

**Compliance on green tax amongst small medium enterprise
owners in the eThekwin district**

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of Accounting (Taxation) in the Faculty of Auditing and Taxation at
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Date: 02.11.21

DECLARATION

I, Akira Singh, declare that the research reported in this dissertation is my original work, except where otherwise indicated. All sources used or cited have been explicitly acknowledged by means of complete references. This work has not been submitted previously to the Durban University of Technology or to any other institution for any purpose.

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ABSTRACT

The aim of this study was to explore how green tax compliance is viewed amongst SME business owners and to understand what strategies need to be in place to strengthen the level of compliance.

A qualitative research methodology was utilised. Two samples were recruited to participate in this study: Sample 1 included 12 SME business owners, and Sample 2 included 8 tax practitioners. All of the participants were from the eThekweni district. Semi-structured interviews and telephonic interviews were used to collect data from both samples. Data was collected until data saturation was reached. In total, twelve SME business owners and eight tax practitioners were interviewed. The data collected was analysed through the use of thematic analysis, which enabled similar patterns and themes in the data to be pooled together. This gave rise to 5 main themes and 13 related sub-themes.

It was found that SME business owners had a positive attitude towards green tax compliance, as they were highly concerned about the sustainability and protection of the environment. There were various factors that hindered green tax compliance by SMEs. These included increased administrative procedures and costs that businesses needed to incur, lack of adoption of green practices in manufacturing processes, incurrance of high costs to comply with this tax, whilst the major finding was the lack of awareness regarding this tax. The study also concluded that business owners were contributing to environmental degradation as they were unaware of the level of damage that their manufacturing processes were causing.

It was further established that the government needs to provide adequate information to the public and SMEs regarding the green tax policy. The need for transparency from the government was seen as an important measure to encourage compliance as there is a lack of trust between SMEs and the government. It was also concluded that there is a need for seminars, workshops, and media broadcasts to educate SME owners about the calculation and contribution of green tax policy. There was conclusive evidence for the need for

additional, detailed information to be provided to SMEs about the green tax policy in order to encourage green tax compliance to promote environmental sustainability. This study makes a valuable contribution in that it seeks the well-being of local communities and endeavours to preserve the earth by fostering compliance with green taxes.

DEDICATION

I dedicate this study to my grandmother, Mrs Sheila Mohun.

Her unwavering support, encouragement, affection, and prayers have enabled me to succeed and reach great heights in life. This remarkable woman taught me that hard work and determination do not go unrewarded, and it is through her love, motivation, and constant inspiration that I embarked on this academic journey and will attempt many more future endeavours.

“My grandmother is my angel on earth.”

– Catherine Pulsifer

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LIST OF ABBREVIATIONS

CO ₂	Carbon Dioxide
DUT	Durban University of Technology
EE	Energy Efficiency
ERP	Extended Producer Responsibility
FRC	Faculty Research Committee
GDP	Gross Domestic Product
GGs	Green Growth Strategy
GHG	Greenhouse Gases
OECD	Organisation for Economic Co-Operation and Development
PPP	Polluter Pays Principle
RE	Renewable Energy
SME	Small and medium Enterprise
UNEP	United Nations Environment Programme
UK	United Kingdom
VAT	Value Added Tax

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CHAPTER 1

INTRODUCTION TO THE STUDY

“Over 80 per cent of the new investment in the South African economy is South African and therefore the engagement of the South African investor is also a crucial part of this process”

(Gillwald, Mothobi and Rademan 2018: 32).

1.0 INTRODUCTION

The most noteworthy challenges confronting the world today include a shortage of water and food, unprecedented instability in energy, increasing emissions of greenhouse gases (GHGs), significant gaps in income, persistent fiscal imbalances and extremism which are caused by poor management of the environment, or inequalities (Organisation for Economic Co-operation and Development [OECD] 2012: 8). While fiscal imbalances generally affect developed nations, developing economies seem to be most susceptible to all of these risks. The fundamental issue is whether (and also how) environmental objectives can be aligned with both economic expansion and poverty alleviation in developing nations. Maphosa (2013: 9) asserted that through the green tax, as well as integrated transformation, these objectives can be achieved concurrently in a self-supportive approach. National or even international laws are therefore needed to strengthen environmental sustainability as a new path to sustainable development.

The OECD, which supports a holistic approach to addressing integrated global issues, initiated research on green growth in 2009 as a way to address several of the world's most challenging problems. As a result of this, in June 2009 all OECD member countries authorised a Ministerial Declaration on Green Development. This recognised that 'green' with 'growth' can go hand in hand. The nations requested that the OECD establish a Green Growth Strategy (GGS) that would bring together an economic, environmental, technological and financial development of the climate into an extensive structure. In May 2011, OECD ministers supported the plan towards green growth (Ulrich 2012: 33). This action indicated that environmental

sustainability can create new economic power channels by promoting greater operational efficiency of natural resources, innovation, and new green technologies, goods, and services markets.

Several definitions of the concept of “green development” have been offered by various bodies. The OECD described green growth as a strategy for fostering economic development whilst also preventing the destruction of the environment, biodiversity loss, as well as natural resource wastage (Fan, Li and Yin 2019: 1). Green growth is described by the United Nations Environment Programme (UNEP) as a framework to enhance human well-being while substantially decreasing environmental threats and minimising ecological scarcity (UNEP 2010: 54). The World Bank described green development as a form of economic growth that is environmentally friendly and socially inclusive, and which attempts to effectively utilise resources and decrease the carbon footprint whilst minimising potential impacts on the environment (World Bank 2012: 22).

Such widely agreed concepts suggest that the essence of green development is to optimise the use of energy and decrease the emissions of pollutants without slowing down the growth of the economy (Feng *et al.* 2017: 325). There are numerous initiatives recommended by the international society to encourage sustainable development. The UNEP has introduced the Global Green New Deal that emphasises engaging in renewable energy sources, thereby creating an environmentally sustainable society characterised by energy resources efficiency (Barbier 2010: 832).

Government has developed environmental taxes as a response to the demand to "save the environment" (Maphosa 2013: 17). Several nations across the globe have on an annual basis increased the fuel duty, excise duty on cars as well as the tax on air passengers. To a large extent, every one of these taxes are intended to offer environmental benefits (Maphosa 2013: 17). It includes urging individuals to cut down on the usage of private vehicles, purchasing "greener" cars, and utilising rail and other public transits in urban areas. Numerous governments use an instrument of taxation as the perfect direction to preserve the environment because it is an appropriate regulatory strategy that can be accomplished (Avi-Yonah 2009: 11).

Green taxes, often widely recognised as "environmental taxes" or "pollution taxes", are some of the policy instruments adopted by various nations, including South Africa. Many individuals usually have little concern with regards to having to pay taxes, but their steady rise appears to offer a significant environmental benefit (Stone 2017: 1).

According to Avi-Yonah and Uhlmann (2009: 8), imposing and applying a carbon tax or green tax would be simpler. This is because modifying these taxes is easier in case the subsequent market-based adjustments are either unsuccessful or too severe. These taxes seem to be supportive of generating income, which might also be employed to finance innovation and to grow renewable energies through tax credits. These alternative options might also be utilised to counter the potential regressive influence of carbon tax. Avi-Yonah and Uhlmann (2009: 12) further argued that if green taxes are instituted promptly, they might also represent a much more effective measure to reduce the emissions of GHG compared to a cap as well as trade regulatory regime.

The outline of this chapter is as follows. After this introduction section (section 1.0), a brief background is provided to contextualise the study (section 1.1). Thereafter, the problem statement is presented (section 1.2), along with aim (section 1.3), objectives (section 1.4), and research questions (section 1.5). The rationale for conducting the study is explained next (section 1.6), followed by a description of the key concepts used (section 1.7) and the theoretical framework (section 1.8) underpinning the study. The penultimate section introduces the methodology employed to conduct the research (section 1.9). Before concluding the chapter (section 1.10), the forthcoming chapters are outlined to provide some structure (section 1.11).

1.1 BACKGROUND OF THE STUDY

The common target of all countries appears to be accomplishing "greener" growth by implementing fully integrated and mutually beneficial economic as well as environmental regulations. Besides implementing policies or even taxes, several nations are working to promote the utilisation of technological innovations as well as a renewable energy source. Governments across countries have been engaging in

programmes of awareness to enlighten citizens of the need to adopt approaches that support the recycling and reuse of consumables (Maphosa 2013: 17).

Bailey (2012: 238) noted that well designed environmental taxes can help accomplish targets but might be difficult to operate. Schofield and Theodosiou (2009: 4) argue that there is a need for a consistent guiding philosophy that should be championed by the world organisations and supported by all countries. However, it appears as though governments do not impose relatively similar tolls at an equal rate or enact identical legislation and rules. An operational philosophy would therefore set in motion a pillar of climate change prevention (Brennan and Lo 2015: 2). Nevertheless, Schofield and Theodosiou (2009: 7) acknowledged that whilst this global initiative appears commendable, economic disparities and political instability evident in some countries can prohibit them from acting cohesively. Hence, many nations are faced with the need to preserve their national incomes, which consequently may adversely affect global efforts to combat climate change. Furthermore, many advanced economies are faced by the conundrum of political intervention in which good governance strategies are questioned politically (Maphosa 2013: 18).

According to Levinson (2017: 6), seeking to impose carbon tax is one effective method of protecting the environment and achieving the growth of the economy. Levinson (2017: 6) further claimed that perhaps the excise levy foisted on the carbon content of fossil fuels has contributed to decreasing emissions of GHG, which has consequently influenced climate change. Nevertheless, Bailey (2012: 241) acknowledged that it is challenging to assess the precise impact of environmental taxes as well as marketing behaviour. This appears to be so, even though the various endogenous, but also exogenous constraints are weighed first before organisations might respond to environmental taxes. When there is tremendous pressure piling on an organisation, such an organisation can consider changing the structure of its business, leading to layoffs. This could exacerbate an already very high rate of unemployment in South Africa, as well as worsen job losses (Maphosa 2013: 27). Governments, therefore, must make knowledgeable decisions in order for this legislation to be implemented effectively.

Governments also need to enforce successful national policies by coordination through different political parties; hence, a shift in political focus will not weaken environmental or green policies. Williams (2015: 5) further added that many countries have already chosen not to do anything about issues relating to the environment through the actions they depict. Williams (2015: 6) claimed that even those who chose this package appear to have done so for fear of subverting sustainable economic development. For instance, if the government opted to enforce a participatory approach in this programme or reforms, such regulations might include components of legislation, carbon trading, as well as taxation with respect to the environment which could meddle with investment spending, resulting in a loss of economic revenue. Governments ought to reduce the tax policies which literally "export the epidemic" by moving economic activity to several other counties. Irrespective of the framework, the establishment of the fundamental neoclassical theory of environmental taxation by governments is valuable (KPMG 2013: 4). Levinson (2017: 32) further noted that their intent is sound, whether the taxes are collected directly or indirectly. He argued that some companies consider it cost-effective for taxes to be paid preferably to pursue unethical practices instead of paying taxes. Conversely, those who find compliance less costly would reduce their emissions. Furthermore, given that the environmental problems might often be perceived to have adverse side effects on the growth of the economy, the challenge associated with addressing them is more difficult. Nations which are perceived to have weak environmental records (for instance, South Africa) face several obstacles which might impede the successful introduction of green taxes (Maphosa 2013: 19).

1.1.1 Environmental Pollution in South Africa

South Africa as a country has been ranked as one of the highest sources of pollution within the range of developing countries and features amongst the top 20 carbon dioxide (CO₂) emitters in the world (Mcsweeney and Timperley 2018: 72). This has resulted in the environment being adversely influenced as an output of these changes emanating from humans, which consequently has had a major negative influence on the quality of health of humankind (Kalidin 2017: 16). Researchers in South Africa and across the globe have concluded that as consumer demands increase, so does pollution in the environment, especially when materials, such as fossil fuels, are used to satisfy these demands (Bhanot, Paruchuri and Deshmukh

2015: 564; Ghazilla *et al.* 2015: 659; Cuerva, Triguero-Cano and Córcoles 2014: 108). It is estimated that over 75% of the pollution occurring in the global context is attributed to small and medium enterprises (SMEs) (Perera 2018: 16). However, many of these SMEs fail to acknowledge this.

To ensure sustained economic development, expanded jobs, and a decrease in poverty as well as inequality, the government of South Africa needs to put in greater effort to minimise the emissions of GHG (World Bank 2018: 33). To accomplish this objective, taxes connected to the environment have been suggested and enforced logically to prevent continued emissions, thereby guaranteeing the sustainability of economic progress through development. Thus, although green government legislation that includes carbon taxes and emissions trading systems have been commonly promoted, further investigation into levels of efficacy in South Africa is warranted (Baranzini *et al.* 2017: 11). Carbon taxes may help internalise a negative externality if implemented effectively and efficiently. This can be accomplished by incorporating external costs into the costs of products as well as consumer prices, thereby inducing improvements in the behaviours of manufacturers. Carbon taxes might even be a source of income which could be a successful solution compared to regulatory government policies (Pettinger 2019: 3).

Nonetheless, additional environmental protection expenditures could slow down the development of the industrial and commercial sectors for any emerging nation including South Africa. This suggests that South Africa could then concentrate more on socio-economic goals, rather than endeavouring to decrease CO₂ emissions (Omoju 2014: 9). Moreover, much of the problem could be emerging from South Africa's overreliance on electricity generated from fossil fuels. With the increased reliance on coal as well as a liquid fuel, it might be difficult for companies in South Africa to accomplish substantial CO₂ emission minimisation. The policy stance of the South African Treasury seems to be anti-revenue recycling. On the other hand, this may limit their versatility in allocating tax revenues effectively. Therefore, taxes may be levied explicitly on corporations which, in effect, pass these costs on to potential customers. With the government of South Africa choosing to spend, to provide some remedy to consumers of electricity, carbon emissions could be ultimately defeated (Lewis 2012: 27). A few other advanced nations such as the United Kingdom (UK), the Netherlands, Finland, Sweden, and Denmark have implemented tax legislation

on the environment. This was done by changing current taxes on energy to concentrate on carbon products. Carbon tax rates were planned to be lower in several of these nations, as compared to the marginal external costs of climate change. This was partly attributed to the absence of a global carbon price index, maintaining the profitability of private businesses, and the technicalities inherent in calculating the real external costs (Andersen 2010: 7).

1.2 PROBLEM STATEMENT

As of 2018, the number of SMEs that are operational in South Africa accounts for 48.5% of the enterprise and for over 13.8 million of people in their employ (BussinesTech Staff Writer 2018: 3). They are therefore large value-creating drivers, contributing up to 50% to 60% of the economy of South Africa. SMEs in developing countries are becoming viable, as they contribute to 45% of employment creation as well as 33% of gross domestic product (GDP) on average (Muriithi 2017: 39).

If informal sectors are to be included in the statistics highlighted above, the contribution of small and medium scale enterprises would be responsible for more than 50% of workforce engagement and GDP, irrespective of the country's level of income. The advancement of technology has also played a substantial role in SMEs. While not all SMEs are creative, they can operate beyond existing frameworks and take advantage of overlooked possibilities to innovate (Koirala 2018: 15). SMEs are responsible for 20% of trademarks in Europe. These SMEs will be more willing to develop and compete with established companies when socio-technical transformations generate an applicable innovative technological space (Gibbs and O'Neill 2014: 11).

1.2.1 Economic Contributions of SMEs

SMEs function effectively and generate prospects throughout a broad range of geographical regions and industries. They employ various categories of the labour force, such as low-skilled workers, and offer prospects for expertise development (Karnani 2011: 74). As such, the creation of employment appears to promote growth in the economy within the SME domain (Lanzona 2015: 3).

On average, SMEs possess a substantial cumulative environmental influence. The literature reflects that SMEs are responsible for 60% – 70% of industrial pollution (OECD 2018: 17). SMEs within the manufacturing industry that account for a massive amount of global resource utilisation, carbon emissions as well as generation of waste negatively influence environmental sustainability (Koirala 2018: 5). As such, SMEs seem to have the capability of making significant environmental enhancements. For instance, eco-innovators can spearhead or prompt new green companies, particularly in situations in the local as well as developing markets, which may be unattractive or unachievable to big companies. In the United Kingdom and Finland, for instance, SMEs consist of 90% and 70% of cleantech companies simultaneously (Tetley 2016: 14).

They are also essential promoters of inclusive and green development, given the economic and environmental importance of SMEs. Although there seems to be several threats and the right set of circumstances that the change of climate presents to companies, numerous research reports concentrate on their obligations as significant GHG pollutants and future change-makers. Although these problems are hard to mitigate, the government has implemented green tax as a policy to react to the appeal to "save the environment" (Frankel 2018: 34). The rationale for this kind of legislation is to encourage environmental sustainability of production as well as consumption by reflecting on environmental consequences, particularly on the prices of products or even services, thus rationalising the prices of limited resources. To elaborate on this, a green tax is designed to prevent people from damaging the environment and to pay for products that are beneficial for them (Kiper 2013: 24).

1.2.2 Activities of SMEs in South Africa

With regards to South Africa where the current study was conducted, technology has evolved rapidly, which has consequently affected the environment, and perhaps society. The environmental implications have manifested in the context of environmental hazards, climate change as well as global warming (Vinod 2017: 12). Research has demonstrated that SMEs still have an important part to play in combating environmental change and global warming, as they are the foundations of several economies all over the world, including South Africa (Madsen and Ulhoi

2014: 297). To elaborate on this, SMEs account for two thirds of environmental degradation (Madsen and Ulhoi 2014: 297). This phenomenon has resulted in the establishment of green taxation, sometimes called environmental taxation in several counties and regions. Interestingly, several small businesses simply refuse to comprehend the relevance of adhering to environmental tax regulations and seem to be unaware of the potential advantages appended to them (Olatunji and Olaoye 2015: 13). Numerous studies with regards to environmental degradation and tax enforcement have therefore been conducted worldwide (Bhanot, Paruchuri and Deshmukh 2015: 320; Ghazilla *et al.* 2015: 600, Cuerva *et al.* 2014: 100).

However, in South Africa little research on the compliance of green tax among SMEs has been conducted. A qualitative research method was used to explore the perceptions of SMEs regarding compliance with green tax legislation and obtain a more in-depth understanding of why these enterprises refuse to act in accordance with green tax initiatives.

In light of the above, the aim (section 1.4) and objectives (section 1.5) of the study are described below, followed by the research questions that were formulated to guide the study (section 1.6).

1.3 AIM

The aim of this study was to explore how green tax compliance is viewed amongst SME business owners in the manufacturing industry and to understand what strategies need to be in place to strengthen the level of compliance.

1.4 OBJECTIVES

The objectives of the study were to:

- 1) Explore whether SMEs in the eThekwin district comply with policies on green tax.
- 2) Inquire about the effect of non-compliance with regards to green tax amongst SME business owners in the eThekwin district.

- 3) Understand the strategies in place to strengthen green tax compliance amongst SME business owners in the eThekweni district.
- 4) To make recommendations on how to improve the level of green tax compliance amongst SMEs in the eThekweni district.

1.5 RESEARCH QUESTIONS

The study was guided by the following questions:

- 1) Do SMEs in the eThekweni district comply with green tax?
- 2) What is the effect of non-compliance related to green tax amongst SME business owners in eThekweni?
- 3) What strategies are needed to strengthen green tax compliance amongst SME business owners in eThekweni?
- 4) How can the level of green tax compliance be improved in the eThekweni district?

The researcher's motivations for conducting this study are explained next.

1.6 RATIONALE FOR THE STUDY

It is every individual's responsibility to follow environmentally friendly principles and practices. It ought to be a path of deep commitment. Greening should begin within the personal lives of all citizens and should generate a transformation of the mindset that encourages improved efficiency in favour of planet-friendly behaviour. Whether green taxes are levied directly or indirectly, it should consequently be regarded as a representation of growth, instead of being coercive.

Two prominent environmental taxes are reportedly being implemented in South Africa, namely, power and the tax on fuel. They have been widely criticised as being the two taxes that do not recognise a significant portion of the existing system of environmental tax. This has led to a mass request for the tax structure to be reviewed and revised to recognise the current increasing emissions of GHG (Williams 2016: 21). There are solutions that appear to be lacking in the new green tax structure in South Africa which includes, for example, the introduction of fiscal

incentives that can be used to stimulate renewable technologies. Such shortcomings gave impetus to the current study and the need to explore solutions to these challenges.

In a similar vein, like other related countries, South Africa has tax loopholes. This often stems from multiple reasons, which can be categorised as tax avoidance and evasion. These sorts of attitudes can sometimes lead numerous organisations to evade taxes on the environment, especially if such taxes are found to be deficient (Milne and Andersen 2012: 15).

To provide clarification and avoid any misunderstandings, the key concepts employed in this study are defined below.

1.7 DEFINITION OF CONCEPTS

1.7.1 Green Tax

Green tax, also known as ecological tax, is a tax charged on behaviours or actions regarded as detrimental to the environment and are designed to encourage environmentally friendly practices through economic opportunities. This type of policy may augment or eliminate the demand for regulatory requirements. Sometimes a recommendation for eco-tax legislation may seek to preserve the maximum tax revenue through minimising other taxes reasonably and fairly. These initiatives are regarded as a green tax change towards ecological taxation. Eco-taxes tackle free markets' inability to recognise environmental impacts (OECD 2011: 33).

1.7.2 Pollution

Pollution is the injection of pollutants into the environmental atmosphere that induces adverse changes. Pollution may assume the nature of toxic agents or energy that includes noise, heat, or light. Pollutants, the emission elements, may be imported fumes/energies, or pollutants that arise naturally (Carrington 2017: 2).

1.7.3 Carbon Emission

A carbon footprint is the amount of GHG emissions generated by a person, event, company, service, or product demonstrated as carbon dioxide equivalent. GHGs,

such as carbon dioxide and methane gases, may be released into the atmosphere by the combustion of fossil fuels, land clearance, or even production and consumption of food, industrial goods, and equipment (Wright, Kemp and Williams 2011: 22).

1.7.4 Environmental Sustainability

Environmental sustainability has been defined as the conscious contact with the environment to discourage natural resource depletion or destruction and to encourage long-term sustainability of the environment (OECD 2011: 33).

The theoretical framework underpinning this study is presented next, explaining how this study fits in with established theories and ideas.

1.8 THEORETICAL FRAMEWORK

There seems to be two sides to the theoretical coin related to green tax, namely: tax increases to restrict environmentally harmful practices or goods, and tax reductions to promote environmentally desirable ones. In both cases, the tax methodologies should indeed be focused solely on conventional tax concepts which recognise issues of social justice, the effect on the economy, and institutional feasibility (Milne 2007: 8).

