSION AND RECOMMENDATIONS

Taxpayer non-compliance can be ascribed to various causes. The responsibility to ensure taxpayers are educated as to the relevant substantive and procedural requirements not only extends to SARS and the providers of self-preparation software; taxpayers themselves should seek to understand their rights and responsibilities. Thomas (2017, p. 1521) refers to the laziness of taxpayers. Indeed, laziness to comply should not be discounted; it could readily be one of the reasons why taxpayers reported 'they did not know they had outstanding returns'. Moreover, exhibiting laziness to complete their tax return forms or refusing to take responsibility for becoming more enlightened about their tax affairs unfortunately reflects the disinterest of some

members of society in making an effort to gain more knowledge on their rights and responsibilities. A variety of tools, calculators and comprehensive information guides is available on both the SARS and TaxTim websites, but it was very clear taxpayers preferred to ask someone else to do the calculations than to doing the calculations themselves.

Focusing however on the tools developed by TaxTim, the ease with which taxpayers could use them and the provision of supporting information when needed and in very easy language and terminology should greatly assist in increasing voluntary compliance levels. Although it was stated earlier in this article (section 2) that it was not possible to determine the actual reasons why taxpayers would utilise the TaxTim portal over and above the SARS portal, it is clear from the TaxTim portal's offerings that a taxpayer-centric approach has been followed. The portal provides a very simple engagement process, information is readily available and personalised responses are given. It would therefore be safe to conclude that the usage facilitation offered by TaxTim is more than likely to enhance voluntary compliance and possibly reduce the tax compliance gap compared to the more technical usage facilitation currently offered by the tax authority in South Africa. The findings from the usage facilitation offered by TaxTim would also be informative to both developers of paid tax preparation software and tax authorities across the world as several compliance models are advocating taxpayer (or 'client')-centric approaches. Obtaining the input from taxpayers on their preferences should be done from the conceptualisation stages of these portals but, more importantly, the ease of use and personalisation features should not be underestimated. By incorporating the 'taxpayer's voice', great strides in reducing the tax compliance gap can be made.

Through the employment of a qualitative approach by means of a thematic analysis, this article reflects on the findings obtained from a 'rough yet ready' database as to areas that could negatively affect voluntary compliance. Through the novelty of the source of the knowledge, a methodological contribution in the field of taxation research is made as it has been possible to explore the data without any respondent bias that could influence taxpayers' answers to the questions, as these were their own 'real-life' problems. It has been possible for the purposes of this study to obtain access to data that are normally quite difficult and expensive to obtain. Accessing such a large number of respondents (more than 1,000 blog entries analysed) is traditionally done via a quantitative approach with survey instruments. Developing such a survey instrument is time-consuming and administering the survey quite expensive. Through the goodwill of the partnership with the TaxTim developers, it has been possible to gain access to the data with limited administration and very low costs. This has allowed the author to gain valuable insights from a database not previously explored but which proved to be highly informative.

Following on from the methodological contribution, this article also provides applied insights into taxpayers' demands during their tax compliance endeavours. Similar to other services, tax administration authorities are now also challenged by the demands of taxpayers to be able to engage on a digital platform but with ease and simplicity. Taxpayers demand a portal that provides them with the necessary information to ensure that they are informed of both their substantive and procedural responsibilities. However, obtaining information is not enough; this needs to be provided in a manner that allows the taxpayers to act on it. The holistic approach to enhance tax compliance from the taxpayer's perspective as proposed in section 2 has been validated by the analysis performed in this article: while taxpayers determine whether they need to

adhere to a specific substantive or legal requirement, they need the know-how or procedural information to do what is required of them at the same time.

Disruptive technology, such as the 'Uber' in this article of TaxTim, is indicative of the future of tax administration. Tax administration authorities are now confronted with a new generation of taxpayers which is more digitally-inclined than those in the past. The new generation of taxpayers expects their engagement with their tax authorities to be in the same manner and ease of operation as engagement with other platforms such as online banking. Taxpayers are accepting and moving to smart portal solutions for the delivery of e-services by means of tax lodgement self-completion portals, but these portals need to be developed so as to be fit for purpose to ensure that users accept the technology in the use for which it was designed. It currently seems that the comprehensive platform being provided by TaxTim (free information, easy accessible calculators, simple guidance during completion) is challenging the more formal online platforms traditionally provided by tax authorities. This is an area that will develop rapidly in the not too distant future, with artificial intelligence and 'chat bot' technologies representing examples of initiatives already being tested by tax authorities and the private sector around the world.

Taxpayer education initiatives can greatly benefit from this article as more appropriately tailor-made programs can be designed. Advances in the required learning can be obtained by informing taxpayers of their substantive requirements but this can be done in plain, easily understandable language to ensure that taxpayers grasp what is required from them. The education initiatives can further be developed to include technology through the simulation of the 'real-life' experience with interactive smart portals. By providing the taxpayer with the look-and-feel of what would be required when they actually do need to submit their tax returns, potential completion errors can be reduced and improved compliance achieved. Informed and empowered taxpayers will understand when they need to complete their tax returns, what to include in the returns and how to actually complete their returns. This will greatly improve the social contract between taxpayers and tax authorities, restoring the trust and power relationship among all parties involved.

## 6. LIMITATIONS

The results and their implications discussed in this article were obtained from a single study, based on a qualitative approach, that examined the responses from one particular smart solution portal. Thus, caution needs to be taken in generalisation of these results and discussion to other platforms. Qualitative research establishes credibility for the particular case involved and does not set out to generalise. Secondly, this research was conducted only in the one jurisdiction of South Africa. Although the author believes the problems experienced by this group of taxpayers may provide valuable insight into the complexity concerns in other jurisdictions, a research sample from only one country may further limit the conclusions of this study. Analytically, however, the usefulness of more generic insights might motivate further studies. Thus, additional studies conducted with other platforms in other countries/settings are recommended.

The current dataset limits the study to an exploration of the application of technology acceptance models to gain a better understanding of taxpayers' preferences. It would have been very useful to have included in the information obtained as to taxpayers' usage demands the further detail of their preferences for utilising the TaxTim portal

rather than the SARS portal, but unfortunately the data for this was not available from the dataset utilised for this analysis. It would be beneficial for this data to be gathered from users, and a purposefully designed follow-up survey to TaxTim respondents could be considered this purpose.

Further research could also extend to non-users of such a platform. This would provide additional insights to assist in overcoming the digital divide for those who do not have equal opportunity to participate in these types of services. The influence of factors such as, but not limited to, computer experience, computer resources and education can be explored to gain further insights into the differences in characteristics of users and non-users. Future research could also examine the system features, such as screen design and feedback, which influence the use of paid self-completion software. Additional features of smart portals that could provide value should be explored.

Finally, the current research was exploratory and interpretivist in nature. It provided a high-level overview of the seemingly problematic areas in taxation, as this study was conducted with a snapshot research approach. Additional research efforts will be needed to gain a better understanding of these issues over time. The level and nature of queries compared to amendments in the legislation could provide valuable insights to reduce substantive legislative complexities.

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