1.8.1 Theory of Pigouvian Tax

Pigouvian tax is a tax on any business operation generating negative externalities (costs not included in the market price). This tax is intended to remedy an unexpected or unsuccessful business result (a market weakness) by keeping the net marginal cost of negative externalities at the same level. Public costs include private as well as public expenses. However, the social cost of a business activity is not offset by the private expense of the transaction in the case of negative externalities. When a business results in such a situation it becomes unproductive and can contribute to over-consumption of the commodity (Sandmo 2008: 12). Examples of these externalities are environmental emissions and increased public health costs associated with tobacco and sugar beverage consumption. In the presence of positive externalities, namely, public benefits from market operation, those who

obtain the gain do not pay for it and the market that undersupply it. Similar reasoning suggests that a Pigouvian subsidy should be provided to help consumers pay for socially beneficial goods and facilitate increased production (OECD 1972: 54).

The diagram below illustrates the workings of a Pigouvian tax (see Figure 1). A tax shifts the marginal private cost curve up by the amount of the externality. If the tax is placed on the quantity of emissions from the factory, the producers have an incentive to reduce output to the socially optimum level. If the tax is placed on the percentage of emissions per unit of production, the factory has the incentive to change to cleaner processes or technology.

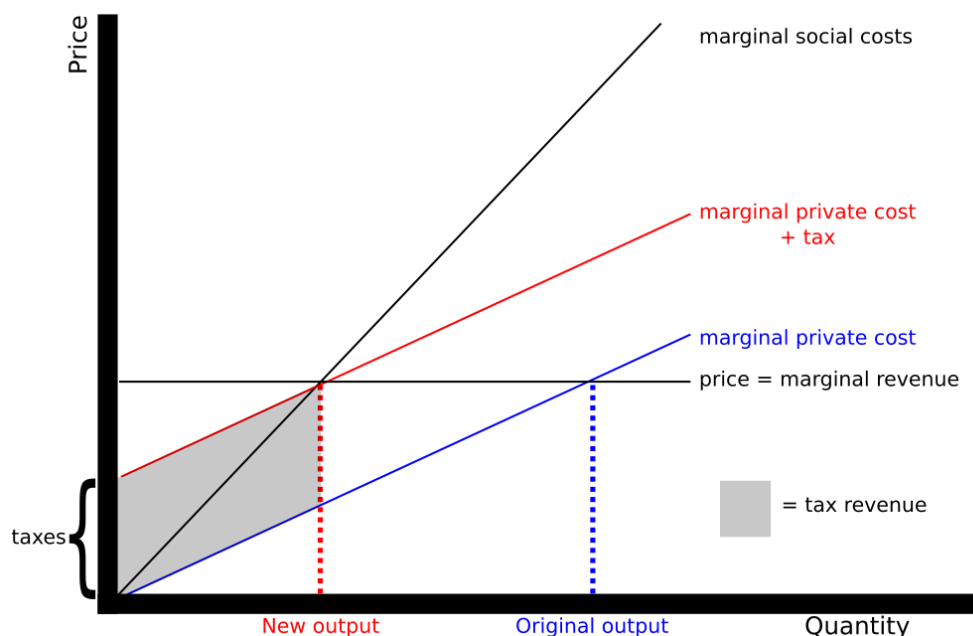


Figure 1. Pigouvian Tax Illustration (Weng and Lin 2011: 130)

The following section describes the methodology that was used to gather the data. It also seeks to provide clarification and justification of the suitability of this approach for this study.

1.9 OVERVIEW OF THE RESEARCH METHODOLOGY

For the purpose of this study, a qualitative approach was utilised. Qualitative research is based on the collection of non-numerical data seeking to derive meaning from it. The focus of this research design is to understand, explain, explore, and

clarify situations, perceptions, attitudes, beliefs and experiences of a group of people (Creswell 2014: 4). This study will therefore include a sample of the population, with an open frame of enquiry from which information will be gathered and explored. Hence, the information gathering process will be flexible and semi-structured. An exploratory research design approach was used so that the researcher could explore how green tax compliance was viewed amongst SME business owners and the strategies to strengthen the same. Purposive sampling was used to collect data from tax practitioners, as it is expected that they should have background knowledge of the issue of carbon emission and tax. Thematic analysis was used to analyse the data.

The penultimate section below outlines the chapters of this dissertation to give an indication of the focus of the forthcoming chapters.

1.10 STRUCTURE OF THE DISSERTATION

The dissertation comprises the following chapters:

Chapter 1: Introduction

Chapter 2: Literature review

Chapter 3: Research methodology

Chapter 4: Presentation and discussion of the findings

Chapter 5: Recommendations and conclusion

Some concluding remarks follow next.

1.11 CONCLUSION

This introductory chapter provided a description and overview of the problem under investigation. In addition to outlining the problem statement, aim, objectives, research questions, and significance of the study, a summary of the theoretical framework was presented and key concepts defined. The methodology employed in this study was also described, followed by a brief sketch of the forthcoming chapters.

The next chapter discusses the literature that underpins the topic being researched.

CHAPTER 2

LITERATURE REVIEW

2.0 INTRODUCTION

A literature review is a section of a research report that introduces an existing understanding of a specific subject. Moreover, it incorporates empirical research and contributes relevant theoretical and empirical information. Literature reviews form the basis of a study in almost all fields of study (Nakano and Muniz 2018: 13). A review introduces new work, serves to contextualise the present research within the framework of related literature as well as provides a background for the reader.

The review that follows will look at various concepts related to issues of compliance with green tax by SMEs. The various activities of SMEs that contribute to the degradation and depletion of the environment will be discussed (section 2.1). The various theories that are linked to the current study will also be reviewed (section 2.2). Lastly, the related work done in this area of study by other scholars will be reviewed and their findings presented (section 2.3). Some concluding remarks are provided to wrap up the chapter (section 2.4).

The following section discusses green tax, focusing on tax awareness amongst SMEs (sub-section 2.1.1); the activities of SMEs (sub-section 2.1.2); the operations of SMEs and the environment (sub-section 2.1.3); green marketing and manufacturing (sub-section 2.1.4); SMEs business in South Africa and its environmental impact (sub-section 2.1.5); as well as the financial limitation faced by SMEs with regard to environmental issues (sub-section 2.1.6). Also discussed are general issues relating to tax compliance (sub-section 2.1.7), and thereafter, attention is given to critical success factors (sub-section 2.1.8).

2.1 INTRODUCTION TO GREEN TAX

Environmental legislation, as well as the outgrowth of systems of environmental degradation, have prompted environmentalists to become more involved with policies, including decision-making relating to the environment (Kuralbayeva 2018: 6). Hence, in the past few years, the transformation of policies and programmes regarding the environmental situation has taken more of an evolutionary trend. The relationship between the economy and the environment on each other seems to be an incomprehensible fact of constantly revolving economic activities and environment policies. Furthermore, these evaluations often play a significant role in the decrease in social welfare, more so in the instance of intrinsic government expenditure, although they are correlated with increased employment rates as well as a reduced decrease or increase in private income (Kuralbayeva 2018: 6).

The development of regulations on this subject will provide an effective basis for the transformation process to a green economy. This context includes promoting green investment and management and enforcing taxes on investments that do not meet the quality requirements of a product design and development phase at the regional and international levels. One of the policies that blend the views of the two realms is the green tax focused on production and usage as a reasonable solution to the conservation of the environment. Stringent environmental policy enforced through green taxes instead of legislation may increase efficiency, since it drives operational and technological change in companies looking to reduce taxable income (Zárate-Marco and Vallés-Giménez 2015: 28).

Green taxation creates the framework for obtaining optimum social welfare, and even its cash flow performs an important function in accomplishing sustainable development as well as social justice (Endriana, Hartono and Irawan 2016: 66). The observations of a study carried out by Isamu (2012: 89) suggested that a pollution tax is often welfare superior over the subsidisation on the renewable package's consumer buys due to its high contribution to minimising damage to the environment. Under these circumstances, a “double dividend” can sometimes occur in the case that both the efficiency of the atmosphere and the jobs increase (Pourkarimi and Hojjat 2019: 30). Environmental effect is one of the main triggers of government-

company fiscal and subsidy interactions (Li, Du and Long 2020: 60-69). The government establishes the impact of tax and specifies the threshold amount of the subsidy to support the company's green effort. Green taxes are associated with two outcomes. In an explicitly given context, environmental protection seems to become a primary concern for manufacturing companies and cost-efficiency with rising pollution trade-off. From an implicit view, green taxes are making producers and consumers adjust their production and consumption habits. In this kind of tax, rather than just requesting pollution taxes, they establish taxes on raw materials or consumer products which utilise them to harm the environment (Pourkarimi and Hojjat 2017: 25).

Examples of green taxes with an indirect view are taxes on fossil fuels, industrial fertilisers, non-eco-friendly detergents, and disposable plastic containers. In addition to the environmental benefits, price rises can form the basis for a reallocation of revenues within the economy's low deciles, and this strategy will boost government revenue as well as economic growth within the long term (Shafie-Pour-Motlagh and Farsiabi 2017: 54). The appropriate green tax eliminates both in the short as well as medium-term pollution from using fossil fuel. It also pushes the timeframe ahead when fossil fuel alternatives take over again and allow the market to keep more fossil fuel locked up. Green tax policies are commonly used in developed countries; however, in transitional and emerging nations, they are much less implemented (Turvey 2014: 608; Endriana, Hartono and Irawan 2016: 118; Ivanova 2017: 14; Martinez-Fernandez and Weyman 2018: 8).

2.1.1 Tax Awareness Amongst SMEs

In general, tax knowledge seems to be an awareness of the basic principles of tax policy applied within a nation (Fauziati *et al.* 2016: 23). Compliance with the tax system is determined by an awareness of tax policies by SMEs in one country. Tax awareness of numerous SMEs is an important component of a voluntary compliance tax framework, especially in assessing an exact tax liability (Baru 2016: 28). Tax knowledge is, as indicated by Adam and Webly (2012: 197), a fundamental component in a voluntary compliance tax system, especially in determining a precise tax liability (Saad 2013: 33). Studies conducted in Malaysia (Kastlunger *et al.* 2013: 38) have found that tax awareness is the most important factor in deciding the

enforcement behaviours of taxpayers within the self-assessment framework. This is empirically proven and endorsed by numerous other studies (Kasipillai and Abdul-Jabbar 2016: 75). This study reported that having an awareness of tax can correspond to higher compliance rates. The study also found that 97% of respondents do have tax knowledge and that Malaysia's SMEs complied with tax laws. In a similar study conducted in the UK, Hillary (2014: 574) examined tax knowledge between SMEs from two perspectives, namely, knowledge received as a function of practice via common or structured education, and knowledge explicitly directed at potential tax evasion opportunities. His findings showed that most SME companies in the UK have an awareness of tax and are mostly aware of the tax rules.

Research undertaken by Ritsema, Thomas and Ferrier (2013: 14) in New Zealand demonstrated that SMEs possess adequate tax knowledge and adhere to the country's tax regulations. Saad (2013: 36) added that knowledge concerning tax regulations is given in Malaysia across quality public teachings. Kirchler, Kogler and Muehlbacher (2014: 91) asserted that a lack of tax knowledge could lead, either intentionally or unintentionally, to non-compliance actions amongst taxpayers. This was observed in an analysis of small business taxpayers in Australia where they interpreted that small business taxpayers were not even conscious of their deficiencies in tax awareness, which could have led to unintended non-compliance behaviour. More evidence has been recorded among individual taxpayers in Malaysia that performed unintentional errors in certain tax return processes (Slemrod and Yitzhaki 2012: 1428).

Brautigam (2015: 109) employed the specification model to examine tax knowledge within SMEs. The estimation results were not definitive as their findings suggested the identical presence of information-based and non-knowledge SMEs in Hungary, Dubai, and Spain. On a comparable note, Adam and Webly (2012: 198) revealed that Nigeria's tax knowledge might not be reliably calculated from its results which were based on the systemic theory and considered that some citizens had no knowledge and others had some tax knowledge. One hundred questionnaires were administered. The study, however, could not distinguish if the participants had only

received tax education or information, and therefore failed to determine if information had actually affected enforcement.

The findings in the aforementioned studies were not compatible with the findings made by Hillary (2014: 576) "who reported that tax awareness had no direct impact on the enforcement actions of taxpayers". One potential reason for these contradictory findings is the tax jurisdictional disparity. According to Nyamwanza and Mavhiki (2014: 4), despite having relevant tax knowledge, SMEs in Zimbabwe do not adhere to laws and are not contributing to non-compliance behaviour.

Bird (2014: 268) further claimed that "the presence of tax information consisting of general knowledge, legal knowledge including technical knowledge, did not impact the tax enforcement actions of SMEs significantly". His study showed that taxpayers who are competent were not generally compliant taxpayers. Research conducted by Alm, McClelland and Schulze (2012: 22) recorded negligible changes in attitude towards tax and tax actions due to increased tax awareness among SMEs. Tax awareness has also been found to have no effect on Indonesia's tax enforcement (Fauziati *et al.* 2016: 24).

Maseko (2013: 14) discovered no association between tax awareness and compliance with tax registration but a slight negative correlation with tax enforcement. He argued that SMEs' level of tax awareness has little impact on their intention either to enrol or not to enrol for tax. However, according to Maseko (2013: 15), enrolment for PAYE in Zimbabwe was not dependent on any degree of tax awareness. In comparison, Cuccia (2013: 83) claimed that "higher taxpayer awareness and comprehension do not contribute to stronger tax enforcement". Taxpayers who acknowledge the tax rules then still generally do not follow the tax laws.

A clearer understanding of the tax laws of the taxpayer therefore only leads to a greater knowledge of the fines that can be levied when abdicating their tax obligations. Bird (2014: 25), who endorsed the above study, proposed that taxpayers who correctly interpret the rules do not usually abide by tax rules as set out in the tax laws. Endriana, Hartono and Irawan (2016: 118) further asserted that tax awareness and information have no major impact on the ability to pay SME taxes. Taxpayers

who attended a tax course should be expected to have better tax awareness and a better tax enforcement attitude compared to taxpayers who have never observed a tax course. However, the results in his analysis suggest no association between the two variables.

2.1.2 Activities of SMEs

The globalisation of economic activity has contributed to intensified competition on a worldwide scale over the last decade. This situation leads businesses that are not adjusting to this emerging circumstance to see decreased profit margins. They are then forced to formulate strategies that would enable them to recover or boost their competitiveness to gain competitive advantages. The analysis of the macroeconomic variables of the competitive position of the company is therefore of paramount importance. Until well into the 1980s, environmental awareness indicated that the fundamental spheres of importance in the research of market competitiveness were market assessment and competition, concentrating on those company's non-controllable factors (Rumelt 2014: 558). Prior to the end of the very same period, Powell (2016: 324) described the imperative to analyse not just the economies, but the organisation's actions as well.

In another way, increasing apprehension about the degradation of the environment has led to a demand for businesses to adopt more considerate actions toward the environment, and this could then be exploited as a strategic opportunity to make companies competitive. SMEs that supply many regions with an economic as well as business framework play a significant function in this background. SMEs account for 80% of established businesses around the world (Hansen and Wertnerfelt 2019: 402). Notwithstanding, their contributions to value creation as well as jobs, some of their effect on the environment, could be tremendous. While it is evident that the contribution of just one SME to a country's sustainable development is considerably lower, viewed as a group, they have a considerable impact on the sustainability of the development of a certain geographical area, sometimes even overwhelming that of the bigger corporations. The greater the number of SME businesses in the economy or region, the better their effect with regard to the extent of sustainable economic growth (Vargas 2018: 13).

The academic community has found it difficult to describe the idea of an SME correctly and consensually. Hence, the literature has offered various metrics for characterising SME businesses, such as the number of workers, turnover, and total assets (Walczuch, Braven and Lundgren 2017: 562).

These disparities have actually prompted governments and organisations from various countries to lay down specific guidelines to determine what kinds of businesses can be classified as SMEs (MacGregor and Vrazalic 2017: 21).

2.1.3 SMEs Operations and the Environment

While it is evident that mankind's economic and industrial operations have had a connected interaction with the environment for a long period, it is only in recent decades that humanity has become conscious about the adverse impact of this relationship on the environment. Until several years ago, from an empirical viewpoint, market behaviour was regarded as a dynamic system whereby economic agents, customers, or producers acted rationally, trying to maximise their benefit without considering the effect of their operations on the social and physical environment. Recent environmental and societal concerns regarding the degradation of the environment have placed pressure on businesses to adopt more responsible actions towards their natural environment.

Nevertheless, before incorporating these new environmental viewpoints into the company, one should be conscious that there are three essential functions in the environment. It is the essential source of raw materials since the environment provides natural inputs for the production process. Nature also offers environmental-based leisure facilities such as scenic beauty, clean air, and many other advantages. Consequently, in this production and consumption, the natural environment embraces the waste and residues produced. Nevertheless, it must be accepted that nature will maintain its position as a reservoir of this trash only if the quantities of trash discharged into the atmosphere are within the boundaries established by its assimilative capability. This is illustrated in Figure 2 below.

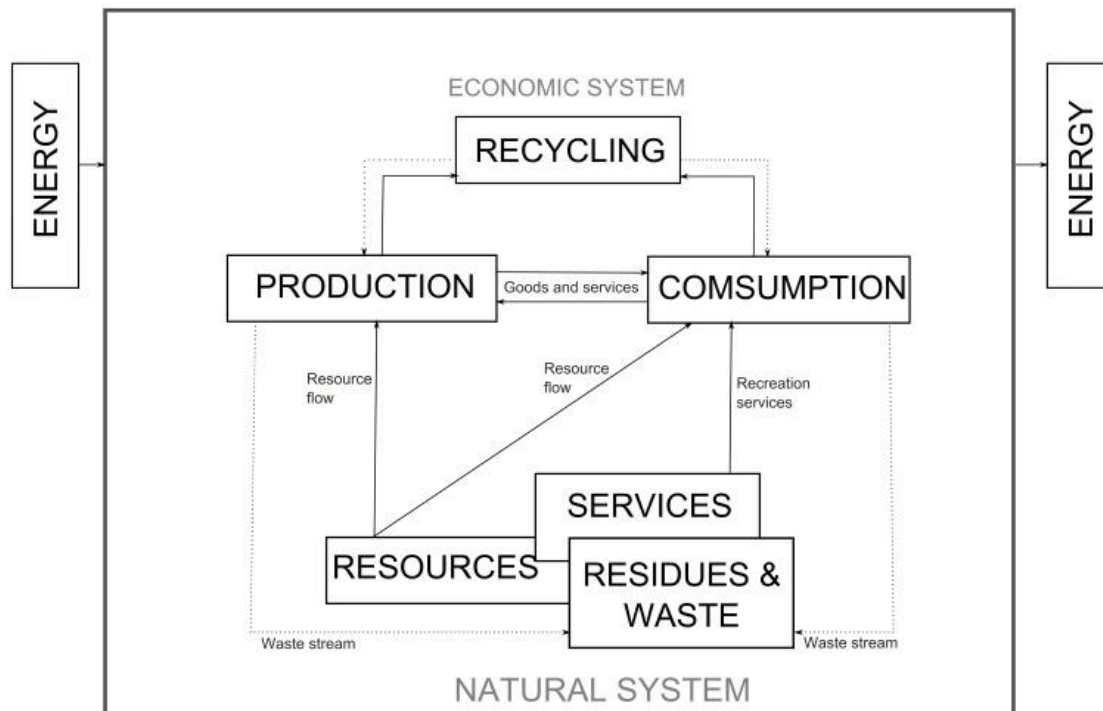


Figure 2: Interaction of the Economy and the Environment

(Source: Sa´nchez-Medina, Romero-Quintero and Sosa-Cabrera 2014: 5)

Businesses have historically had an impact on the environment and will continue to do so in the future. While there may be positive indicators to the contrary, businesses seem to be a menace to the environment and environmental concerns present challenges to business advancement and employment creation. Resistance, however, has been addressed in past years as the ideology of environmental sustainability has been enforced. As discussed by Sa´nchez-Medina, Romero-Quintero and Sosa-Cabrera (2014: 6), businesses and the environment are compelled to acknowledge each other. The business owner performs a pioneering function in researching and contributing technological remedies to environmental difficulties; however, for the business organisation, the environment is a fast-increasing market, a business advantage, and an employment creation opportunity.

Both business entities create environmental issues to a greater or lesser degree, notwithstanding their scale, operation, or scope, and they must face the task of fulfilling the requirements of the natural world in which they work. Such criteria are illustrated by the pressure coming from the stakeholders – any group or person that

may influence or be impacted by the accomplishment of the purposes of the organisation as well as its activities (Taylor 1992: 671).

Research involves rigorous studies that confirm stakeholder expectations that influence the sustainability practices of businesses (Darnall and Sadorsky 2010: 1074). Figure 3 describes the main stakeholders inclined to manipulate the environmental policies of businesses.

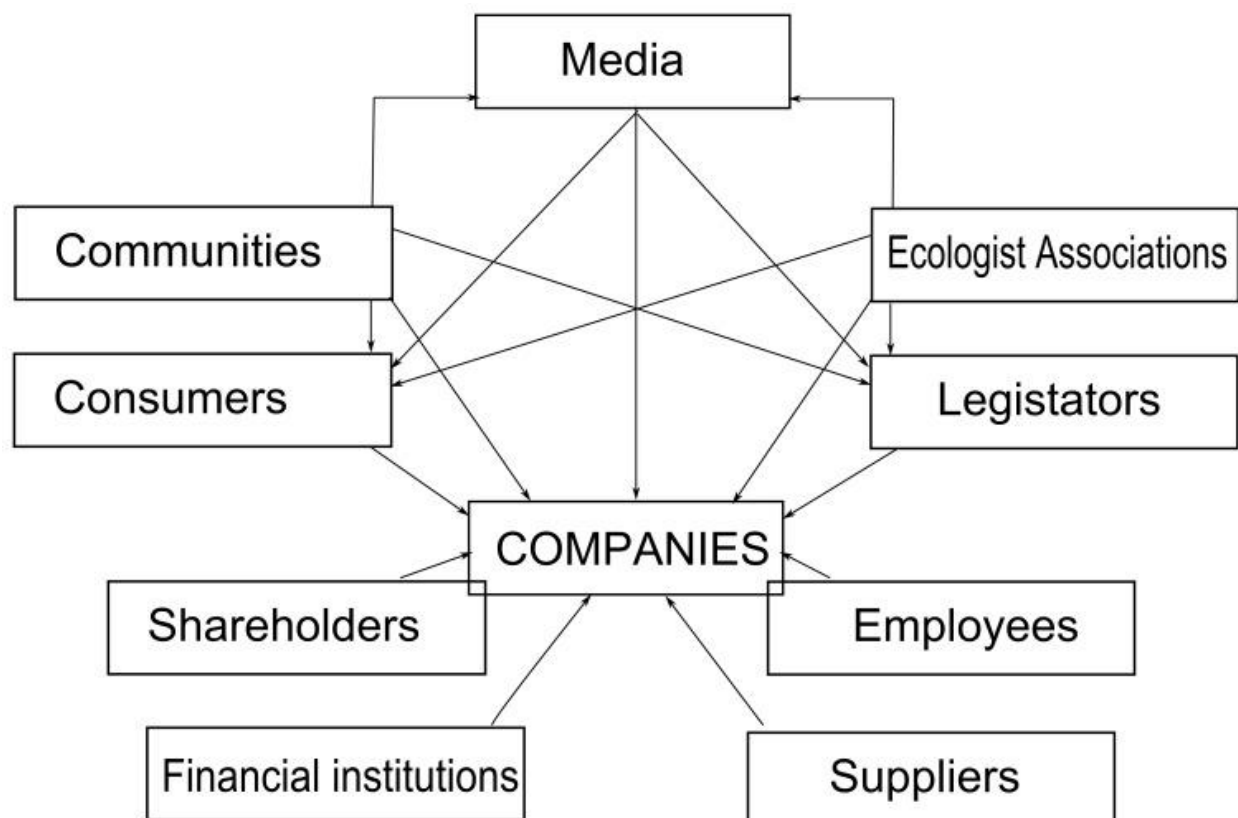


Figure 3: Environmental Stakeholders

(Source: Darnall and Sadorsky 2010: 1074)

It is clear that numerous environmental commitments will increase in the future with more stringent regulations and increasingly strong social and consumer pressure. Therefore, by following those ecological values, businesses would have to adjust to the situation. In general, this adaptation phase will entail a transformation of the companies, their goods, their manufacturing processes, and their management practices (Shrivastava 2015: 200), which will result in a reduction in the effects on

the natural environment of the companies. In short, the world has become a strategic concern for enterprises, and it needs continuous attention and sufficient incorporation of all its aspects into the strategy of the enterprise. However, company administrators must also take action to bring about environmental changes (Beaumont 2012: 188; Taylor 1992: 671).

A study by Callaghan (2017: 120) found that cities in developed and developing countries help to generate more than 80% of the global GDP. This means that they are responsible for 70% of the overall energy consumption and GHG emissions that are produced globally. In essence, he concluded that 60% of the global population would live in cities by 2030. This means that countries will be engaged in reducing and solving existing environmental and global problems. According to The World Bank (n.d.: 1), these cities around the world are using various types of financial instruments in order to raise revenue. Green taxation is said to be one of the major financial instruments and the greatest source of financial income. In order to reduce the amount of environmental taxes paid, the implementation of green practices can be used to reduce these costs. While various countries tend to be implementing these taxes, SMEs are viewed as the largest agents who release the most amounts of emissions (Sushchenko, Hychka and Garlytska 2018: 76).

According to a study by Alpeza *et al.* (2015: 14), SMEs represent 99.7% of the overall enterprise structure. This Croatian study found that the main reason why many SMEs do not adopt green practices is due to resource deficiency, large production costs, and level of turnover. The European Parliament (2015: 23) advised SMEs that they should adopt green practices in order to increase their market competitiveness. Sustainable economic performance will therefore prevail once SMEs adopt green innovation with their existing economic performance (Weng and Lin 2011: 130). Although implementing green innovations in SMEs can be very costly, companies fail to understand that going green is essential because their businesses depend on the efficiency of resources and technology (Kabiraj, Topkar and Walke 2010: 145).

Nevertheless, for a number of green products, one such compensatory advantage results in lower operating costs due to reductions in energy consumption (Olson

2013: 171-184). Knoskova (2014: 375) reported that green products are seen to have less detrimental effects on the environment during the manufacture and discarding thereof in comparison to other non-green products possessing the same functionality. Regardless of their various advantages and increases in development, green products are from time-to-time characterised as radical. Dangelico and Pujari (2010: 477) stated that green product innovations are considered radical when they are introduced from the market and when they are based on new technologies or if they have been patented by the manufacturer. Some SMEs are involved in the supply of green services. Djellal and Gallouj (2016: 187) elaborated on this, saying that “because of their immateriality, services can be less harmful to the environment as opposed to material goods”. Green marketing is related to the development and supply of green services and products.

2.1.4 Green Marketing and Manufacturing

According to Nadaf and Nadaf (2014: 91-104), SMEs can implement green marketing through the development of products and services whilst promoting them to customers who prefer products of good quality, performance, and convenience, which at the same time do not have a detrimental impact on the environment. Regardless of several environmental initiatives and social impacts, SMEs are seen to attract very little information on green practices from specialists (Alayón, Säfsten and Johansson 2017: 141). Studies by several researchers found that manufacturing industries specifically ignore green practices (Bhanot, Rao and Deshmukh 2017: 142; Cuerva, Triguero-Cano and Córcoles 2014: 162; Ghazilla *et al.* 2015: 233). Sustainable development is said to offer a better opportunity to SMEs as compared to large firms. According to Ghazilla *et al.* (2015: 230), SMEs are said to play an important role in the country’s economic growth; therefore, they encourage companies to identify barriers that hinder the implementation of green manufacturing.

Various studies around the globe have addressed the importance of green manufacturing. Henriques and Catarino (2016: 139) researched Portuguese SMEs to understand essential conditions that promote energy efficiency and green enhancements in SMEs. Studer *et al.* (2008: 51) stated that raising awareness about the environmental impact of SMEs has resulted in a growing number of green manufacturing programmes in Hong Kong. Therefore, the main objective of these

studies was “green manufacturing measures to understand the correlations between environmental management and economic performance for SMEs with different pollution levels”. Hoogendoorn, Guerra and van der Zwan (2015: 759-760) observed that most SMEs (91%) practice green processes to a certain extent. The remaining 9% of SMEs do not practice green processes.

The Paris Agreement was introduced as multilateral climate change process. In order to achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century (Sibanda 2020: 335)

SMEs often face challenges when it comes to meeting environmental regulations due to the lack of adequate financial resources and equipment (Schroeder, Burch and Rayner 2013: 762). Furthermore, SMEs also often do not have the capacity and skills to sufficiently meet the requirements for green manufacturing and production processes. However, although individually SMEs may appear to pose minimal damage to the environment, their cumulative impact is far greater. According to Sáez-Martínez, Díaz-García and González-Moreno (2016: 2), 98% of firms in Europe are SMEs which contribute 67% of the total employment. They, however, also contribute significantly towards the depletion of resources. It was reported that SMEs account for 64% of the pollution in Europe. In the UK, SMEs account for 95% of the businesses that are said to be responsible for about 60% of commercial emissions of GHGs (Schroeder, Burch and Rayner 2013: 762).

Not only do the activities of the SMEs damage the environment, but they also vary in diversity. Furthermore, it is believed that the environmental damage posed by the SMEs will continue to rise unless innovative measures are taken in order to manage the situation (Weerasiri 2012: 16). Moreover, SMEs are reported to be displaying poor levels of environmental control in their operations due to : i) poor business planning, ii) lack of understanding of the environment, public health, and safety issues, iii) poor environment due to non-regulated practices, iv) non-adoption of clean technologies, and v) poor compliance monitoring by the responsible authorities (Weerasiri 2012: 17).

This is also exacerbated by the use of outdated and/or inefficient production means which simultaneously releases large amounts of pollutants. Nonetheless, globally, the ability of firms to conduct activities that are environmentally sound is becoming the norm as well as a strategic issue (Weerasiri 2012: 17). Yet still, many SMEs have internal and external barriers to attainable environmentally sustainable activities, and many studies have proposed that the lack of adoption of the latter is not entirely due to the absence of a positive environmental attitude in business (Weerasiri 2012: 18). However, a positive attitude towards environmental initiatives is not sufficient alone as some SMEs have been found to be lacking waste disposal strategies, even amidst rising waste disposal costs. Also, it is quite difficult for SMEs to see the link between the environmental management system and its benefits since they have limited knowledge of the concept of environmental management (Weerasiri 2012:19). Consequently, many SMEs became more reactive as opposed to being proactive when dealing with environmental issues. This is also worsened by their lack of resources and skills needed to manage environmental initiatives.

2.1.5 SMEs Business in South Africa and its Environmental Impact

SMEs play a substantial role in South Africa. This is evident as follows: They account for about 51.8% of the nation's annual turnover; provide 67% of the country's jobs in the private sector; and contribute over 50% of South Africa's GDP (Dey and Ghosh 2013: 5). According to Aiyub *et al.* (2019: 9), the total number of SMEs in South Africa is around 2.2 million, and the total amount of employees are at around 13.8 million. Aside from creating employment and contributing to GDP, they foster creativity and expertise and play an important function in the supply chain of greater organisations. Despite the contribution of SMEs to the South African economy, their environmental impact nevertheless remains unknown, even though several other researchers have predicted the cumulative effect of SME pollution at around 60% (Hillary 2014: 563). In a similar vein, Hillman (2019: 8) also suggested that SMEs account for 60% of industrial waste and 80% of pollution incidents. According to Hillary (2014: 564), the significant amount of heterogeneity between SMEs makes it challenging to evaluate the environmental effects and SME sector strategies.

Given the fact that most environmental emissions come SMEs, there is poor understanding and recognition by SMEs of constructive strategies in environmental

management. Spence, Agyemang and Rinaldi (2012: 21) also suggested that while there is some recognition among SMEs and good environmental practices, they are very hard to influence. There are also several other reasons contributing to the lack of acknowledgement by SMEs to support constructive environmental practices. Tilley (2019: 240) reported that SME businesses perceive themselves as having little to no environmental effect. A survey by Hillary (2014: 564) showed that 58% of SMEs believe they have little or no major environmental impact. While Rowe and Hollingsworth (2019: 99) placed the above figure at around 55%, they reaffirmed that most SME companies have intentions to follow good environmental practices. However, due to the numerous constraints they encounter, the latter do not materialise. It was argued that most of the environmental schemes were planned for bigger businesses. Nonetheless, Tilley (2019: 242) and Rowe and Hollingsworth (2019: 101) cautioned that the design of environmental approaches for bigger corporations could not be translated to SMEs that have diverse systems and, in several cases, address ad hoc problems. SMEs need to be examined because they differ in many ways from large companies, for example, in terms of the availability of capital, tactics, drivers, organisational principles, and stakeholder participation (Sáez-Martínez, Díaz-García and González-Moreno 2016: 2). Hillary and Burr (2011: 18) also emphasised that the absence of clarity on the financial advantages of sustainable environmental strategies may result in the low level of SMEs involvement.

2.1.6 The Financial Limitation Faced by SMEs with Regard to Environmental Issues

Another big problem facing South African SMEs is their financial limitations to tackle environmental concerns. Aiyub *et al.* (2019: 10) established that SMEs are under financial strain, and hence, continue to concentrate on short-term payback ventures. This means that SME companies are reluctant to participate in sustainable environmental policies that they find advantageous, even in the long run. A study by Revell, Stokes and Chen (2010: 274) found that two-thirds of SMEs regarded cost increases to be a major obstacle when approaching environmental issues. SMEs also perceive a lack of time as a major obstacle to implementing good environmental activities. In addition, Revell, Stokes and Chen (2010: 275) described workforce shortages as a major impediment. In their research, which focused on both the

construction as well as restaurant industry in South Africa, restaurant owners reported that benefiting from environmental activities, like waste segregation, is insufficient to justify investment time. Similarly, builders often challenged the reason for the reuse and recycling of necessary labour-related materials and storage.

Furthermore, Blaikie (2007: 23) described a lack of knowledge as a major impediment to SMEs adopting sustainable environmental practices. In that context, the author alluded to low eco-literacy, a paucity of awareness of environmental laws, including best standards, as significant obstacles to addressing environmental challenges. Some SMEs are also struggling to understand environmental legislation that impacts their companies. Revell, Stokes and Chen (2010: 278) suggested that owners/managers lack awareness of the expertise and skills needed for sustainable environmental activities and have a negative attitude toward pursuing external assistance.

However, legislation is often seen as an obstacle to SMEs in upholding their environmental obligations. Most environmental directives/regulations in South Africa are discretionary, particularly when it comes to SMEs. For example, the recommendations presented in the National Environmental Management Act (NEMA), Act No. 107 of 1998 (South Africa, 1998), on reporting of GHGs are compulsory only for those listed companies. Nevertheless, it was argued that voluntary approaches to compliance with the environment are not successful. Taylor, Barker and Simpson (2013: 89) suggested that voluntary legislation only operates when there is a public requirement to comply. Similarly, Parker, Redmon and Simpson (2019: 281) emphasised that voluntary regulation would be ineffective in circumstances where compliance with requirements of environmental regulations overwhelm the benefits.

Despite the innumerable challenges highlighted as hampering the successful implementation of sustainable environmental practices, there is increasing recognition of the environmental influence of SMEs (and not only those of public companies and multinationals) in establishing a more sustainable world (Spence, Agyemang and Rinaldi 2012: 34). Hillary (2014: 568) reported that South Africa placed considerable importance on companies that engage SMEs in environmental

improvements as a critical avenue for sustainable development. Most of the environmental and social effects of multinationals come from supply chains involving SMEs (Spence, Agyemang and Rinaldi 2012: 38). Aiyub *et al.* (2019: 11) reinforced this saying that the beverage industry and retail giants such as Freshmark and Fedics Food Services are leading the way in South Africa by persuading their suppliers to follow sustainable environmental practices, mainly through SMEs. It was also suggested that environmental factors are important for SMEs as they have stronger connections with essential stakeholder groups, including employees as well as local communities, and have an understanding of direct responsibility towards those tightly linked to their businesses (Uhlener, van Goor-Balk and Masurel 2014: 187).

Environmental issues and knowledge of SMEs are often expressed in informal environmental management programmes involving a mixture of environmental processes such as reducing waste, energy conservation, and water conservation (Christensen, Weihrich and Newman 1994: 250). Without the need for a structured environmental management framework such as ISO 14001 and EMAS, different theories have been put forward regarding the incentive for SMEs to adopt sustainable environmental practices. Dey and Ghosh (2013: 23) stated that firm reputation and business prospects are the primary driving factors for SMEs to adopt good environmental practices. González-Benito and González-Benito (2018: 544) proposed that consumer orientation could be a predictor of sustainability for the environment. Jansson *et al.* (2017 : 230) added that if consumers require sustainable environmental strategies, then market-oriented businesses would respond because of their consumer sensitivity. They stressed that pressure from customers and stakeholders could cause SMEs to establish sustainable environmental measures. Commitment to sustainable environmental activities is regarded as a component of consumer attention, and higher customer satisfaction of the goods and services are believed to improve operational and financial efficiency.

Dey and Ghosh (2013: 25) identified consumer pressure as a significant motivating force that encourages SMEs to follow sustainable practices in the environment. Customers are becoming more environmentally aware of the possibility of penalising companies that neglect their environmental obligations, particularly those engaged in

highly polluting industries, including the chemical industry. Sáez-Martínez, Díaz-García and González-Moreno (2016: 28) reported that it would be possible to improve environmental behaviour and green management practices if consumers showed a greater capacity to invest in goods and services provided in a realistic green context. If consumers demonstrate this behaviour, then SMEs are more likely to adopt sustainable environmental initiatives beyond enforcement and boost their financial performance owing to high consumer patronage.

Legislation is now seen as an important motivation for SMEs to embark on enhanced processes for the environment. Compliance with environmental laws, including carbon emissions, pollution control, waste management as well as packaging, and recycling requirements is a significant catalyst for SMEs to follow better environmental practices (Sáez-Martínez, Díaz-García and González-Moreno 2016: 9). This study claimed that compliance with regulations helps prevent unnecessary penalties that have a detrimental effect on the cash flow and income of SMEs that are already under cash resource constraints. The government could perhaps also employ the laws successfully to motivate SMEs to embrace sustainability measures by providing tax reward systems. Triguero, Moreno-Mondéjar and Davia (2013: 26) cautioned that SME companies continue to react to external influence on environmental sustainability and this is a significant factor that cannot be overlooked. Consequently, if a well-designed environmental policy is in effect, it allows companies to implement creative strategies that increase their operating efficiency and improve competitiveness (Porter and Linde 2015: 5).

Aiyub *et al.* (2019: 13) outlined both the internal and external advantages and motives of sustainable practices. They cited internal benefits such as better reporting, preparation, and understanding. Many significant internal factors found were financial ones, which can be accomplished by cost savings on electricity, materials, and reduction of waste. External benefits included attracting new clients, marketing advantages, reduced insurance costs, increased profitability, compliance with environmental legislation, and enhanced public image. For example, when SMEs follow structured environmental management schemes, such as ISO 14001, it sends a clear signal to important stakeholders who have a direct impact on the enterprise.

2.1.7 General Issues Relating to Tax Compliance

Taxes are regarded as a prerequisite for maximum national revenue in both developed and developing nations, where countries boost their economies by direct as well as indirect taxes. Every entity is required to pay taxes (both corporate and individual) and are therefore obligated to voluntarily abide by the tax controlling body's rules and legislation. Nonetheless, as indicated by Kirchler, Kogler and Muehlbacher (2014: 89), several individuals abandon their tax obligations and those that do create a challenge for tax authorities (Alm 2019: 357). The tax compliance process depends primarily on the engagement of taxpayers in policy initiatives and public spending, as well as enhanced fines and tax audits (Alm and Torgler 2011: 638). Substantial efforts have been made towards improving tax compliance, although in the present times, it appears to be a complex as well as consistent problem. In reality, tax compliance is perhaps one of the most contemporary challenges, particularly in developing nations that are struggling to establish strategies to optimise the effectiveness of collecting revenue from tax (Mansour 2015: 17).

There is no accepted conceptualisation for describing tax compliance in the literature presently. Tax compliance, however, is usually regarded as the taxpayer's willingness and propensity to comply to tax legislation, defined at a particular time and place by ethics, the legal framework, as well as other situational indicators (Mansour 2015: 15). Moreover, tax compliance has been regarded as a process based on mutual relations between the decisions of the taxpayer with the tax authority as well as the confidence of the taxpayer regarding the existing tax legislation and equity of the tax system (Kirchler, Kogler and Muehlbacher 2014: 88). Alshira'h *et al.* (2020: 252) referenced multiple tax compliance indicators which are required by law to taxpayers, namely, adherence to disclosing compliance, filing compliance, as well as compliance with payments. Most significantly, tax compliance was synonymously mentioned in the literature related to the subject area with the words "tax avoidance", "tax evasion", and "tax fraud". Explicitly, tax non-compliance relates to a manner of tax evasion and tax avoidance, which relies on the scope of constitutionality (illegal or legal) of the taxpayer's company (Alshira'h *et al.* 2020: 253). Moreover, tax evasion includes illegal and planned activities carried out by

organisations and individuals to reduce their statutory tax obligations by underreporting revenue, profits, or property; exaggerating deductions, allowances, or loans; or declining to file appropriate tax returns (Ritsatos 2014: 246).

As indicated by Kasipillai, Aripin and Amran (2013: 136), tax evasion is a meticulously planned operation of tax non-compliance in order to realise tax less than is amounted to, whereas Abdul-Jabbar and Pope (2018: 291) stated that tax evasion entails indicators of criminal activity associated with the taxpayer's propensity to intentionally manipulate tax documentation, mislead tax authorities, ensuring that they can pay lesser taxes than is the case. However, tax avoidance in each of its forms is often contrary to tax legislation. Tax non-compliance can sometimes have specific penalties which may comprise refusal to file tax returns within the time specified, or refusal to file at all the disparity of income, excess exemptions, and reluctance to pay the taxes estimated based on the data provided (Kasipillai and Abdul-Jabbar 2016: 74).

Tax avoidance is said to occur when the inconsistencies or weaknesses of tax legislation are consolidated to minimise tax payment, breaching obligations, which suggests that tax avoidance is an immoral activity (Slemrod and Yitzhaki 2012: 1431). Nonetheless, tax avoidance is permissible when it is considered necessary to reduce tax payments through the taxpayers' cleverness against their company regulations (Kasipillai, Aripin and Amran 2013: 141). There seem to be tax avoidance practices that came into play as a result of the weaknesses in tax legislation, which prompted Slemrod (2014: 879) and Alm (2019: 356) to conclude that tax avoidance is a valid operation to reduce taxes payable.

Nevertheless, if taxpayers accede to the tax accrued, this suggests a reduced level of tax disparity (monetary variation between levied and attributable tax) (Mascagni, Moore and McCluskey 2014: 4). When most individuals commit tax evasion, it would be difficult for the government to provide social services to the citizens at rates they can possibly pay, in the context of education, power supply, defense, road building, and health services. In other words, the conundrum regarding tax non-compliance is critical for policymakers because it results in lower revenues, leading to substantial revenue losses in turn. This failure to comply may also strain honest taxpayers,

contributing to the latter's disdain for the responsibility of the tax system. Many tax executives direct their resources to resolve and address tax non-compliance and they identify innovative strategies that can be employed to strengthen it (Mascagni, Moore and McCluskey 2014: 4).

2.1.8 Critical Success Factors

This section looks at factors critical for success. These factors include policy design; fair application across the board; stakeholder consultations; political feasibility; SMEs level of environmental awareness; participatory and collaborative approach; and a clear hierarchy and responsibility.

2.1.8.1 Policy design

The green tax policy design should be done in such a way that it facilitates businesses to adopt green production and manufacturing processes without running down the existing business. Green taxation policy design should allow taxes that are high enough to incentivise the change of behaviour whilst ensuring that tax revenues are reimbursed by either environmental subsidies or reducing taxes in other areas of the industry (Daugbjerg and Svendsen 2016: 82). This will make it harder for SMEs to oppose green taxes. Furthermore, confidence in the government and its capacity to support and manage green taxation in a transparent, fair, and effective manner is vital for increasing the acceptability of green tax policies (Labeaga and Labandeira 2020: 2).

2.1.8.2 Fair application across the board

Green taxation should be implemented well within the boundaries of climate change parameters and should also be applied proportionally according to the level of environmental damage caused (Labeaga and Labandeira 2020: 2).

2.1.8.3 Stakeholder consultations

Scepticism and mixed feelings about green taxation is still a major obstacle in developing countries. In this regard, extensive stakeholder consultations are necessary and measures should be taken before including green taxation within policy and legislation. Kreiser *et al.* (2012: 258, 264-265) emphasised the importance of stakeholder consultations as a necessary step for achieving an acceptable and

workable green design. Furthermore, stakeholder consultations may be helpful in balancing economic, political, and societal needs whilst ensuring the sustainability of the environment.

2.1.8.4 Political feasibility

Green taxation makes economic sense as a means of reducing pollution, but this can lead to overlooking the political aspects of the use of green taxation. This neglect may lead to the rejection of sound environmental policy due to its lack of political attractiveness and feasibility. Considering this, the economic feasibility of green taxation leads to a technical design that may be difficult to implement, and this may lead to its rejection. According to Carraro and Metcalf (2009: 79), adopting green taxation, if not done properly, can lead to serious transition losses as a result of policy changes.

2.1.8.5 Level of environmental awareness

The level of environmental awareness of SMEs often influences their acceptance and compliance behaviour in relation to green taxation. In this regard, low levels of environmental awareness are more likely to lead to opposition to green taxation policies. Moreover, the clarification of green taxation and its benefits can also help to garner support for green initiatives (Kreiser *et al.* 2012: 264).

2.1.8.6 Participatory and collaborative approach

The OECD (2012: 105-106) asserted that negotiation and environmental agreements between developing and developed countries are imperative for creating global environmental initiatives. These negotiations should be cascaded down to political authorities, businesses, and the society for a collective and integrated approach towards environmental sustainability. The road to a green economy should involve every citizen and business in the environmental decision-making process, as well as the implementation of environmental policy and agendas.

2.1.8.7 Clear hierarchy and responsibility

A clear hierarchy that gives a proper allocation of power between relevant stakeholders is important for the successful implementation of green taxation. For instance, local municipalities should be given legislative powers to govern and

control their communities through by-laws and programmes that ensure environmental protection (Kreiser *et al.* 2012: 264).

The following section provides an explication of the study's theoretical framework, presenting four main theories relevant to the discussion on environmental tax.

2.2 THEORETICAL ANALYSIS

The intention of this section of the study is to analyse concisely the theory that has developed in relation to a problem, idea, theory, or phenomena. A theoretical analysis of literature helps to determine what theories already exist, the relationships within them, to what extent the current theories have been examined and to create new propositions to be explored. This method is also used to help recognise a shortage of suitable hypotheses or to show that existing theories are insufficient to describe new or evolving research issues. Four theories applicable to environmental taxes will be discussed below, namely, the theory of Pigouvian tax (sub-section 2.2.1), the double-dividend theory (sub-section 2.2.2), the polluter pays principle (sub-section 2.2.3), and the least-cost abatement theory (sub-section 2.2.4).

2.2.1 Theory of Pigouvian Tax

The principle of Pigouvian tax resides at the core of public policy economic frameworks. In general, business interference by the government is expected to be warranted when the economy is failing. A common form of market loss is the detrimental externality that is an expense levied by an entity or firm's operation on third parties. If individuals could perhaps be involved in an action that greatly benefits them and endangers others without being culpable for the damages to people within the environment, then they will actively participate in an immense accumulation of that action compared to the social optimum (Carlton and Loury 1980: 559-566). To discourage individuals from participating in increased amounts of operation, they should be compelled to face the costs to others (Carlton and Loury 1980: 559-566).

The Pigouvian tax is only comparable to the value of money required to ensure that the business generates the socially acceptable number of widgets. If a factory has to pay a tax equal to the damage each unit of output causes to its neighbours, then the company would be compelled to weigh the social costs (OECD 2020: 54). The threat to neighbours is now playing a part in the profit maximisation of the plant. The business generates up to the marginal value equivalent to the organisation's marginal cost, including the neighbours' social cost, to maximise income. The factory thus generates less fewer widgets, the proportion equivalent to the socially optimal percentage.

Other tools can also be used to guarantee that a manufacturing business is producing a socially acceptable number of widgets. For instance, if a government continues to perform a cost-benefit analysis, it can, in a proposition, reach the appropriate number of widgets and command just that proportion of widgets from the manufacturing plant to produce. Many pundits favour tradable authorisation strategies under which companies are allowed to pollute, something that they can then distribute. None of the approaches are perhaps superior to Pigouvian taxes. The major issue with cost-benefit analysis is that the authority must be aware of both the advantages and manufacturing costs. In contrast to assigned Pigouvian taxes, the authority needs to consider only the costs. Thus, Pigouvian taxation results in fewer mistakes. Moreover, Pigouvian taxes are diverse and technology-forcing in a sense that command-and-control legislation, coupled with cost-benefit analysis, will occasionally be implemented (Sandmo 2008: 13). Authorities can only conduct a cost-benefit analysis of current technologies, products, and processes. The cost of technologies that have never yet been developed cannot be measured by a regulator. The proposed legislation could fail a cost-benefit strategy focused on the nature of the market technology, while a Pigouvian tax could provide companies with incentives to create new innovations that would more cheaply regulate emissions or other externalities (Sandmo 2008: 12).

There is a more subtle inferiority to cap-trade systems. A cap-trade policy is similar to a Pigouvian tax, the exception is that the government sets the overall amount instead of the cost of production. To set the cumulative production volume, it requires the same details needed to set the tax: the social cost of the operation. Cap-and-trade schemes, nevertheless, are more susceptible to cost volatility than are the Pigouvian taxes, and Pigouvian taxes are also easier to plan and enforce Tullock (1967: 50). For this reason, most economists tend to favour Pigouvian taxes. They, nevertheless, take the view that Pigouvian taxes are already higher than cap-and-trade taxes; rather, they contend that Pigouvian taxes are relevant legislative mechanisms and, in a number of situations, indeed higher than that.

The liability scheme is another traditional alternative to Pigouvian taxes. Instead of forcing the manufacturer to pay the government a Pigouvian fee, the government should actually make it responsible for the damages. If the method of responsibility

allows the manufacturer to pay victims a sum comparable to their harm, then the result of the method of responsibility is close to that of a Pigouvian levy. There is, however, an interesting difference, the "bill" is paid to the individual underneath a liability scheme, while the government is paying a Pigouvian bill (OECD 2020: 50-55).

The concern with employing the liability framework is that it is well established that reimbursement to victims can produce undue opportunities with regards to the intention of offenders to participate in illegal conduct. There are also several legal and practical drawbacks to the liability system, including the complexity of combining several small lawsuits when the crime causes small damages for a significant number of people. Maybe for this purpose, with few exceptions, the liability scheme is not based on problems at the level of operation, but rather on ensuring that people are vigilant or take appropriate precautions (OECD 2020: 50-55).

Lastly, Pigouvian taxation does not take into consideration the likelihood of negotiation. For example, the instance of a manufacturing plant that contaminates the neighbouring environment and causes much damage. In such an instance, the residents should pay the manufacturer to minimise pollution. If they really do so, the socially desirable rate of taxation is accomplished through the need for government interference in the context of a levy. If the authority fails in establishing the levy, then the result would be lower than that obtained by negotiation (OECD 2020: 50-55).

2.2.2 Double-Dividend Hypothesis

The double-dividend theory indicates that a revenue-neutral replacement of environmental taxes with revenue-raising taxes may deliver two advantages. The concept was first proposed by Tullock (1967: 43) in a report dubbed 'Excess Profit'. The first profit (or dividend) is the reward or well-being gain arising from an environmental change (less pollution), whereas the second benefit or dividend is due to a decrease in the inequalities of the income-increasing tax system, which also leads to an increase in welfare benefits. This concept received little attention until the early 1990s when environmental transition economics drew emphasis to the issue of environmental taxes.

After its introduction by David Pearce in 1991, the word “double dividend” was commonly used. Pearce observed that assessments of the marginal excess burden (marginal distortive price) of current taxation rates in the US economy varies from 20 to 50 cents of income received. As the carbon tax revenue would be reused (seemed to reduce pre-existing as well as distorting taxes), the proposal would be income-neutral, and thus the secondary advantage from recycling revenue would justify an even higher carbon tax. It is now widely agreed that the size of the gain from "sales-recycling" is smaller than the 20-50 cents per dollar of sales, but there are varying views about whether the second effect is positive or negative. The line of argument that the second "gain" is negative indicates a previously unacknowledged "tax interaction effect" (Bovenberg and de Mooij 1994: 1087).

Fullerton and Metcalf (1997: 42) tested the double dividend hypothesis in a 1997 paper. They described the double-dividend theory as the idea that environmental taxes can enhance the environment while simultaneously increasing economic performance. Any motive could justifiably support tax reform. Intuitively, the first dividend appears to make sense, that emissions of pollution enhance the atmosphere. The increase in economic performance is the product of a move away from tax inequalities like payroll tax. Fullerton and Metcalf (1997: 42) noted a \$1.35 burden falls on the economy for every \$1 collected in taxes. In a sense, a 35-cent surplus strain must be faced by the private sector for no apparent reason. The second dividend is aimed at removing some of the burdens of excess.

Tempting as it may be to seek, Fullerton and Metcalf (1997: 20) argued that it is difficult to determine the validity of the principle of double dividends as a whole. An observer must independently determine any situation. Fullerton and Metcalf (1997: 42) stated that their study was influenced by two questions, namely: (1) What is the status quo? and, (2) what are the particulars of the reform? The volume and purpose of the existing taxes, licenses, and regulations have a huge impact on the results of the new tax. Hence, where tax money often goes significantly affects the effectiveness of tax (Fullerton and Metcalf 1997: 42).

Furthermore, Fullerton and Metcalf (1997: 20) claimed that the initial Pigouvian tax literature centred too heavily on the income dividend, and too narrowly on the

environmental tax dividend. They claimed that their predecessors naively valued the profits too much, as they do not understand that all taxes place costs on others. The environmental gain could overshadow those taxes. They argued that if the government wished to reduce the economic harm of a levy, it would employ the Pigouvian tax revenue to reduce another tax.

Fullerton and Metcalf (1997: 20) also noted that the efficacy of some kind of Pigouvian tax relied on its supplements. If the tax eliminates a restriction on emissions, it would most likely be environmentally neutral, even though it was good for revenues.

2.2.3 Polluter Pays Principle (PPP)

The PPP advocates that the party responsible for the pollution and/or damage to the natural environment should pay (Bakker 2009: 7). It is also known as the extended producer responsibility (ERP) and is comprehensively defined by the OECD (2020: 50-55) as “a concept where manufacturers and importers of products should bear a significant degree of responsibility for the environmental impacts of their products throughout the product life-cycle, including upstream impacts inherent in the selection of materials for the products, impacts from manufacturers’ production process itself, and downstream impacts from the use and disposal of the products. Producers accept their responsibility when designing their products to minimise life-cycle environmental impacts, and when accepting legal, physical, or socio-economic responsibility for environmental impacts that cannot be eliminated by design”. This theory was already recorded as far back as 1972 as part of the resolution made by OECD member countries (OECD 1972: 34). It has ideological roots in economics and seeks the internationalisation of previously externalised environmental costs, which is useful as a critical interface between environmental policy and international trade (Dias Soares 2011: 36).

The PPP was initially interpreted as the paying of the cost of pollution in the 1970s, but later it included the cost of administrative measures taken by authorities in response to the pollution (Bakker 2009: 8). Moreover, it is argued that the government should charge a tax rate that is enough to discourage activities that pollute the environment. Otherwise, polluters will keep on polluting the environment

and paying the tax as required with the reasoning that it is more profitable to pay the tax than changing their behaviour. Milne (2004: 16-17) argued that environmental tax not only serves to prevent further damage to the environment, but it does not automatically restore the environment as it is up to the government to use the funds generated for restorative purposes. On the other hand, the lack of consensus with regards to the definition of the PPP led to the formulation of different meanings overtime which were maintained “as its meaning was steadily enlarged from prevention to remediation and from efficiency to equity” (Dias Soares 2011: 36). Accordingly, the environmental benefit outcomes vary depending on the institution using the PPP, how the institution interprets the principles and the legal instrument that the institution chooses to use (Milne 2004: 5).

2.2.4 Least-Cost Abatement Theory

The least-cost abatement theory seeks to achieve an environmental standard at the least cost for the private sector by applying a tax rate that will instigate the desired amount of change in behaviour (Bakker 2009: 11). Dias Soares (2011: 39) argued that the least-cost abatement theory is not a theory per se, but a collection of arguments leading to a single conclusion that emanates from several starting points and explanations to attain the same outcome. Therefore, by not charging the same level of pollution abatement on every polluter regardless of their cost-effectiveness, the tax approach influences an aggregate change in behaviour via individual reactions to price changes, leading to the attainment of the environmental goal at the least cost (Dias Soares 2011: 39-40). Accordingly, the risk of inefficiency is reduced by implementing restrictive pollution control measures as opposed to command and control measures by emphasising “the regulatory movement, trusting the capacity of the market to function efficiently, as a result of the stimulus provided by pollution taxes” (Dias Soares 2011: 40).

2.2.5 Summary of Theoretical Perspectives

The previous section presented four main theories. For further understanding, Table 1 below summarises the theoretical perspectives that have been discussed so far.

Table 1: Summary of Theoretical Perspectives

Theory	Basic concern	Environmental goal	Tax subject	Tax revenue
Pigouvian theory	Private versus societal allocation of external costs.	Optimal welfare	Activity causing negative externalities. Marginal costs of the environmental damage.	Open-ended
Polluter pays principle (PPP)	Private versus governmental allocation of external costs. Avoid international trade distortions. Encourage efficient use of scarce natural resources.	Full internalisation of external costs in the long run.	Externalities producer Polluting activities Tax rate set according to required and feasible economic agents with decision power.	Open-ended
Least-cost abatement theory	Cost-effective environmental protection.	Level of pollution selected	Elements are chosen in coherence with the public goal.	Open-ended
Double dividend hypothesis	Improved efficiency in the tax system.	Improvement of environmental conditions.	Revenue recycling to reduce the general tax burden.	Open-ended

The following section considers other scholarly work on the topic to obtain important insights, summarise other viewpoints, and reflect on existing findings. This study will build on these insights and thereby contribute to the existing body of knowledge.

2.3 REVIEW OF EMPIRICAL RESEARCH

In this section, the work of other researchers is reviewed to verify the compliance of SME owners with regards to green tax. The study undertaken by Alshira'h *et al.* (2020: 59) on the influence of tax complexity on sales tax compliance among Jordanian SMEs found that compliance with taxes has been shown to reduce the fiscal deficit but also public debt, which, in effect, generates finance for economic and social development purposes. Nonetheless, irrespective of the government's attempts to tax compliance, primarily sales tax within Jordanian SMEs, compliance remains weak, which adversely affects Jordanian government revenues.

Yergenthren and Rajendra (2018: 85-100) conducted a study on factors that influence tax compliance of SMEs in South Africa. These small and medium-sized enterprises play a major role in South Africa as they act as a tool for the local communities to build jobs.

The study conducted by Yergenthren and Rajendra (2018: 85-100) was undertaken, firstly, to determine which taxation is most complicated for SMEs, and secondly, to ascertain which factors and costs were most critical in maintaining tax compliance. Eighty-five (85) small business owners were sent a questionnaire to assess which taxes were most complicated and which obstacles and costs were most severe. The results revealed that value added tax (VAT) is the most complex tax for South African small businesses. Compliance with VAT is the most costly and demanding, and the time spent on enforcement by owners is viewed as the most wasteful cost of maintaining enforcement with the tax.

Another study conducted by Dippenaar (2018: 233) focussed on the role of tax incentives in encouraging energy efficiency in the largest listed South African businesses. The goal of this descriptive study was to evaluate the function that the tax incentives available play in South African companies' decision-making regarding investment in renewable energy (RE) or energy efficiency (EE) projects. The biggest South African companies were pooled from the Johannesburg Stock Exchange Top 40 Index to decide this position. The research included empirical as well as non-empirical elements. A literature review was conducted to evaluate the position of tax

incentives internationally while questionnaires were distributed to determine the position in South Africa. Findings revealed that although tax incentives perform a function in decision-making, numerous other non-tax factors influence the decisions of South African companies to invest in EE and/or RE projects. These companies do not see the tax incentives accessible as successful, nor do they see them as compelling enough for businesses to improve their environmental behaviour. They also believe the government could perhaps decrease the cost of fulfilling the EE allowance requirements. Improving the RE and EE tax incentives available in South Africa could lead to more companies considering implementing RE or EE projects. Hence, it was recommended that the tax benefits available be extended and/or the eligibility requirements simplified.

Cant and Wiid (2013: 98) in seeking to establish the challenges affecting South African SMEs, explored the degree to which the variables found influenced the latter. The goal of their study was to evaluate the degree to which SMEs encountered selected challenges or problems that have a negative effect on the business success. Exogenous macro-environmental variables, including endogenous environmental variables, such as marketing, are problems and questions. A questionnaire was developed to collect data from 81 SMEs. The research listed inflation and interest rates, crime and unemployment, weak product demand, inaccurate pricing strategies introduced, and the position of the company as the main challenges that SMEs have faced. The challenge now is to develop the skills and capabilities of SMEs in order to ensure their success as they play a critical role in the economy in South Africa.

A further study by Ezana (2019: 322) focused on the determinants of tax compliance (a case study on Nifas Silk Lafto subcity category 'A' taxpayers). Taxation is one of the many significant aspects of national revenue management. But Ethiopia, like most developing countries, is heavily dependent on foreign financial capital to fund its development activities. The main goal of this paper was to define the significant influences affecting category 'A' taxpayers' tax enforcement in Nifas Silk Lafto subcity, Addis Ababa and Ethiopia (Ezana 2019: 322). Based on this target, a questionnaire was used to gather data from 120 taxpayer respondents. After performing several statistical tests, the analysis revealed that variables such as

fairness/equity, fines and penalties, enforcement costs, liquidity, tax authority power, taxpayer knowledge/awareness level, taxpayer socio-cultural factors, and taxpayer gender were found to be the deciding factors affecting enforcement with taxpayers. From these factors, four of them (fairness/equity, fines and penalties, cost of compliance, and liquidity) were found to have the most important impact on compliance by taxpayers. Finally, some potential recommendations were issued based on those findings. This included ensuring tax fairness and equality, building tax authority capability, establishing a convenient time and location for tax payments, and delivering social benefits to the regular public.

Wadesango *et al.* (2018: 122) carried out a literature review on the impact of tax knowledge on tax compliance among SMEs in a developing country. The aim of this study was to assess the impact of tax awareness on tax compliance across an underdeveloped country's SMEs. The literature was used to determine whether SMEs in the developing world had tax knowledge and identified the potential components that encompass tax knowledge within SMEs. Other considerations that could affect non-compliance between SMEs were established, as well as approaches that could be implemented by the tax authority to improve SMEs' awareness and enforcement. The study found that SME companies in this country violated tax law. They had a rudimentary understanding of taxes and lacked a thorough understanding of tax matters. It also appeared that developing tax awareness alone without tackling high tax rates and corruption would not have a significant effect on SMEs' tax enforcement behaviour. The researchers suggested adding an intermediate tax course as an instructional method at the start of higher education, so that participants would be conscious of their obligations as prospective taxpayers. One may anticipate this form of education to help develop responsible taxpayers (Wadesango *et al.* 2018: 122).

Some concluding remarks highlighting the main points of the chapter are provided next.

2.4 CONCLUSION

The review explored compliance with regards to green tax amongst SME owners. Several concepts of green tax and tax compliance were elucidated. Four theories were discussed. Two of these theories included the Pigouvian tax which analysed tax with regards to any business operation generating negative externalities. The double-dividend theory indicated that a revenue-neutral replacement of environmental taxes with revenue-raising taxes could deliver two advantages. The work of other researchers was also reviewed and tax compliance was found to be a critical issue as a large percentage of SMEs do not comply with the environmental sustainability policies developed. It was also established that the lack of proper information (tax knowledge) contributed to the rate of tax non-compliance. Hence, most of the studies suggested the use of a green tax policy to compel SMEs into adopting environmentally sustainable practices in their operations.

Attention now shifts to a description of the research methodology employed in this study.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

Research is “a process that demands planning, deliberation, commitment, and persistence. Research is more of a journey than a task, and like any journey, it needs to be managed, navigated, and negotiated from early conception to final destination” (O’Leary 2004: 15). The data collection process in a typical research setting may require the use of diverse methodological approaches. These approaches are usually described as being qualitative or quantitative in nature (Roberts 2007: 16).

This chapter will present the rationale for the selected research design (section 3.1) and a discussion of the employed research methodology. The study setting (section 3.2), study population (section 3.3), and study sample (section 3.4) are also delineated. The data collection process and the data collection tools used are also presented. This includes a description of the sampling strategies used (section 3.5); the procedure for collecting the data (section 3.6), the data collection method (section 3.7), the data collection process (section 3.8), and data analysis process (section 3.9). Thereafter, the trustworthiness of the study is confirmed (section 3.10). Consideration is then given to the ethical protocols adhered to in this study (section 3.11), which is a prerequisite for all academic endeavours. This is followed by the penultimate section which acknowledges the limitation of the research methodology (section 3.12). Some concluding remarks follow next to summarise the core elements of the chapter (section 3.13).

3.1 RESEARCH DESIGN

In a typical research environment, the collection of data, as well as its analysis by a researcher, requires the availability of a structure or a design that supports the process. Accordingly, Babbie (2011: 142) said that a research design enables a researcher the opportunity to focus their perspective on a given study. Hence, a

research design can be explained as a science that involves the preparation of procedures to perform a research investigation in order to produce the most relevant results (Vogt 2011: 276).

The selection of a design for a given research investigation is influenced by factors which include the nature of the variables being examined. Nevertheless, a researcher may either adopt a qualitative approach, a quantitative approach, or even a mixed approach (qualitative and quantitative) as these are the three primary research design approaches.

3.1.1 Qualitative Research Design

Qualitative research methodology is viewed as “discovering new fields” or “exploring areas that are new” (Flick 2009: 48). The primary focus of qualitative research is examination and enquiry to derive meaning (Shank 2006: 8). This type of research therefore produces a broader and more pervasive role than its methodology (Anfara and Mertz 2006: 37). The qualitative research design approach forms the research design employed in the completion of the study. Conceptually, a qualitative research design approach is seen to embody the elements of descriptive research (Welman, Kruger and Mitchell 2005: 188).

The qualitative research methodology, as noted by Creswell (2014: 4), focuses on the exploration of how meanings are ascribed to social or human phenomenon and the understanding of such meanings. Hence, researchers involved in qualitative research are often concerned with the examination of particular meaning, as well as the vitality of examining the complexity of the situation (Creswell 2014: 4).

Similarly, Daly (2003: 4) argued that qualitative research encompasses the rigorous examination of the diverse characteristics of a single or a smaller number of events. It is rooted in the development of comprehension of the issue and emphasises context rather than generality. Five traditions, namely, narrative biography, ethnography, phenomenology, grounded theory, and a case study method make up the qualitative research paradigm.

The adoption of a qualitative research methodology in this study finds its justification in the fact that the study focuses on the collection of rigorous data on the phenomenon that is examined. Also, based on the obtained data, the study sought to explore the thoughts of the participants who formed the focus of the study. In addition to the qualitative design, this study centered on examining the compliance of SMEs in the eThekweni district with regards to green tax.

Having identified a suitable methodology and research design, it is now appropriate to explore the study setting, research population, and study sample.

3.2 STUDY SETTING

Geographically, the study was conducted in the eThekweni district in South Africa. The participants for the study were primarily small manufacturing business owners and tax practitioners domiciled in the eThekweni district in South Africa.

3.3 STUDY POPULATION

A *population*, in general terms, refers to people occupying a given geographical entity, not minding its sovereign status. However, a research population is a group of people to which the researcher wishes to generalise the findings and conclusions derived from the study. To expound further, Saumure and Given (2012: 644) explain that a research population comprises all those who met the inclusion criteria stipulated by the researcher of a given study. For Vogt (2011: 239), the research population describes a group of individuals that are of particular interest to a researcher; they are a group that sparks research interest, and a researcher may want to study them for either arriving at description or for generalisation. Additionally, Vogt (2011: 239) defined a research population as the universe of units of study, which includes social groups, social artefacts, a group of people as well as organisations that form the basis of an assumption postulated in research work by a researcher. The study population of the current study and its size are presented in Table 2 below.

Table 2: Research Population of this Study

Samples	Study Population
Sample 1	All manufacturing small and medium enterprise owners in the eThekweni district
Sample 2	All tax practitioners in eThekweni district

3.4 STUDY SAMPLE

Within the context of research, a *sample* is used to derive the representativeness of the total population; it is a target population in a research investigation (Vogt 2011: 239). A sample, according to Unrau, Gabor and Grinnell (2007: 279), consists of components or a subset of the population considered to form the target group for a study. A sample also describes a fraction of measurements taken from the research population that a researcher is interested in.

Primarily, researchers can select a sample using probability or non-probability sampling approaches (Strydom and Delport 2011: 222). Each approach has been reported to find their suitability in each of the three basic research methods. Notably, the probability sampling approach has been lauded for its suitability within the corridors of quantitative research and non-probability sampling within the corridors of qualitative research (Strydom and Delport 2011: 222). Thus, due to the qualitative nature of the current study, non-probability sampling was found to be more appropriate.

3.4.1 Non-Probability Sampling

According to De Vos and Strydom (2011: 231), in non-probability sampling, not all individuals in the population have an equal chance of being selected for a particular study. Common non-probability sampling approaches include snowball sampling, convenience sampling, the quota system, and purposive sampling. For the purpose of this study, and to achieve total representativeness of the study population, purposive and snowballing approaches were adopted.

Two samples were selected for this study. Sample 1 comprised of 12 owners of SMEs in the eThekweni district in South Africa. After identifying one participant, the

sample for this group was arrived at using the snowballing approach. This means that participants identified other relevant participants for the study. Sample 2 consisted of 8 tax practitioners that were purposively selected. All participants resided in the eThekweni district located in the province of KwaZulu-Natal.

3.4.2 Inclusion and Exclusion Criteria

According to Velasco (2010: 589), inclusion and exclusion criteria comprise specific conditions set by the researcher. These conditions serve as a yardstick for measuring who is qualified and who is not qualified from a target population to take part in the study for which the condition was stipulated (Velasco 2010: 589). This study's inclusion and exclusion criteria are presented in Tables 3 and 4, respectively, below.

3.4.2.1 Inclusion criteria

Table 3 below presents each sample and the inclusion criteria that were used to select the participants.

Table 3: Inclusion Criteria for the Samples

Sample	Inclusion criteria
<u>Sample 1:</u> Owners of small and medium scale enterprises (SMEs)	<ul style="list-style-type: none"> • SME business owner • Above the age of 18 • Located in the eThekweni district • Within the manufacturing sector
<u>Sample 2:</u> Tax practitioners	<ul style="list-style-type: none"> • Tax practitioners working in the eThekweni district • Tax practitioners who have knowledge of environmental taxes

3.4.2.2 Exclusion criteria

Table 4 below presents each sample and the exclusion criteria used to exclude certain participants.

Table 4: Exclusion Criteria for Each Sample

Sample	Exclusion criteria
Sample 1: Owners of small and medium scale enterprises (SMEs)	<ul style="list-style-type: none">• Owners of manufacturing SMEs below the age of 18• SME business owners who own businesses outside the eThekweni district• Businesses that are not in the manufacturing sector• Employees of the businesses
Sample 2: Tax practitioners	<ul style="list-style-type: none">• Tax practitioners working outside the eThekweni district• Tax practitioners who do not have knowledge of environmental taxes

The selected sampling strategies are unpacked next.

3.5 SAMPLING STRATEGIES USED

3.5.1 Purposive Sampling (Sample 2)

The purposeful sampling method involves the intentional selection of a participant, which is influenced by the characteristics of the participant (Etikan, Musa and Alkassim 2015: 3). Purposive sampling is seen as a non-random, sample selection approach that does not include underlying hypotheses or a fixed number of participants. By expertise or experience, the researcher decides what needs to be learned and sets out to find individuals who can provide the nature of data desired (Bernard 2002: 78). For this study, a purposive sampling approach was used to draw a sample of tax practitioners domiciled in the eThekweni district in the province of KwaZulu-Natal in South Africa.

Purposive sampling allows a researcher to gain access to rich data (Erlandson 1993, cited in Strydom and Delport 2011: 392). The use of purposive sampling in selecting participants for the study finds its justification in the fact that the participants met the stipulated inclusion criteria. The next section focuses on the data collection procedure for Samples 1 and 2 and the number of participants per sample.

3.5.2 Snowball Sampling (Sample 1)

A snowballing sampling approach is said to achieve its maximum utility where information on the sampling framework is lacking, and where there is a pronounced limitedness, as it relates to accessing a target population deemed most suitable for a planned research study (Alston and Bowles 2003: 90). Snowball approaches include the examination of a solitary case that is associated with the problem, issue, or events to be researched. Snowball sampling, or “chain referral sampling,” has a rich history, especially in the sociology research literature. The general research method involves identifying index individuals and, along with collecting information on them, asking them to refer other individuals suitable (Kennedy 2021: 8-10). Within the scope of the snowballing approach, data are sought from the individual who empowers the person in question to find individuals from that populace (Babbie 2010: 184-185). For this study, the snowball sampling approach was used to select the SME participants from the eThekweni district.

3.6 PROCEDURE FOR DATA COLLECTION

3.6.1 Recruitment of Samples

Ethical clearance was obtained from the Durban University of Technology’s (DUT) Faculty Research Committee (FRC) (see Appendix A). Letters of information were given to both SME owners and tax practitioners, informing them about the study (see Appendices B and C). Consent letters were given to the SME owners and tax practitioners (see Appendix D) requesting permission to conduct interviews with them. Gatekeeper letters (see Appendix E) were sent to the co-ordinator of the green tax conference requesting permission to recruit SME owners to participate in the study, as well as to companies that consisted of tax practitioners, requesting permission to allow tax practitioners to participate in the study. The researcher was also invited to attend this conference by the co-ordinator for the purpose of recruiting SME business owners to participate in the study (see Appendix F).

Sample 1: Two owners of a SME manufacturing company were recruited via the help of the director of the Green Tax conference in which the researcher was invited to attend in order to recruit samples for the study (see Appendix F). Thereafter, other owners of SME manufacturing companies were recruited for the study based on

referrals from the initial two owners of a SME manufacturing company. Permission was first obtained from the director of the conference before this was done (see Appendix E). This process continued until data saturation was reached.

Sample 2: The researcher identified companies which consisted of tax practitioners to participate in the study. The researcher then sent a letter to the CEO of each organisation requesting the participation of practitioners (Appendix E). The details of those willing to participate were forwarded to the researcher who then set up interviews with them. The letter of information explained the aim, objectives, and benefits of the study. Upon their acceptance to participate in the interview, a consent letter was emailed to them which requested their permission to participate. This was then signed by the participant (tax practitioner).

3.6.2 Number of Participants Per Sample

Initially, eight (8) owners of SMEs (Sample 1) and six (6) tax practitioners (Sample 2) in the eThekweni district in South Africa were interviewed. However, due to data saturation not being reached and there still being knowledge gaps, more participants were interviewed. Thus, twelve (12) business owners and eight (8) tax practitioners were eventually interviewed. Data collection stopped at this point as saturation was reached. Saturation was reached when valuable data was received from interviews and conclusions were derived.

The method used and process followed to collect the data are described in the next two sections below.

3.7 DATA COLLECTION METHOD

In qualitative research, interviews are often used to collect data (Bryman 2004: 485). These may entail engaging the study participants in a discussion that is centred on a given area of interest developed by the researcher. A successful interview requires the cooperation of the interviewer and the interviewees. Interviews can be carried out in various ways, including semi-structured or structured interviews, or may be a group-based or one-on-one interview (Greeff 2011: 347-360). This study made use of semi-structured interviews to collect qualitative data from both samples.

3.7.1 Semi-Structured Interviews

For Dickey and Crabtree (cited in Greeff 2011: 351), a semi-structured interview is clustered around specific areas of interest, though considerable flexibility in scope and depth is still allowed. Semi-structured interviews were appropriate for this study as they elicit in-depth information from the participants and offer researchers the opportunity to get first-hand, undiluted, accurate, and reliable information. Dickey and Crabtree (cited in Greeff 2011: 351) defined semi-structured interviews as a semi standard structured design which has a custom schedule specific to this type of interview. Semi-structured interviews were undertaken with the main aim being to incentivise informal responses from the participants and, in so doing, drive a conversation to gather relevant information. An interviewer can ask follow-up questions which may diverge from the formal questions set out in the mandate.

3.8 DATA COLLECTION PROCESS

Semi-structured interviews were conducted with both samples – Samples 1 and 2. The participants were sent emails which included letters of information, consent letters, and the interview guide. The participants read through the letter of information and related documents provided so as to make an informed decision on whether or not to participate. Those who were willing to participate confirmed their willingness via email. Hence, following contact from the participants, an interview was set up by the researcher online. The latter was necessary due to COVID-19 regulations which prevented face-to-face interviews. An online platform, namely, Microsoft Teams, as well as telephonic calls were used to interview the participants. All interviews were recorded with the participants' permission. All interviews were conducted in English.

3.8.1 The Interview Process

The interview process was considered when conducting interviews for both samples and this consisted of various procedures that needed to occur prior to the conversation between the researcher and participants.

Once the researcher was introduced to the participants of both samples, they were sent a letter of information (Appendices B and C) and a letter of informed consent

(Appendix D). Only once the participant understood the purpose of the study and willingly signed the consent form did the researcher commence with the interview questions. All questions on the interview guide were open-ended. The duration of each interview was about 45 minutes, and was recorded with the participant's permission prior to the commencement of the interview.

3.8.2 Data Collection Tools

Interview guides were used to collect data from Sample 1 and Sample 2 (Appendix G and Appendix H, respectively). The interview guide is used to give the interview process direction and set a platform; therefore, it is a necessity draw up prior to an interview. This guide also allows participants to prepare for the interview and ask follow-up questions (Kennedy 2006: 1).

Another important stage in the research process is to make sense of the collected data. This meaning-making process entails analysing the collected data following specific steps. These steps include familiarisation with the data, coding, searching for themes, reviewing themes, defining and naming themes and writing up.

3.9 DATA CAPTURING AND ANALYSIS

3.9.1 Data Capturing

As already indicated above, the interviews were digitally recorded using (Microsoft Teams or a cellular phone). Consent was obtained to record the interviews beforehand. Following the completion of each interview, the audiotapes were labelled to maintain order and facilitate accessibility of the research (Schurink, Fouché and De Vos 2011: 404). They were then saved in a secure file (cloud) that was password protected and encrypted. The interview transcription process was carried out by the researcher with rigour to ensure that the responses provided by the participants during the interview process were correct. This involved using the exact words used by the participants, hence, transcripts were written down verbatim. While this process allowed the researcher to eliminate any possible source of error and, by default, promoted the reliability of the data, its major drawback was that it was time-consuming. That notwithstanding, the process guaranteed exactness in mirroring the interview (Silverman 2006: 121). This process enabled the researcher to familiarise herself with the data and to get a sense of the interview.

3.9.2 Data Analysis

Data analysis is the term that is used to describe the meaningful classification of data. The data analysis process involves the interpretation of data in a manner that promotes logic and comprehension. Through this process, researchers change voluminous information into intelligible and sagacious investigation via the use of scientific processes. This is a necessity for qualitative research (Liamputtong 2009: 133). Various approaches may be used to analyse the data, including thematic analysis, semiotic analysis, discourse analysis, and narrative analysis (Liamputtong 2009: 133). For this study, thematic data analysis was used. This approach has been widely favoured by qualitative researchers (Guest, MacQueen and Namey 2012: 13). From a conceptual standpoint, thematic analysis is a form of inductive analysis of qualitative data that can include various explanatory strategies (Guest, MacQueen and Namey 2012: 4). Thematic analysis requires more significant association and translation from the data analyst (Guest, MacQueen and Namey 2012:13). In thematic analysis, the emphasis is on recognising and portraying both absolute and unequivocal thoughts within the data (themes). Codes are then ordinarily created to represent the highlighted themes and connected to raw data as rundown markers for later analysis.

The following steps were followed to analyse the data as proposed by Guest, MacQueen and Namey (2012: 13):

Step 1: Familiarisation with the data

A qualitative researcher is, therefore, expected to read and re-read the interview extracts. For this study, therefore, the researcher read and re-read the interview transcript. This was done to ensure familiarity with the material. Similar significant extracts that appeared were therefore captured.

Step 2: Coding

During coding, the qualitative data analyst creates labels for information that are deemed to be important and harbours some degree of relevance to the research questions formulated for the study. Familiarity is facilitated by labelling the data using

unique codes that represented the research goals. Colour coding may also be employed. This was performed manually.

Step 3: Searching for themes

The process of searching for relevant themes required that the researcher examine the codes and the data collated. This was done to enable the researcher to highlight important broader trends. During the data transcribing and typing process, the researcher took cognisance of patterns in the data, particularly similar meanings that emerged (described as themes).

Step 4: Reviewing themes

In reviewing the themes identified from the data, the researcher tested the themes of the candidate against the data that were collected. This was done to ensure that they achieved absolute representativeness of the data and addressed the research questions posed in the study. In order to recognise the trends and to check whether they represented the meanings in relation to the content, the researcher checked all the grouped colour coded extracts under the initial themes.

Step 5: Defining and naming themes

This included conducting a comprehensive overview of each theme, sorting out the scope and emphasis of each theme, and deciding the relevant and insightful name for each theme. After this was completed, the researcher proceeded to analyse and refine each theme. Then every theme was labelled appropriately.

Step 6: Writing up

At this point, in relation to existing literature, the researcher logically and informatively aligned the analytic narrative and data extracts and contextualised the study. The researcher presented the interrelationship existing between the general and sub-themes identified in the study by means of written accounts supported by verbatim phrases.

In order to meet the requirements of academic research, the authenticity and trustworthiness of the research needs to be established and verified. This is

confirmed below and presented under the headings: 'credibility', 'conformability', 'dependability', 'transferability', and 'authenticity'.

3.10 TRUSTWORTHINESS IN QUALITATIVE RESEARCH

This study adhered to the following principles to ensure the trustworthiness of the study. The essential characteristics of trustworthiness in qualitative research, according to Cope (2014: 89-90) and Guba and Lincoln (1994: 109), include:

3.10.1 Credibility

Credibility refers to the truth of the evidence derived from the data obtained. In order to gain legitimacy, the researcher must explain his or her experiences as a researcher and validate the results of the study with the participants. The reader needs to be convinced of how viable the narrative is (Guest, MacQueen and Namey 2012: 13).

3.10.2 Confirmability

Confirmability is concerned with the capacity of researchers to present data in a non-biased way. The principle of confirmability entails that information depicted should reflect the responses of the participants in the study and not the perceptions or opinions of the researcher. In this study, confirmability was demonstrated by providing rich quotes from each participant, showing each theme as it emerged from the data.

3.10.3 Dependability

The principle of *dependability* is concerned with the ability of the data to yield similar results in similar circumstances. Dependability is accomplished when another researcher balances the decision paths of each stage of the research process. In terms of it being considered accurate, the analysis method and explanation elevated the report.

3.10.4 Transferability

The main feature of *transferability* is that the outcomes of given research work must refer to and be applicable to different settings or groups. The findings in a research work have meaning and significance for the individuals who served as the focus as

well as the source for primary data, while readers, on the other hand, can attribute their personal lived experiences to the findings in the research; in such a situation, transferability can be said to have been accomplished. Being able to transfer information from various academic sources relates to data following a generalised theme. To elaborate on this, when data is transferrable, the data is flexible enough to be adopted by an additional research environment. Thus, the generalised aspect of data is important when viewing the data as a source which is able to support multiple works (Lincoln and Guba 1994: 110). In a qualitative research model, the transferability of data relates to transfer on a case level (Lincoln and Guba 1994: 116). In order to encourage readers to understand the context, the participants' extracts were added to enable a richer explanation of the findings.

3.10.5 Authenticity

The principle of *authenticity* centres on the capacity of the researcher to accurately present emotions and feelings relevant to the lived experiences of the participants. In this study, authenticity was ensured by collecting a sufficient amount of data and using samples of the exact words of the participants. The excerpts were presented to a panel of students to validate the results

As with all academic research, there are specific ethical considerations that need to be adhered to. These will guide the researcher when conducting the research. The major ethical principles followed in this study are described below.

3.11 ETHICAL CONSIDERATIONS

The researcher has ethical responsibilities that he/she must comply with when conducting a research investigation. From a conceptual standpoint, ethics within the domain of research is seen as a code of values or professional standards of conduct that would have to be complied with by the researcher (Strydom and Delport 2011: 114). For this study, the research was guided by the ethical codes developed by Strydom and Delport (2011: 115-122) in conducting the research. These are described below.

3.11.1 Voluntary Participation

The principle of voluntary participation emphasises the freedom of the human person to participate in the study. It seeks to ensure that those who take part in a research project are not coerced to do so. In order to ensure voluntary participation, it is suggested that potential participants be furnished with relevant information related to the study beforehand, and that their consent to participate be sought beforehand. For transparency and proof of evidence, informed consent forms are often used as the physical proof of consent from participants. In this study, the individuals who were interviewed were furnished with information in advance about the purpose and goals of the study, and what the study entailed.

3.11.2 Informed Consent

The principle of informed consent holds that complete information relating to a study must be made available to the individuals who are projected to take part in each research study. The information to be provided includes the goals and objectives of the study, the use of the data sought, the length of participation, the investigation protocols, the potential risks, the advantages and drawbacks of the investigation, and the need for written informed consent. This is deemed very important because the potential participants of a study become better equipped to decide whether they are willing to take part in such a study when these individuals receive timely, accurate, and sufficient information. As an ethical norm, participants must be furnished with a letter of information and informed consent. This protocol was adhered to in the current study.

3.11.3 Deception

From a broader perspective, deception includes the false presentation of facts or events in a manner that is generally misleading and may lead people into making uninformed decisions. Deception also includes withholding some important facts and information, providing participants with untruths, and presenting information in a misleading manner with the intention of compelling and persuading participation in the study. The principle of no falsification highlights the need for participants to be given accurate, complete, and raw truth as related to their participation in the given research project. For this study, the researcher ensured that all relevant information was made available to the individuals selected to take part in the study and was

presented in a manner that is not misleading or incomplete, has no hidden/silent meanings, and is also reliable. No important information was withheld.

3.11.4 Violation of Privacy/Anonymity/Confidentiality

As a rule, by being human, every individual has the right to determine when, where, to whom, and to what degree it is possible to reveal their viewpoints, attitudes, and perceptions. The principle of non-violation of privacy/anonymity/confidentiality hinges on the fact that the information collected for a research study must be used for the purpose for which it was collected. It also compels researchers to make sure that privacy and anonymity is maintained. In accordance with the principle of non-violation of privacy/anonymity/confidentiality, information collected from the participants who took part in this study was used solely for the purpose for which it was collected. Hence, as part of the measures towards protecting the identity of the participants and thus maintaining anonymity, the researcher used pseudonyms instead of the participants' real names. The audiotapes and the transcripts were kept in a safe and protected location accessible only by the researcher.

The following section acknowledges the limitation of the methodology.

3.12 LIMITATION OF THE METHODOLOGY

As this was a qualitative study, a small sample size was used to collect data as the main attempt was to ensure that data collected was rich and conclusive.

A brief conclusion follows to wrap up the chapter.

3.13 CONCLUSION

This chapter provided an overview of the research methodology that was used to collect the data. It described the research design and explained its suitability for the current study. The sampling strategies employed were outlined and the nature of the samples elucidated. Attention was given to the data collection methods, namely, semi-structured interviews, along with the procedures used to collect and analyse the

data. In addition to acknowledging the limitation of the methodology, the ethical considerations adhered to throughout the research process were also explored.

A discussion of the findings follows next.

CHAPTER 4

ANALYSIS AND DISCUSSION OF FINDINGS

4.0. INTRODUCTION

This chapter presents the data analysis of the SMEs under study, focusing on how green tax compliance is viewed amongst SME business owners, with the purpose being to develop strategies to strengthen the level of compliance in the eThekweni district. The findings are comprehensively discussed and supported with existing literature. The specific objective of this chapter is to address the assessment of the level of green tax compliance, the impact of non-compliance, the strategies for strengthening green tax compliance, and to recommend ways of improving the level of green tax compliance amongst SMEs. To address these objectives, the participants selected for the interviews consisted of manufacturing SME owners and tax practitioners in the eThekweni district.

This chapter comprises the following main sections:

- 4.1 Demographic data of the participants
- 4.2 Relationship between the objectives and interview questions
- 4.3. The process of data analysis
- 4.4. Discussion of findings
- 4.5. Conclusion

4.1. DEMOGRAPHIC DATA OF THE PARTICIPANTS

This section presents the demographic data of the participants. For simplification, the data is tabled below (Table 5).

Table 5. Demographic Data of the Participants

Pseudonym	Gender	Age
Participant 1 (P1)	Female	30
Participant 2 (P2)	Male	49
Participant 3 (P3)	Male	36
Participant 4 (P4)	Male	43
Participant 5 (P5)	Male	49
Participant 6 (P6)	Male	43
Participant 7 (P7)	Male	35
Participant 8 (P8)	Male	52
Participant 9 (P9)	Male	51
Participant 10 (P10)	Male	49
Participant 11 (P11)	Male	49
Participant 12 (P12)	Male	46
Participant 13 (P13)	Female	31
Participant 14 (P14)	Female	35
Participant 15 (P15)	Male	41
Participant 16 (P16)	Male	30
Participant 17 (P17)	Male	32
Participant 18 (P18)	Male	40
Participant 19 (P19)	Male	32

Participant 20 (P20)	Male	38
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4.2. RELATIONSHIP BETWEEN OBJECTIVES AND INTERVIEW QUESTIONS

This section establishes the relationship between the objectives of the study and the interview questions by presenting the exact interview questions that addressed the various research objectives. The relationship between the objectives of the study and the interview questions are presented in Table 6 below.

Table 6. Objectives and Interview Questions

Objectives	Interview questions
1. To explore whether SMEs in the eThekweni district comply with policies on environmental tax.	<p>What are your views regarding the sustainability of the environment?</p> <p>What is your opinion towards paying green tax in eThekweni?</p> <p>What are SME business owners' attitudes toward the government's environmental protection actions?</p> <p>What do you think are the primary reasons that hinder the compliance of green tax with SME businesses?</p> <p>Which type of businesses do you think are potentially in opposition to green tax?</p>
2. To enquire about the impact of non-compliance with green tax amongst SME business owners in the eThekweni district.	<p>What do you think are the difficulties the government faces when implementing environmental taxes?</p> <p>What are the implementation effects of current green tax measures with SMEs in eThekweni?</p>
3. To understand the	What are your views regarding the ways that the

strategies in place to strengthen green tax compliance amongst SME business owners in the eThekweni district.	<p>government can implement green tax? For example, did the government give a clear explanation about the green tax?</p> <p>What does your company do to minimise green tax costs?</p> <p>How will you advise manufacturing SME owners to reduce green tax costs in their company?</p>
4. To make recommendations on how to improve the level of green tax compliance amongst SMEs in the eThekweni district.	<p>What recommendations can be made to improve the level of green tax compliance amongst SMEs in the eThekweni district?</p> <p>What is the government's attitude towards green tax?</p> <p>What are better ways to implement the green tax?</p> <p>What do you think is the future of green tax in eThekweni?</p>

The interview questions in Table 6 above show how the interviews addressed the objectives of the study. Since both business owners and tax practitioners were interviewed, the data collected provided a holistic overview of the experiences of both stakeholders in terms of green tax.

4.3. THE PROCESS OF DATA ANALYSIS

The next step following the data collection process was to analyse and make sense of the collected data. Thematic analysis was used to group the data into themes and sub-themes. Following the steps of thematic analysis described in the previous chapter, five main themes and a number of related sub-themes emerged. These are presented in Table 7 below.

Table 7: The Study's 5 Themes and 13 Related Sub-Themes

Themes	Sub-themes
1. Importance of green tax	1.1 Personal concern for the environment

amongst SMEs in the eThekweni district.	1.2. Conceptual understanding of green tax and attitudes towards it 1.3 Attitudes towards green tax
2. Factors affecting green tax compliance	2.1. Tax morale 2.2. Cost of green tax 2.3 Lack of information and other factors influencing non-compliance
3. Role of government in green tax implementation	3.1 Transparency in the implementation of green tax 3.2. Challenges related to enforcement 3.3 Accountability
4. Effects of current green tax measures	4.1. Transformation of the business 4.2 Financial effects on businesses
5. Prospect of green tax in the eThekweni district	5.1. Tax education and training 5.2. Collaboration and cooperation

The themes and sub-themes that emerged are discussed in more detail below.

4.4. DISCUSSION OF FINDINGS

This section discusses the five main theme that emerged from the data. These are discussed under their own relevant sub-headings below.

4.4.1 Theme 1: Importance of Green Tax amongst SMEs in the eThekweni District

For ease of reference, Table 8 presents the first theme and its related sub-themes.

Table 8: Theme 1 and its Related Sub-Themes

Theme 1	Sub-themes

Importance of green tax amongst SMEs in the eThekweni district.	1.1 Personal concern for the environment 1.2. Conceptual understanding of green tax and attitudes towards it 1.3 Attitudes towards green tax
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The first theme derived from the data focussed on the importance of green tax amongst SMEs in the eThekweni district. Three sub-themes emerged under this theme. These sub-themes are discussed in the sub-sections that follow, supported by participant excerpts.

4.4.1.1 Sub-theme 1.1: Personal concern for the environment

The first sub-theme (of Theme 1) that emerged from the data related to participants' personal concern for the environment. In this regard, the participants expressed the following:

"The environment has recently been a big concern to me. This is because of religious purposes. It is our main focus point". (P2)

"Personally, the environment is something that I value a lot, and I ensure that I always keep the environment in mind before making decisions that will have an impact on it". (P1)

"It is important to save the environment for the supply of our resources, water, food, sunlight". (P3)

"Even at home, my family and I garden on a daily basis – plant trees, flowers, use old vegetable peels as a form of compost. I believe that flowers and trees enhances the environment in such a way that oxygen becomes more available, and many people fail to realise this". (P5)

"Over the past few years, certainly the whole concept of 'green' – the environment, and sustainability – is now a big thing for me, personally. For our future generations, we need to protect what we have". (P9)

As evident in the excerpts above, participants had a deep personal concern for the environment and concern for environmental sustainability. One participant reported that it was linked to their religious beliefs, whilst another expressed that environmental protection was crucial to ensuring humankind's supply of water, food, and sunlight. Another demonstrated their commitment to going green by composting old vegetable peels. This deep dedication to going green seemed to stem from a desire to protect the earth. Most importantly, one participant alluded to the fact that business decisions were influenced by their personal responsibility to go green. Hence, green innovations aimed at environmental protection in their personal lives influenced decisions made at work.

Studies, as indicated below, have found that the personal commitment of business owners to the environment have played an important role in environmental management, even though their impacts have not been pronounced in the mainstream extractive industries like mines, airlines, automobiles, cruise ships, etcetera (Alayón, Säfsten and Johansson 2017: 693-701). Specifically, the study by Jang *et al.* (2015: 67) highlighted that business owners are regulating the use of energy-consuming devices. For example, they set up time for the use of air conditioners to prevent heat radiation when using air conditioners, and they also installed cabinets or shelves close to the walls along the eastern or western sides of buildings (Alayón, Säfsten and Johansson 2017: 693-701). In the transport industry, Jonker, Rudnicka and Reichel (2015: 89) showed that the personal sense of environmental responsibility has also motivated entrepreneurs to embark on business projects that can mitigate climate change and promote sustainable transportation channels within their community. Furthermore, businesses in the hospitality industry have assumed sole responsibility for preserving the green environment through flower and tree planting projects to beautify their terrain (Jonker, Rudnicka and Reichel 2015: 89).

Green management, within the context of this study, are activities that yield environmentally friendly products that reduce the negative effects on the environment through green production and green research and development, among other things. From the excerpts above, it is evident that the participants had a deep sense of commitment to the environment. The participants are involved in activities

such as the gardening of vegetables and other plants. The concept of “green” has also been viewed in a positive light amongst participants as their personal aim is to conserve the environment for future generations. It is evident that participants are mindful of their actions and encourage and promote a sustainable environment. The participants also agreed that their businesses strive towards making responsible decisions that will reduce the negative impact of their business on the environment. This is similar to the findings of Fjeldstad, Sjursen and Ali (2013: 13) who recorded that the majority of the companies in the eThekweni region are actively involved in environmental waste management practices and are aware of the business context.

On the level of awareness of environmental protection in eThekweni, participants noted that:

“More businesses and individuals are becoming aware of the importance of environmental protection when compared to a few years ago. You notice more people using reusable shopping bags, cleaning up beaches and streets, and recycling”. (P14)

“I think it is fast becoming a priority among businesses through the world and will eventually have a large impact on how we manufacture goods going forward”. (P7)

“I feel there has been a larger extent of awareness created by the public regarding the environment. This has largely impacted on my view regarding the environment. To me, now, saving of the environment is so very important”. (P4)

According to one participant, this awareness can be attributed to the escalation in the use of reusable shopping bags, the cleaning up of the beaches, and recycling initiatives. Another reported that the increasing global attention surrounding environmental sustainability will aid in promoting green manufacturing initiatives, particularly in the manufacturing industry. Green manufacturing, in this context, reflects the environmentally friendly practices that are put in place when producing a commodity (Deif 2011: 1553). According Hoogendoorn, Guerra and van der Zwan (2015: 759), green manufacturing procedures are considered more efficient as they

do not just promote environmental sustainability but also ensure optimal utilisation of production inputs to minimise waste and decrease contamination. Rehman, Philemon and Williams (2015: 137) also likened the input optimisation as an underlining benefit of adopting green manufacturing.

The huger societal and global movement was also responsible for influencing personal views surrounding environmental protection and sustainability. This was to the point that participants believed that daily activities should be carried out in a manner that engenders social, economic, and environmental development. The participant's assertion that the increase in the level of public awareness in the community had fostered awareness of environmental protection, indicates that many business owners have not considered environmental protection and sustainability prior to this. This may account for the poor performance of the environmental protection agencies and the green tax in the years back. For example, P4 said that due to the extent of awareness created by the public, his views regarding environmental protection were enhanced. To corroborate these findings, the research by Braithwaite (2016: 55) who reflected on eight factors affecting the level of public compliance towards the green business environment in South Africa, also discovered that the level of awareness amongst business owners has progressively increased the level of compliance in the city, with mass media playing an instrumental role in the process. A study by Jovita, Chibuzor and Onyemachi (2019: 98) also revealed that with the increased level of awareness of environmental protection, businesses have switched from the traditional management mentality to environment-oriented green management. According to Kautto (2016: 54), the objective of the awareness of environmental protection is to ensure that operational activities be performed in line with the environment, to preserve the environment, while achieving the business objectives, visions, and goals.

4.4.1.2 Sub-theme 1.2: Conceptual understanding of green tax and attitudes towards it

The second sub-theme (of Theme 1) that emerged from the data concerned the conceptual understanding of green tax and attitudes towards it. In the regard, the participants noted the following:

"It is a contribution [which is the tax] made to the government to have a positive influence in the environment". (P5)

"It is a punitive tax to help people take cognisance of the environment and make it beneficial to ensure that they don't harm the environment". (P9)

"It is the premium paid for potential damage to the environment by businesses during their operations". (P1)

"They are taxes that are levied on consumers and businesses to promote environmentally friendly and sustainable practices". (P17)

"Is a way of monitoring the pollution caused in the environment". (P8)

"Green tax is a tax imposed by the government on individuals and companies to encourage them to pay for things that are not harmful to the environment and not to use harmful things. This helps us transition to a safer and sustainable environment". (P18)

"Green tax is a type of tax that allows us to save the environment. The government has decided to use a green tax to monitor – control – while at the same time maintain the sustainability of the environment". (P4)

"Green tax, or environmental tax as its commonly known, I think it is basically twofold: it contributes towards a cleaner environment, that is reducing global warming, trying to say that companies are not drawing the line when it comes to saving the environment". (P11)

"Environmental tax is the government plan of action to encourage people to become more aware about the harm that they cause to the environment, hence, by making them pay for it". (P9)

There were several conceptualisations of green tax that emerged in the data. However, they were aligned with two strands in the data. Firstly, green tax was viewed from a monetary point and as payment for environmental protection.

This was evident in the views of P5 who defined green tax as a “*contribution*”; P17 who defined it as “*taxes that are levied on consumers and businesses*”; P9 who called it a “*punitive tax*”; and P1 who defined it as a “*premium paid for potential damage*”. Similarly, Schabmann (2013: 17) asserted that green tax is a compulsory payment which is made by both firms and individuals to a government for improved environmental conditions despite the benefits that may or may not accrue to the taxpayer. Beyond the environmental protection and management goal, Kirchler (2017: 3) concurred that green tax, just like all other government levies, has been noted to be a very important revenue stream for governments for environmental development projects. Beyond the levies, Kautto (2016: 78) asserted that green taxation advocates for the deployment of environmental regulatory principles and policies, as well as other practices that brings about improvement in the quality of the environment in general (Kautto 2016: 65). The green tax is thus an effort to ensure that organisations whose operations negatively affect the environment contribute to government’s effort to address the negative consequences thereof (Kautto 2016 :65).

Green tax knowledge, on the other hand, is defined as beliefs about green tax that are true and justified (Lee, Go and Jeong 2015: 78). Tax knowledge has been empirically found to affect attitude towards taxation. This suggests that fiscal ignorance can contribute to a negative attitude towards taxation and non-compliance. On the issue of revenue generated from green tax, a tax practitioner, P18, believed that:

“The South African Government collects over R100 billion in environmental taxes every year”. (P18)

He clarified further that this tax is associated with the financial burden a taxpayer must fulfil for environmental protection, which is received by the State for environmental policy implementation.

The second line of thought captured both the regulatory framework of green tax and the payment for environmental protection. These participants were able to illuminate the environmental relevance of green tax within the business context. This was evident in the words of P11, who said that green tax contributes towards a cleaner environment, reduces global warming, and is a way to alert businesses that they have not been stringent when it comes to saving the environment. Similarly, P9 described it as a transition to a safer and sustainable environment and a plan of action to encourage people to become more aware of the harm that they cause to the environment. This was affirmed by Daugbjerg and Svendsen (2016: 307) who defined green tax as the tax imposed for securing the environment from potential harmful exploitation. As an environmental protection scheme, the green tax is a way of making active users of the environment act in a responsible manner or pay for the harm caused to the environment (Barbier 2010: 832).

4.4.1.3 Sub-theme 1.3: Attitude towards green tax

The third sub-theme (of Theme 1) that emerged from the data focused on attitudes towards green tax.

In explaining the factors affecting attitudes of taxpayers, Hair *et al.* (2019:34) noted that taxpayers can possess a variety of attitudes and beliefs which interact and respond to environmental protection and social norms, suggesting that a positive disposition towards environmental protection will influence green taxpayers' attitude positively. The analysis participants' attitude towards green tax is thus expected to show the willingness of participants to adopt green tax, their perception of the benefits of green tax in the environment, and their level of responsibility towards environmental needs. It also demonstrates their interest in contributing to environmental regulation, which determines whether they have a positive attitude towards green tax or not. In this regard, the participants noted the following:

"I believe that this tax will be an excellent structure in terms of conserving the environment, especially in eThekwin". (P6)

"I see tax as a way of positively enforcing people's behaviour and ensure that they take cognisance of the environment". (P9)

"It is a good idea as it will encourage businesses and individuals to be more environmentally conscious". (P14)

"It is a good initiative to promote energy savings for companies and protect the environment in the long run". (P16)

"It is a good way to get companies to be cognisant of their emissions and it gives motivation to reduce emissions". (P19)

"I think that it is only fair that we pay for what harm we cause to our environment. EThekwini is largely populated, and the implementation of such a tax will be very useful and beneficial to companies and communities". (P4)

"This is a good idea, but it needs to be sustainable given the current state of our economy; if it is incentivised properly, it could be beneficial for all parties". (P7)

"I am very pleased with this type of tax. It's beneficial in many ways, mostly to save the environment. However, I feel that it needs to be properly and fully implemented. I am willing to comply 100% as this is a great way to conserve the environment". (P8)

The responses reflect the participants' attitude towards green tax. As is evident, the participants were highly supportive of green tax and deeply sensitive in terms of recognising their responsibility towards protecting the environment. This was evident in the views of P6 who saw green tax as an *"excellent structure"*; P9 who viewed it as a *"good way"* to get companies to be cognisant of their emissions; and P14 who described it as a *"good initiative"* to save the environment.

The data showed that the participants recognised green tax as a commitment to environmental protection through green tax as a means towards protecting the environment. Specifically, P9 noted that this was a positive way of ensuring that they

take cognisance of the environment. This was supported by P4, who acknowledged the fact that payment for green tax is a payment for harm done by businesses to the environment. These excerpts reflect a positive attitude towards environmental responsibility, which will enable the administration of appropriate tax policies to elicit optimal levels of compliance. Moreover, it will ensure that these business leaders adopt a zero harm to the environment attitude in their daily operations and decision-making. The effect of attitudes towards environmental responsibility was also documented by Cassells and Lewis (2011: 198) who discovered that SMEs showing traits of environmental responsibility can easily be discerned from their attitude towards green taxation. In their view, a positive attitude indicates that the SME business owners are in favour of the government environmental protection plan.

Furthermore, P8 stated that his willingness to comply with green tax hinged on its proper implementation. The notion of willingness to be green tax compliant strengthens earlier findings made regarding their positive attitudes toward green tax. Furthermore, it is aligned with the strong personal commitment of participants towards environmental protection and sustainability. According to Hair *et al.* (2019: 34), a positive attitude towards the green tax is crucial to ensuring successful collection of taxation revenue. The findings clearly show that participants are sensitive to environmental protection and demonstrate traits of environmental responsibility, which are critical components of an environmentally sustainable business.

4.4.2 Theme 2: Factors Affecting Green Tax Compliance

For ease of reference, Table 9 presents the second theme and its related sub-themes.

Table 9: Theme 2 and its Related Sub-Themes

Theme 2	Sub-theme
Factors affecting green tax compliance	2.1. Tax morale 2.2. Cost of green tax 2.3 Lack of information and other factors influencing non-compliance

The second theme derived from the data was linked to factors affecting green tax compliance amongst SMEs in the eThekweni district.

4.4.2.1 Sub-theme 2.1: Tax morale

The first sub-theme (of Theme 2) that emerged from the data was linked to tax morale. Tax morale captures taxpayers' willingness to pay taxes (Loknath and Abdul Azeem 2017: 88). Literature in this regard depicts mixed views in different contexts and data sources, perhaps due to the complexity of these evolving concepts and the difficulty in measuring tax morale accurately. However, the most cited definition is that of Torgler (2013: 4) who said that "tax morale is the intrinsic and extrinsic motivation to pay taxes". According to Lundberg (2019:78), the intrinsic and extrinsic factors basically answer the question "why are you willing to pay tax?" Thus, this sub-theme focuses on data related to business owners' motivation regarding green tax and the perceived factors affecting their intrinsic and extrinsic motivation to pay tax.

Participants expressed the following:

"Green tax seems like a fair concession, however, other factors like the economic climate and market related factors would have to be taken into account as well". (P1)

"My personal view is in order to protect Mother Earth, which I commonly refer to; paying taxes helps in preserving the longevity of [the] earth for our generations to come". (P11)

"I am keen on paying such a tax as I know the reason why it and the good that comes from it". (P3)

"I am willing to pay green tax if my company is destroying the environment". (P12)

As displayed in the data, the participants reflected a strong tax morale and a positive attitude towards paying taxes. The notion of tax morale introduces a model line of thought, supported by long-term and strategic thinking examining why people pay tax from the individual to organisational level to better frame environmental policies. Business owners' motivation to pay tax was linked to both the organisation and the individual. The views of P1 and P11 reflect an intrinsic motivation to pay tax, which, in this context, are the personal convictions of both participants regarding the importance of environmental protection. Specifically, for P11 it was his personal commitment to protect Mother Earth, while P12 demonstrated a deep commitment to pay green tax if their company was responsible for damaging the environment.

The other participants' motivation to pay tax was underpinned by extrinsic factors. One participant viewed green tax as a fair concession within the context of the economic climate, and market related factors were also considered. This participant saw it within the context of monetary concession, which in turn motivated them to be green tax compliant. What was important, though, is that all the participants were committed to a healthier environment. Whilst the motivation of P12 to pay tax was dependent on his environmental contribution to environmental degradation, the motivation for tax payment for P3 was dependent on the proper execution of environmental protection policies. These environmental protection policies could be in the form of climate protection plans, market-environment restructuring, managing environmental harm, and the general environmental policy implementation process.

These findings reflect that tax morale was a factor that influenced tax compliance, which can be likened to formative constructs whose dimensions are not considered objectively. The foregoing expectation has necessitated calls by some researchers for further studies into these intrinsic and extrinsic factors and their relationship with

tax compliance (Devos 2014: 85). Finally, like the case of most developing countries, tax morale is a relatively new concept in South African research. However, there are recent developments like efforts by the government and the tax authority to boost voluntary tax compliance. These efforts accentuate some factors that are relevant in determining tax morale. For example, the South Africa Revenue Authority in November 2017 launched the National Tax campaign such as the ADB-funded “Redraw the Line” campaign (OECD 2020: 50-54). This was an extensive national campaign targeted at both taxpayers and potential taxpayers through all media platforms in the country to raise the awareness of South Africans regarding environmental protection and environmentally related tax systems. The programme, in particular, sought to educate South Africans about green taxation as a civic obligation and the essence of environmental protection as an influence on the development and general well-being of the nation (OECD 2020: 50-54). Additionally, the campaign endeavoured to create an awareness of the adverse effects of non-compliance on the environment (OECD 2020: 50-54). This was important because whilst some non-compliance was not intentional, some taxpayers remain completely naïve about taxation, even as their civic responsibility. This suggests that tax education or knowledge helps to promote voluntary compliance by giving citizens an understanding of the tax system and helping them to appreciate its essence.

4.4.2.2 Sub-theme 2.2: Cost of green tax

The second sub-theme (of Theme 2) reflects on participants’ perceptions of the cost of green tax.

“Resource and financial constraints – to employ additional resources and invest in new technologies”. (P16)

“The primary reason for lack of compliance is cost. Adopting environmental practices are costly as suppliers realise the importance/pressure for companies to comply and price their products with a high mark-up to take advantage of the situation, e.g. the costs associated with solar panels”. (P18).

“Companies do not want to incur extra costs through implementing greener processes and practices as they are very costly”. (P13)

“Sometimes the additional cost of being more friendly towards the environment increases the costs of their products and services significantly and this would result in them being less competitive; but, on the other hand, certain consumers are willing to pay a premium for environmentally friendly products so, which would actually allow businesses to charge more”. (P14)

Cassells and Lewis (2011: 167) described environmentally friendly products as products that do not damage the environment. According to Taylor (1992: 41), a product is considered environmentally friendly when the process of manufacturing and packaging follows environmental sustainability standards. The violation of these standards are typical reasons for the government imposing green tax (Taylor 1992: 41).

As evident in the data, the costs of compliance influenced green tax compliance. Two participants, namely, P16 and P14, described the underlining financial constraints facing most of the businesses. This is supported by the fact that most businesses surveyed are local SMEs that cannot afford to bear the burden of additional unwarranted costs (Kirchler 2017: 88). This is related to the fact that if the levy or percentage charge of green tax is high, it increases the tendencies of tax avoidance. Wahabu (2016: 71) also found that cost was the most significant factor contributing to tax evasion amongst SMEs and traders. Similarly, Yergenthren and Rajendra (2018: 9) discovered that the main factors affecting tax compliance related to capital structure, compliance costs, tax rates, tax audits, and the morals of the taxpayer. The associated cost of green tax can therefore limit the prospect of environmental regulations as taxpayers would rather avoid the tax payment to make more business profit.

Beyond the actual percentage levied as tax, other factors related to market prices for acquiring environmentally friendly products were highlighted by P18. He noted that suppliers, for example, escalated the costs of solar panels, knowing the need some businesses have for these. The capital base of SMEs in eThekweni cannot

necessarily finance the acquisition of environmentally friendly products (Marra, Antonelli and Pozzi 2017: 67). Participant 13 contended that adjusting to a greener process requires extra cost, which discourages the implementation of a greener process amongst SMEs. This assertion was supported by Sadiku, Omotoso and Musa (2019: 59) who discovered that regardless of the business objective of embracing green management policies, not only for competitiveness in their operations, but also for employee edification for organisations in manufacturing industries, managers still found a way of seeking out the best option based on the cost of the items.

Participants raised an important point regarding consumers' willingness to pay for green products, saying that this should serve as the motivation for business owners to be more friendly towards the environment, regardless of the increase in costs of their products and services. Hence, the primary business concern of these producers would be to improve the competitiveness of the green product and at the same time meet the increased demand for green products. According to Miriam *et al.* (2018: 45), this is possible through *innovation and competitiveness of sustainable products* and the development of policies for proper waste management.

4.4.2.3 Sub-theme 2.3: Lack of information and other factors influencing non-compliance

The third sub-theme of Theme 2 focused on the lack of information and other factors influencing non-compliance. In this regard, the participants mentioned the following:

"As a business, I'm opposed to any further tax. I think this comes from the lack of trust between businesses and the government as we see that taxes are charged but not used for the intention [it] is". (P10)

"Businesses are not aware of the requirements. Businesses may feel that it is just another tax and they don't see the benefit of paying it or how the funds are being used to limit or lessen the damage to the environment". (P14)

*“There has been so much uncertainty around the actual legislations”.
(P19)*

“I think that SMEs are under pressure to meet the laws and regulations surrounding environmental practices, especially in a manufacturing sector”. (P18)

“I believe that eThekweni doesn’t have the capacity – capabilities – to even collect taxes in the manner that people will want their contributions to be spent. Therefore, if taxes are correctly administered, I will be happy to pay”. (P9)

“Lack of knowledge and awareness of what is green tax and how to ensure compliance of green tax”. (P15)

“SME business owners might believe that they have a low environmental impact and no environmental issues to consider, and therefore, to not believe that the government’s environmental protection actions will apply to them”. (P16)

There were several reasons advocated in the data for the lack of compliance. The first concerned a lack of trust related to government’s intent and use of the green tax. This was captured by one participant who was not convinced of the government’s ability to collect such taxes and direct it appropriately towards environmental protection. This mistrust towards how it was tangibly being directed towards the environment seemed to be the most significant barrier. Another reason was that businesses were unaware of the requirements. This was confirmed by P19 who expressed uncertainty of the legislation related to the green tax. Hence, whilst participants were not opposed to paying, they needed to have greater insight into its benefits, particularly how funds were going to be used to prevent environmental damage.

Other participants (18) believed that SMEs were under pressure to comply with laws and regulations surrounding environmental practices, particularly in the manufacturing sector.

In this vein, the research found that uneven income distribution was a reason for the failure of many South Africans to pay taxes (World Bank 2018: 87). In the United States, it was argued that since many citizens do not earn up to one US dollar (or its equivalent) per day, they should not be expected to pay taxes. Moreover, given that the public has not been conscientised on how the government was accountable or how tax revenue has been used, taxpayers did not see the benefit in paying taxes (Tamer 2012: 6). Although few studies on green tax evasion exist, a study by Fagariba (2016: 39) explored the reasons for SMEs' tax evasion. The study found that the major factors hindering tax compliance included a high level of government corruption, high compliance costs, the weak enforcement of tax laws, the weak capacity of tax authorities to detect those who evade tax payments, a poor tax education, loopholes in the tax net, issues of the tax burden, and poor sales. According to Tamer (2012: 6), this included three subcomponents, namely: (1) whether there were effective controls in the registration system to register taxpayers with linkages across the tax database and other regulatory and financial databases; (2) the effectiveness and the consistency of penalties for non-compliance; and (3) the presence of an audit and fraud investigation unit.

A report by Zarri (2014: 60) reflected that the main challenges facing the collection of taxes from the start-ups were as follows: (i) The difficulty in evaluating the exact size of the informal sector; (ii) the fact that broad-based taxation might come at the expense of significant administrative costs resulting from the existence of a large number of informal firms and entrepreneurs, and the difficulties in monitoring them; and (iii) the observation that informal firms tend to be less productive than formal ones. Lastly, in the case of South Africa, according to Zarri (2014: 60), the main issues related to the payment of taxes from the SMEs is due to the weak and under-resourced revenue authorities, a considerably large informal sector, and a national bias towards collecting taxes. This imposes a higher tax burden on poor households and employees in the formal sector.

Generally, several factors have been found to shape tax compliance. Examples of these determinants range from variables such as age, education, gender, national pride, conditional cooperation and satisfaction with democracy to trust in

government. Focusing specifically on SMEs, Somuah (2011: 64) explored the reasons for high tax non-compliance in Bolgatanga's informal sector, as well as the challenges involved in taxing the sector. The study found that the major factors affecting the compliance levels of taxpayers included the application of sanctions, regular tax education, the anticipation of benefits, and high tax rates. The challenges, however, included capacity constraints, the large size of the informal sector, the large size of the tax district, and improper accounting and bookkeeping. Another study by Ehun (2015: 22) studied those factors that encouraged tax compliance among artisans in the Brong-Ahafo region in South Ghana. It found that these factors are generally classified as individual/socio-demographic factors and contextual/institutional factors. Kirchler (2017: 211) also observed that contextual variables have been understudied and made the call for more studies to focus on contextual factors affecting tax compliance.

The sub-themes generated from the data cover tax compliance determinants such as tax morale, challenges in paying taxes, and the cost of green tax. In the final analysis, although the government might be serious about collecting taxes and implementing a variety of measures for doing so, they do not seem to have used a stringent approach or "strong-arm" on those in the country's SMEs. In addition, it appears that much leeway has been afforded to the informal sector workers by allowing them to take the money to the tax offices themselves. Rather, they should collect it on site.

4.4.3 Theme 3: Role of Government in Green Tax Implementation

For ease of reference, Table 10 presents the third theme and its related sub-themes.

Table 10: Theme 3 and its Related Sub-Themes

Theme 3	Sub-themes
Role of government in green tax implementation	3.1 Transparency in the implementation of green tax 3.2. Challenges related to enforcement 3.3 Accountability

The third theme derived from the data focussed on tax administration and government responsibility to implement green tax. The excerpts below reflect some of the participants' responses in this regard.

4.4.3.1 Sub-theme 3.1: Transparency in the implementation of the green tax

The first sub-theme that emerged under this theme (Theme 3) focused on the fairness measurement. Though fairness of tax is a latent variable, which is difficult to define and measure, the data collated uncovered the participants' opinion on fairness in measurement as a government problem facing green tax implementation. This is further captured in the excerpts below:

"Green tax should be discussed and negotiated on fair terms well in advance before implementing the tax on businesses ..." (P1)

"There is a lot of nebulousness and vagueness in terms of how it was implemented". (P9)

"I honestly feel that this tax calculation needs to be more specific and detailed". (P8)

"There is no way that the government can charge us for pollutants if they do not inform us about the manner that they will charge us. At the moment, this is very vague and needs to be properly explained to us". (P2)

Most participants raised the issue of transparency and called for specific and detailed information regarding this tax calculation so that they could understand its implementation. One participant lamented the lack of consultation before implementing the tax rate, describing it as information bias. Participant 1 pointed out that the green administration in the community is largely biased since business owners are not given the opportunity to consult and dialogue around this, and the environmental requirements are not discussed and negotiated on fair terms.

Participant 8 requested that the government heed the need for a specific and detailed system of green tax calculation. In this way he highlighted that the current

system of green tax administration lacked a consistent measurement scale. This was further supported by P2 that business owners were not informed of the way the green tax charges are levied on them. With regards to information bias, the data specifically reflected that there is a tremendous amount of “*nebulousness and vagueness in terms of how it was implemented*”.

Based on the arguments presented above, there is some justification for non-compliance. It implies that a good measurement of fairness must, at the very least, cover different dimensions, as well as assess the perceptions of fairness at various levels relevant to the implementation of government policies (Moutinho *et al.* 2017: 68).

4.4.3.2 Sub-theme 3.2: Challenges related to enforcement

The second sub-theme of Theme 3 looked at challenges related to enforcement.

Various studies on tax implementation have shown that the effectiveness of tax administration is largely dependent on the effectiveness of the government implementation process. A study by Kastlunger *et al.* (2013: 17) found that the inability of government to enforce compliance increases tax evasion. Nginiatedema and Li (2014: 82) also reported that enhancing proper tax administration and implementation increases tax compliance. Filippin, Fiorio and Viviano (2013: 3) referred to this as a natural effect, which indicates that proper enforcement will drive the taxpayer to increase their tax morale. This happens because enforcement defers non-compliance (Slemrod 2014: 5). Slemrod (2014: 27) further emphasised that despite some people evading, others will still comply even in the absence of enforcement.

The participants had the following to say:

“Government face[s] economic and political challenges when trying to implement environmental taxes”. (P18)

‘The government does not have any measures to record this type of tax, therefore, people are not taking it seriously’. (P3)

“Some of the challenges would be developing a basis for calculating the environmental taxes, ensuring compliance, collection of the taxes, ensuring that the taxes do not cripple businesses and the economy, and developing processes to effectively utilise the funds for environmental protection”. (P14)

“Difficulties in implementing [the] tax compliance system and monitoring compliance administratively”. (P6)

As confirmed in the excerpts, the participants were cognisant of the challenges related to enforcement. According to P18, the implementation of a tax compliance system can be linked to economic and political challenges. According to Nunes *et al.* (2012: 78), from a political standpoint, the problem is due to the inadequacy of the public policies to cover every loophole, which in turn hinders the implementation process. They added that the economic challenges can be linked to the budgetary and tax revenue allocation process for effective environmental protection. Participant 14 concurred, noting government’s inability to effectively utilise the funds for environmental protection as a prime factor for the government’s poor implementation. The inability of the government to properly monitor the process was also brought to light by P6, who asserted that the challenges affecting the whole green tax process are the “difficulties in implementing [the] tax compliance system and monitoring compliance administratively”. This implies that even if the government implements tax in a transparent and accountable manner, the inability to monitor the progress made on the environment over time will also limit the full potential of the green tax resources.

This is similar to the conclusion reached by Ali and Ahmed (2014: 390) who highlighted that effective environmental strategies can facilitate the administration of the green tax. Data from a study by Alm *et al.* (2010: 320) also showed that implementation has a significant relationship with tax compliance. Participants 3 and 14 concluded that the inability of the government to provide sufficient details about green tax measures, because they cannot provide measures to record this type of tax and the challenges they face when developing a basis for calculating the environmental taxes, has influenced the perception of participants. The latter see the

government as a body incapable of managing green tax administration in the community.

4.4.3.3 Sub-theme 3.3: Accountability

The third sub-theme of Theme 3 focussed on accountability.

“I believe the government, firstly, needs to inform the public about the fine print regarding this tax. By the government informing the public about this, the green tax will be paid by more companies. As many companies do not pay this tax, or do not know what it is, it results in a very low level of compliance”. (P4)

“These taxes need to go into a separate fund. The government then needs to account for what these taxes are directly used for. This will strengthen our trust and encourage us to be more green tax complaint”. (P10)

Most of the participants were unanimous on government needing to be more forthcoming in providing information about the green tax system and being accountable for how these funds will be directed towards green tax compliance. Participant 4 pointed out the need for government to inform the public about the fine print regarding this tax, which reflects that salient information is not readily available to the public. Moreover, P2 expressed that people are not aware of how their tax is being charged and they are given insufficient information with regards to what constitutes their tax levy. In this way, the government lacks accountability with regards to the green tax system. As such, taxpayers do not always see the benefit in paying the green taxes as there is no information on what it is being used for. Carnahan (2015: 169) who examined the revenue-raising capabilities of 58 developing countries around the world, pointed out that a consistent and stable revenue system was important for any government.

To strengthen the current weak accountability system, P10 recommended that a separate fund be created and made public to taxpayers to improve transparency with regards to the government administrative process. According to Carnahan (2015:

169), to ensure taxpayers consistent contributions to the government revenue, government should make public its accomplishment for accountability sake. He further indicated that “without proof, few people will invest” (Carnahan 2015: 169).

Hence, it is important to note that the complexity of the tax system; the level of revenue information services; withholding information reporting; the responsibilities and penalties of the preparer; the probability of receiving audit coverage; progressive and actual levels of tax rates; and penalties for not complying with tax regulations are other government-related factors that affect the enforcement of green tax implementation (Spicer and Lundstedt 1976: 19). The main argument, however, is that individuals and entities can be deterred from evading taxes through several punitive and persuasive approaches. Punitive approaches include increasing the probability that tax evaders will be detected, increasing the tax rate, or by imposing stricter and tougher penalties.

4.4.4. Theme 4: Effects of Current Green Tax Measures

For ease of reference, Table 11 presents the fourth theme and its related sub-themes.

Table 11. Theme 4 and its Related Sub-Themes

Theme 4	Sub-themes
Effects of current green tax measures	4.1. Transformation of the business 4.2 Financial effects on businesses

The fourth theme that emerged from the data was linked to the potential effect of current green tax measures on SMEs in the eThekweni district. Two sub-themes were linked to this theme, namely, *transformation of the business* and the *financial effects on businesses*.

4.4.4.1 Sub-theme 4.1: Transformation of the business

The first sub-theme (of Theme 4) that emerged from the data related to the business operation effect of current green tax measures. Participants commented the following:

“Many SME’s will need to considerably change their business process to ensure they are environmentally friendly”. (P13)

“There will be time pressure on business to ensure compliance”. (P16)

“Additional compliance and administrative work will be needed by businesses”. (P17)

“I think that SMEs are under pressure to meet the laws and regulations surrounding environmental practices, especially in the manufacturing sector”. (P18)

As indicated in the data, businesses and SMEs will have to transform their operational procedures and mission. Given that the green tax is not just a source of government revenue, but also a means of environmental regulation and protection, the data shows that green tax implementation has a direct impact on the business operations of SMEs. Specifically, P13 noted that businesses must undergo considerable changes in their business process to ensure that they are environmentally friendly. Furthermore, P17 highlighted that additional compliance and administrative work will be needed to advance the green standard. There is a growing interest in determining factors of a company’s decision to invest in green production processes. Previous studies highlighted several internal and external factors. Everett *et al.* (2010: 53) discovered that many SMEs find the idea of ecological sustainability pertinent as it aligns with their profit margins. “The application of resource-efficient technologies improves a firms' competitiveness and the greening of production processes, will result to higher returns on investment and increased sales figures, with an improved public image” (Dangelico and Vocalelli 2017: 471). A number of researchers suggested that the greening of production will cause a major increase in the company’s image, noted Everett *et al.* (2010: 53).

Another point raised by the participants was the pressure associated with this adjustment and compliance. According to P18, SMEs are under pressure to meet laws and regulations surrounding environmental practices. All the participants acknowledged the need for businesses to change and that business owners be faced with the task of strategising to meet new green regulations and bear the

operational risks associated with this. Conway and Gawronski (2013: 54) opined that the modus operandi of green tax administrations has the potential to change the entire business framework. They also provided evidence that environmental regulation could change production and payment systems of a business, which can also affect the level of tax compliance. Although there exists the problem of long delays in the adjustment process of the business, Creswell (2019: 67) suggested that if the cost of compliance is lesser than the penalty for tax avoidance, the business should embark on an adjustment process to meet environmental regulations.

4.4.4.2 Sub-theme 4.2: Financial effects on businesses

The second sub-theme of Theme 4 considered the financial effects on businesses. In this regard, the participants articulated the following:

“Compliance with the tax measures would be complex and SMEs would most likely not have the relevant skills in-house to comply. This would result in them having to use consultants to comply. This would come at a cost over and above to cost of the actual taxes”. (P14)

“I am not sure about the implementation effects of current green tax measures with SMEs in eThekweni, but the SME sector do[es] encounter problems such as limited funding, poor management skills, and lack of support structures in South Africa”. (P18)

“Some companies may not be considered viable once this tax is implemented, dependant on the value of the tax. In other words, it is too costly to implement in smaller companies”. (P20)

As evident in the data, several participants expressed fears regarding how compliance could influence and affect their businesses financially. Participant 14 lamented the need to source consultants to guide them on the process, which would cause a greater financial burden over and above the actual payment of the taxes. The costs linked to hiring tax consultants, costs to train staff on tax rules and employ skilled staff are all critical factors to be considered in terms of compliance. The financial burden linked to companies not paying green taxes and being non-

compliant must be factored in. As Creswell (2019: 19) argued, general taxation contributes to business operation costs which eventually leads to increase in prices of output or tax evasion.

Participant 18 expressed that in conjunction to poor funding, poor management and the lack of a support structure were issues influencing compliance. Finally, P20 drew attention to the fact that such taxes would threaten the financial well-being of businesses that would not be able to bear the costs of such taxes. According to Swistak (2016: 140), SMEs struggle with limited financial reserve; hence, additional tax can further limit the business operation as the new financial requirement will have to be met from money used for daily business operations.

Osuga and Okello (2015: 90) wrote that regardless of the business objective of embracing green management policies, not only for competitiveness in their operations, but also for employee edification for organisations in manufacturing industries, managers still find a way of seeking out the best possible option based on the cost of the items. Echoing this effect of the adoption of green tax, P20 mentioned the high monetary value of green tax in the face of the limited funding that confronted most of the SMEs in the community. These are among the negative effects of green tax on businesses.

4.4.5 Theme 5: The Prospect of Green Tax in the eThekweni District

For ease of reference, Table 12 presents the fifth theme and its related sub-themes.

Table 12. Theme 5 and its Related Sub-Themes

Theme 5	Sub-themes
Prospect of green tax in the eThekweni district	5.1. Tax education and training 5.2. Collaboration and cooperation

The last theme derived from the data focussed on the prospects of green tax administration in the eThekweni district. Two sub-themes emerged, namely: *tax*

education and training and collaboration and cooperation. These are discussed in more detail below.

4.4.5.1 Sub-theme 5.1: Tax education and training

The first sub-theme of Theme 5 concerned tax education and training. Participants mentioned the following:

“The government should set up seminars for SME business owners in every district to explain this tax in detail. A month should be set aside to host these seminars, giving everyone enough time to attend, while a clear understanding is provided by the government. The government must also provide clear explanations as to how this tax is charged, [for] example, per tonne”. (P3)

“The government needs to market this tax through targeted campaigns and perhaps to consult individually with SMEs as we need to be educated about this”. (P6)

“There should also be seminars and talks, calling businesses and people, showing them how to deal with green taxes in each industry, [for] example, the motor industry, and the chemical industry. Each sector should have a seminar on this type of tax and how it affects them and how it should be implemented”. (P4)

“The government can host various workshops, or even have a live broadcast on TV where this tax is fully explained in detail to SMEs and taxpayers. This should be done as soon as possible to avoid the delay of a useful tax”. (P8)

“I think government needs to speak to businesses as education is very important. They need to inform businesses and people about the tax and consequences, as [a] lot of people do not like to pay taxes. This will make people understand the consequences that are caused from emissions that they pollute; hence, they will want to reduce emissions to avoid paying taxes”. (P12)

Education in the context of this study refers to formal training on green tax and environmental regulations. Most participants in this study supported the notion that more educated individuals have a better understanding of the opportunities and relevance of environmental regulations. This stems from the fact that educated people are also more likely to be aware of the wasteful use of tax revenues by the government, and will, therefore, be more critical of government activities.

The first sub-theme (of Theme 5) derived from the data relates to tax education and training as prospects of green tax administration in the eThekweni district. The excerpts reflect the need for conscientisation and education regarding green tax. Participants 3 and 4 suggested that seminars for SME businesses be held as a remedy to poor green tax compliance, while P6 considered specialised campaigns and direct business consultation as strategies to promote compliance. This suggests that education around green tax would inculcate higher tax morale and would also act as an agent for monitoring the activities of the government to ensure full implementation of environmental policies.

In this vein, several scholars, such as Filippin, Fiorio and Viviano (2013: 2) and Kountouris and Remoundou (2013: 14) argued that tax education increases tax compliance. However, Alm and Togler (2014: 269-274) found a positive correlation with tax morale. Torgler (2005: 66) also found three aspects of education that related to taxation, namely: the degree of fiscal knowledge; knowledge of tax evasion and avoidance opportunities; and knowledge of the beneficial or wasteful use of tax revenues by the government. He argued that the aspect of education that influences tax morale remains ambiguous and called for more empirical research to explore this. Likewise, Lago-Peñas and Lago-Peñas (2010: 98) recommended that greater attention be paid to tax education to encourage compliance. Evidence from the participants in the eThekweni district indicated that when it comes to tax morale and tax compliance, education thereof mattered, and that the implementation of green tax in the district was hampered by a lack of knowledge.

4.4.5.2 Sub-theme 5.2: Collaboration and cooperation

The second sub-theme (of Theme 5) that emerged from the data concerned *collaboration and cooperation* with regards to green tax administration in the eThekweni district. The participants expressed the following:

“Government should encourage others to pay this tax and be serious about it”. (P8)

“Let the government support the informal sector as well as the private sector as they provide funds. The government should then give these private businesses tax incentives for promoting this type of behaviour and being liable for waste”. (P11)

The participants mentioned the need to support businesses and to dialogue and mutually co-operate with government to facilitate green tax implementation. According to P8, the government should encourage businesses to pay this tax and be serious about it. This suggests the need for greater dialogue and a respectful, mutually beneficial relationship to emerge with regards to this cause. Environmental challenges have burdened governments to find methods to reduce environmental damage, whilst having little or no impact on economic growth. Governments currently have a variety of implements on hand, such as regulations, information programmes, innovation policies, environmental subsidies, and environmental taxes (Kalidin 2017: 39).

Participant 11 expressed that the government should be more supportive of both the informal sector and the private sector as they provide funds. He added that the government should give private businesses tax incentives for promoting this type of behaviour and being liable for waste.

P11 suggested collaborative efforts to ensure that more grounds are covered in the implementation process. Participant 12 noted that successful follow-up or reminders sent out to taxpayers can also be a means of gaining the support of the public in ensuring the system is fully functional. Thus, it can be concluded that the government should take steps towards collaboration and cooperation with the private

sector by urging all public and private enterprises to engage in productive economic activities in the protection of the environment and also encouraging all SMEs in the country to register as taxpayers. Participants also suggested that the government should provide incentives as a method to encourage businesses to become tax compliant. The South African Government has offered environmental tax incentives to assist in resolving the adverse effects of climate change. Eskom, the national electricity utility, stated that there are a number of taxes and charges that have already been announced in South Africa to stimulate private and public businesses and consumers to utilising more environmentally friendly practices and becoming more energy-efficient (Kalidin 2017: 41).

In light of the above discussion and insights obtained, some concluding remarks follow next to wrap up the chapter.

4.5. CONCLUSION

This chapter presented an analysis of the data that was collected on how green tax compliance is viewed amongst SME business owners and tax practitioners in the eThekweni district. The analysis was grouped under five main themes and 13 sub-themes. The analysis covered the importance of green tax amongst SMEs in the eThekweni district; factors affecting green tax compliance amongst SMEs in the eThekweni district; government related problems in green tax implementation in the eThekweni district; effects of current green tax measures; and the prospect of improving green tax compliance in the eThekweni district. Simply put, the analysis factored in the cost-benefit analysis, impact analysis, and recommendation for green tax administration. It was concluded that proper enforcement of green tax and environmental regulations reduces the profitability of evasion, it also motivates taxpayers to be truthful since the funds acquired are used to preserve the environment.

In the eThekweni district, many of the SMEs tend to operate in the informal sector in which workers are either self-employed or work for others who are self-employed (Mantey 2015: 93). It has been recorded that over 90% of the businesses in the district are in the form of either individual or small-scale enterprises. Nevertheless, a

key observation has been that since many of the businesses do not take account of the environmental impact of their businesses, they are therefore not taxed regularly. However, it was noted that the SMEs demonstrated a positive attitude towards green taxation and are willing to contribute to environmental protection. The study also provided evidence of the effect of tax knowledge, perceived fairness, and cost on the tax compliance of prospective taxpayers. It also established the need to segregate the effects of multidimensional concepts by providing evidence that the dimensions of perceived fairness have different relationships with tax compliance.

The final chapter, to which we now turn, presents a summary of the findings, recommendations, limitations, and concludes the study.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

Green taxes create a framework for obtaining optimal social welfare and its cash flow plays an important function in realising sustainable development and social justice. The main focus of this study was to explore how green tax compliance was viewed amongst SME business owners and to understand what strategies would strengthen their level of compliance. The study used a qualitative research approach as its design and semi-structured interviews to collect data from two samples. These two samples included the owners of SME manufacturing companies in eThekweni (Sample 1) and tax practitioners in eThekweni (Sample 2). In total, 12 owners of manufacturing SME owners and 8 tax practitioners were recruited to participate in this study.

The data derived from the study yielded five (5) main themes and thirteen (13) related sub-themes. This chapter provides a summary of the major findings (section 5.1) made and the conclusions reached (section 5.2). It does this within a context of how owners of SMEs understand green tax compliance, review their green tax compliance assessments, and how they justify green tax avoidance. Finally, frameworks that can be applied to consolidate green tax compliance in SMEs are suggested (section 5.3). After reflecting on the limitations of the study (section 5.4), a final conclusion draws the study to a close (section 5.5).

5.1 MAJOR FINDINGS

The section affirms that the objectives of the study were met. The major findings are discussed in relation to each of the study's objectives as set out in Chapter 1. These are discussed under their respective headings below.

5.1.1 SMEs Compliance with Regards to Policies on Environmental Tax in the eThekweni District

The study found that both tax practitioners and SME owners had a positive attitude towards compliance related to policies on environmental tax. The participants believed that tax compliance was important because they were committed to protecting the environment at both a personal and professional level. The going green aspect was seen as an important measure which business owners considered before making decisions regarding their operations. The study also found that participants have become more aware of the environment and were therefore more influenced to go green.

Hence, there were more enhanced and greater green innovations developed by the participants aimed at environmental protection. It was evident that business owners value the environment and were concerned about the way in which the planet is being destroyed. They contend that natural resources are limited and need to be conserved for future generations. On a personal level, it was discovered that participants have been gardening vegetables with their families and are also engaged in environmentally friendly practices in their religious organisations in order to protect and sustain the environment. Participants were of the opinion that daily activities should be carried out in a way that promotes social, economic, and environmental development. As a result of this, participants are eager and motivated to comply with environmental tax policies in order to conserve the environment.

There was evidence of green production amongst the SME studies which suggested that environmentally friendly practices were used in the manufacture of a product. This suggests that environmental taxes were efficient in encouraging a green friendly environment. According to Rehman, Philemon and Williams (2016: 137), green tax also led to the optimal use of production equipment to minimise the production of waste and encourage the management of both solid and liquid waste.

The data found that participants defined the green tax policy in various ways. Many were of the opinion that the policy is used to control and monitor pollutants whilst at the same time maintain a sustainable environment. Participants also believed that the policy was used to give back (monetarily) to the government for what has been

depleted, damaged, or destroyed in the environment, as well as for the protection of the environment. It was also concluded that green tax contributions were used to influence a cleaner and healthier environment as well as create awareness about global warming and alert businesses that were not cautious with regards to saving the environment.

The data found that the participants had a positive morale towards complying with green tax policies as they were aware of some of the benefits that derived from it. One example is preservation of the longevity of the planet. However, there were factors that hampered green tax compliance. For instance, when participants had to incur additional costs related to the same, e.g. when they had to develop green innovations in the production processes. Additional factors affecting compliance included a lack of knowledge and uncertainty with regards to environmental policies and legislations affecting business owners.

5.1.2 The Effect of Non-Compliance with Regards to Green Tax amongst SME Business Owners in the eThekweni District

Non-compliance with taxes can sometimes have special penalties which can consist of refusal to file tax returns within the stipulated time or refusal to file at all, income differences, excess exemptions, and unwillingness to pay the estimated taxes based on the data provided (Kasipillai and Abdul-Jabbar 2016: 74).

The study also found that SME business owners will be under time pressure to change their business processes to become environmentally friendly as well as to comply with additional administrative work. It was stated that SMEs are small-sized in nature, therefore, they may no longer be viable once paying this tax.

The findings have shown that it is not an issue of non-compliance but rather a situation where SMEs are trying to stay afloat in the competitive industry of manufacturing and production. For example, many SMEs do not comply with these tax levies as the cost of actually paying these levies outweighs the cost of raw materials used in the manufacturing process.

The PPP indicated above places a large weighting on manufacturers that emit GHGs in their production process. The study found that non-compliance with green tax has adverse effects in terms of no ceiling with regards to the amount of GHGs these manufacturers can emit. Business owners who do not comply increase the amount of GHGs emitted in the atmosphere and there is a spillover effect on communities living in surrounding areas. For example, businesses that emit a large amount of CO₂ in their production processes put their communities' health at risk.

Moreover, it was found that business owners perceive that they have a low impact on the environment or no impact at all, therefore, they are convinced that the government's environmental protection actions will not be applicable to their businesses. This is due to a lack of knowledge and understanding regarding the calculation of the green tax policy.

The study found that knowledge of green tax amongst SME business owners influenced their compliance towards green tax. This suggests that fiscal ignorance can contribute to non-compliance and negative attitudes towards taxation. It also means that education regarding green taxes and its benefits is important to ensure compliance.

The participants reported that there is a low level of trust in relation to the government which influenced their low level of compliance with regard to green tax. The study further found that if SMEs are not green tax compliant, then the government encounters challenges in the administration and calculation of green taxes. These challenges result in a poor and inefficient base from which the government can leverage green tax revenue that can contribute to initiatives focused on protecting the environment.

5.1.3 Strategies to Strengthen and Improve Green Tax Compliance amongst SME Business Owners in the eThekweni District

The study found a need for the government to provide detailed information about the green tax system and be accountable for how funds from this system will be directed towards green tax compliance. Hence, to strengthen the current weak accountability system, adequate measures need to be taken.

The participants agreed that specialised campaigns and direct business consultation were important strategies to promote compliance. The study found that there is a need for the government and other stakeholders to call businesses in each industry and explain how green tax should be dealt with to increase the level of compliance. These findings correlate with those of Carnahan (2015: 169), who attested to the need to carry out campaigns and accountability achievements in order to ensure the adherence of taxpayers in terms of their contribution to government revenue.

With regards to of the cost of tax, the study found that there was a need to reduce the amount paid for green tax. Findings revealed that if the amount for tax was affordable, the level of compliance with environmental policies and green tax would be increased.

The study also found the need for transparency. Participants called for specific and detailed information from the government regarding green tax calculation so that they could understand its implementation. Participants believed that this would enhance tax compliance.

The data further revealed that many participants were concerned about the cost of compliance relating to hiring of consultants, as well as training of relevant staff members in green tax compliance. For the participants, a strategy that the government could implement to reduce the fear of costs exceeding revenue related to implementing subsidy schemes which could be effected. To achieve this, the government can send out individuals to educate owners of SMEs about green tax and the subsidies that are provided.

Furthermore, participants reinforced that their commitment to paying green taxes would be enhanced if the government provided incentive-based schemes in the informal and private sector to promote compliance. Participants stated that tax incentives should be structured so that morale can be boosted in terms of supporting green tax. By the government providing incentives to SMEs, it will result in these businesses adopting green practices in their production processes which will contribute positively to the environment.

Nadaf and Nadaf (2014: 91-104) supported the current findings when articulating that SMEs can implement environmentally friendly marketing strategies by developing products and services and promoting them to customers who prefer products with good quality, performance, and comfort, and which do not have a negative impact on the environment.

Lastly, collaboration emerged as an important aspect of the successful adoption and acceptance of green tax obligations. To elaborate on this, participants concurred that they would comply further if the government produced successful follow-up correspondence and reminders for green tax to specifically be paid at a given date. The study found that participants had the perception that green tax was not fully viable as the government lacked in their communication with regards to how green taxes should be paid and calculated.

5.2 MAJOR CONCLUSIONS

This study was carried out in order to explore how green tax compliance is viewed amongst owners of SME manufacturing companies in eThekweni. It also sought the views of tax practitioners in eThekweni with regards to what strategies are required to strengthen the level of green tax compliance amongst SME owners. Green taxes are taxes that are levied on behaviour or actions deemed harmful to the atmosphere and are used to promote environmentally friendly practices through economic opportunities.

The development of regulations with regard to green tax will provide an effective basis for the transformation process towards a green economy. This context includes promotion of green investment and management, as well as the enforcement of taxes on investments that do not meet the quality requirements of the design and product development phase at regional and international levels.

A clearer understanding of the taxpayer's tax laws will result in a better understanding of the penalties that may be imposed on tax liability exemptions. In other words, there is a lack of green tax education put forth by the government to SMEs and the public which is hampering the level of compliance of this beneficial tax. Bird (2014: 25) supported the findings in the current study saying that if

taxpayers do not interpret the rules correctly, they will fail to comply with the tax rules stipulated in the tax laws. EThekwini is largely populated, therefore, adequate compliance with green tax will be of huge benefit to the community and local businesses.

In light of the above discussions and findings, the following section records the recommendations made to SMEs, the government, and entrepreneurs.

5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations are made:

5.3.1 Provision of Adequate Information to the Public and SMEs on Green Tax Compliance

It is recommended that the government provides adequate information with regards to green tax and the benefits of complying with green taxes. If the government informs the public better, it is envisaged that more companies will pay environmental taxes. Many companies do not pay this tax or do not understand the notion of green tax. This results in low levels of compliance. It was recommended that television broadcasts be conducted to create awareness regarding green tax and its benefits. It was further recommended that seminars be conducted in every district to ensure that the whole public sector is well informed about this tax.

5.3.2 Transparency in the Application of Green Tax

Transparency is also important when introducing environmental taxes in eThekwini. It is crucial then, as per the findings made, that the government considers what the green tax should be used for and that taxpayers be made aware accordingly. This builds trust and compliance with regards to the policies for paying green taxes.

Moreover, it is recommended that the government should hold workshops for SME entrepreneurs in each district to explain the underpinnings of green tax thoroughly. These seminars should be hosted several times so that everyone has the opportunity to attend. These information giving sessions should provide detailed information regarding how this tax is charged and how it will be used by the government. It was

also recommended that government officials approach SMEs and advise them on the application of green tax.

5.3.3 Providing Education to Entrepreneurs

There is a need to educate businesses and people about taxes and their consequences because many businesses desist from paying taxes. This will help businesses understand the consequences caused by the release of waste from their manufacturing processes. Hence, green tax related education will encourage businesses to reduce pollution.

Finally, there should also be seminars and workshops where companies discuss how they should handle green taxes. For example, individual industries, the auto industries, and the chemical industries. The need to educate entrepreneurs about the calculation and contributions of green tax is vital as it will affect their level of compliance.

As with all research endeavours, limitations are encountered. This study's limitations are indicated below.

5.4 LIMITATIONS OF THE STUDY

The following limitations of the study are acknowledged:

- a) The study was limited to a particular geographical area. This, therefore, potentially limits the generalisability of findings made with other areas nationally. However, it can be argued that issues affecting tax compliance are relevant to all SMEs nationally, and hence, have value for all organisations in South Africa.
- b) Another potential limitation of the study was that the sample size was small. The study, however, was rich in nature, which is typical of most qualitative studies. The richness of information uncovered has relevance for all owners of SMEs nationally.

5.5 CONCLUSION

This chapter draws the study to a close by summarising the key findings, linking these to the core objectives, and thereby confirming that the corresponding research questions have been answered. Based on the findings, recommendations were made. Although the limitations of the study were acknowledged, there is much value herein for SME business owners, not only in eThekweni, but across the nation as a whole. The insights of this study therefore contribute to the existing body of research.

In conclusion, green or environmental tax compliance is important to both SME business owners and tax practitioners as it creates a more friendly environment if it is administered correctly.

“Environmental policies must strike a balance between the earth’s best interests and our citizen’s pressing needs”

– Jim Clyburn

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APPENDICES

APPENDIX A: Ethical Clearance Letter



Faculty Research Office
Durban University of Technology
Date July 28, 2020

Student Akira Singh
Student Number: 21356485
Degree: Master of Accounting: Taxation
Email: akirasingh47@gmail.com

Dear Akira:

ETHICAL APPROVAL: LEVEL 2

Your email correspondence in respect of the above refers.
Your proposal, titled "Compliance on green tax amongst small medium enterprise owners in the EThekweni district" has been received and the corrections have been reviewed by the FREC chair. We are pleased to inform you that you have been granted full ethics approval and that you may begin your data collection.

Please note:

You are required to present the letter at your research site(s) for permission to gather data. Please also note that your research instruments must be accompanied by the letter of information and the letter of consent for each participant, as per your research proposal.

This ethics clearance is valid from the date of provisional approval on this letter for one year. A student must apply for recertification 3 months before the date of this expiry. Recertification is required every year until after corrections are made, after examination, and the thesis is submitted to the Faculty Registrar.

A summary of your key research findings must be submitted to the FRC on completion of your studies.

Kindest regards.

Yours sincerely

Prof Richard C Millham
Dept of IT, Faculty of Accounting and Informatics
Ritson Campus
Durban University of Technology
Durban, South Africa, 4001

APPENDIX B: Letter of Information (SME Business Owners)



LETTER OF INFORMATION-SME BUSINESS OWNER

Title of the Research Study: Compliance on green tax amongst small and medium enterprise owners in the EThekweni district.

Principal Investigator/s/researcher : Akira Singh , Bachelor of Technology Degree : Taxation

Co-Investigator/s/supervisor/s: Professor Raisuyah Bhagwan, PhD: Community and Development Disciplines ; Uveer Kalidin, Master of Accounting (Taxation)

Brief Introduction and Purpose of the Study: Much of the worlds human and animals population are suffering due to the impact and consequences of climate change and global warming. Research has shown that small and medium enterprises have a vital role to play in addressing climate change and global warming as they are seen to be the pillars of many economies around the world including South Africa. Therefore the environmental tax reform is used as an enabling tool to help businesses to become green which will result in minimising the effects of climate change and global warming. The aim of this study is to explore how green tax compliance is viewed amongst SME business owners and develop strategies to strengthen same. The objectives of this study includes 1) To inquire how SME business owners define and understand green tax compliance 2) To explore their awareness of green tax compliance and how they are compliant 3) To inquire about the reasons for non-compliance with green tax amongst SME business owners 4) To understand what strategies can be put in place to strengthen green tax compliance amongst SME business owners 5) To make recommendations on how to improve the level of green tax compliance amongst SMEs.

Outline of the procedure: Interviews will be conducted with you individually. This will be done at your company premises or we can schedule an electronic interview through Skype, Microsoft Teams or Zoom. Questions will be used to guide you on what information is expected. Participation in this study is voluntary. The estimated time for the session is expected to be no longer 40 minutes. If necessary, a follow up session will be held. The sessions will be recorded using a tape recorder to gather all the information. These recordings will be handled privately and only the researcher will have access to it. The responsibility of the SME owners who are taking part in the interview, is to arrive timeously and are expected to share as much information possible regarding the topic of discussion.

Risks or Discomforts to the Participant: This study and procedures used will not risk, nor will it be of any discomfort to you. You may withdraw at any point of the discussion if you need to without any repercussions.

Benefits: Your views, ideas and suggestions will create a rich and valuable contribution to the research. The researcher will be able to publish articles on the research that you have provided for this study.

Reason/s why the Participant May Be Withdrawn from the Study: Your participation is entirely voluntary. Should you feel that you want to withdraw at any point in this study, you may do so

Remuneration: There will be no payment made to you if you participate in this study.

Costs of the Study: You will not be required to pay for any costs related to this study.

Confidentiality: Confidentiality will be maintained in this study as your name will not be used and all of your responses will be kept confidential. You will remain anonymous throughout the procedure. All data will be kept in a locked cupboard which only I, the researcher has access to. Electronic data will be password protected. After 5 years hard copies will be shredded and electronic data as well as voice recordings will be securely deleted from an online drive.

Research-related Injury: There is no anticipatable injury of any kind that could take place.

Persons to Contact in the Event of Any Problems or Queries: Should you have any problem or query you may contact the following people.- My supervisor, Raisuyah Bhagwan bhagwanr@dut.ac.za or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the DVC: Research, Innovation and Engagement Prof S Moyo on 031 373 2577 or moyos@dut.ac.za.

General: All participants must be owners of manufacturing SMEs in Ethekwini and must be older than 18 years with knowledge of green taxation. Participants must not be employees of the businesses. Those who do not want to participate will not be forced. All interviews will be conducted in English.

APPENDIX C: Letter of Information (Tax Practitioners)



LETTER OF INFORMATION- TAX PRACTITIONER

Title of the Research Study: Compliance on green tax amongst small and medium enterprise owners in the EThekweni district.

Principal Investigator/s/researcher : Akira Singh, Bachelor of Technology Degree : Taxation

Co-Investigator/s/supervisor/s: Professor Raisuyah Bhagwan, PhD: Community and Development Disciplines ; Uveer Kalidin, Master of Accounting (Taxation)

Brief Introduction and Purpose of the Study: Much of the worlds human and animals population are suffering due to the impact and consequences of climate change and global warming. Research has shown that small and medium enterprises have a vital role to play in addressing climate change and global warming as they are seen to be the pillars of many economies around the world including South Africa. Therefore the environmental tax reform is used as an enabling tool to help businesses to become green which will result in minimising the effects of climate change and global warming. The aim of this study is to explore how green tax compliance is viewed amongst SME business owners and develop strategies to strengthen same. The objectives of this study include 1) To inquire how SME business owners define and understand green tax compliance 2) To explore their awareness of green tax compliance and how they are compliant 3) To inquire about the reasons for non-compliance with green tax amongst SME business owners 4) To understand what strategies can be put in place to strengthen green tax compliance amongst SME business owners 5) To make recommendations on how to improve the level of green tax compliance amongst SMEs. It is the responsibility of the tax practitioner to make recommendations on

how green tax compliance can be implemented and provide their views on green tax compliance amongst SMEs

Outline of the procedure: Interviews will be conducted with you individually. This will be done at your premises or we can schedule an electronic interview through Skype, Microsoft Teams or Zoom. Questions will be used to guide you on what information is expected. Participation in this study is voluntary. The estimated time for the session is expected to be no longer 40 minutes . If necessary, a follow up session will be held. The sessions will be recorded using a tape recorder to gather all the information. These recordings will be handled privately and only the researcher will have access to it. The responsibility of the tax practitioners who are taking part in the interview, is to arrive timeously and are expected to share as much information possible regarding the topic of discussion..

Risks or Discomforts to the Participant: This study and procedures used will not risk, nor will it be of any discomfort to you. You may withdraw at any point of the discussion if you need to without any repercussions.

Benefits: Your views, ideas and suggestions will create a rich and valuable contribution to the research. The researcher will be able to publish articles on the research that you have provided for this study.

Reason/s why the Participant May Be Withdrawn from the Study: Your participation is entirely voluntary. Should you feel that you want to withdraw at any point in this study, you may do so.

Remuneration: There will be no payment made to you if you participate in this study.

Costs of the Study: You will not be required to pay for any costs related to this study.

Confidentiality: Confidentiality will be maintained in this study as your name will not be used and all your responses will be kept confidential. You will remain anonymous throughout the procedure. All data will be kept in a locked cupboard which only I, the researcher has access to. Electronic data will be password protected. After 5 years hard copies will be shredded and electronic data as well as voice recordings will be securely deleted from an online drive.

Research-related Injury: There is no anticipatable injury of any kind that could take place.

Persons to Contact in the Event of Any Problems or Queries: Should you have any problem or query you may contact the following people. -My supervisor, Raisuyah Bhagwan bhagwanr@dut.ac.za Should you have any problem or query you may contact the following people. My supervisor, Raisuyah Bhagwan bhagwanr@dut.ac.za .) or the Institutional Research Ethics Administrator on 031 373 2375. Complaints can be reported to the DVC: Research, Innovation and Engagement Prof S Moyo on 031 373 2577 or moyos@dut.ac.za.

General: Tax practitioners of both genders will be considered to participate in these interviews. Participants must have knowledge on green tax and must be from Ethekwini district. All tax practitioners must be above 18 and will not be forced to participate if they do not wish to. All interviews will be conducted in English.

APPENDIX D: Consent Letter



CONSENT

Statement of Agreement to Participate in the Research Study:

• I hereby confirm that I have been informed by the researcher, **Akira Singh**, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance

Number: _____,

- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

Full Name of Participant

Date

Time

Signature / Right

Thumbprint

I, Akira Singh herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Full Name of Researcher

Date

Signature

Full Name of Witness (If applicable)

Date

Signature

Full Name of Legal Guardian (If applicable)

Date

Signature

Please note the following:

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level

- use Flesch Reading Ease Scores on Microsoft Word), selecting of a non-threatening environment for interaction and the availability of peer counselling (Department of Health, 2004)

If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc. should verify in writing, duly signed that informed verbal consent was obtained (Department of Health, 2004).

If anyone makes a mistake completing this document e.g. a wrong date or spelling mistake, a new document has to be completed. The incomplete original document has to be kept in the participant's file and not thrown away, and copies thereof must be issued to the participant.

References:

Department of Health: 2004. *Ethics in Health Research: Principles, Structures and Processes*

<http://www.doh.gov.za/docs/factsheets/guidelines/ethnics/>

Department of Health. 2006. *South African Good Clinical Practice Guidelines*. 2nd Ed. Available at:

http://www.nhrec.org.za/?page_id=14

APPENDIX E: Gatekeeper's Letter

[Date]

[Details of addressee]

Request for Permission to Conduct Research

Dear XXX

My name is Akira Singh, a Masters of Accounting student at the Durban University of Technology. The research I wish to conduct for my Masters dissertation involves an exploratory study on compliance on green tax amongst small and medium enterprise owners in the EThekweni district.

I am hereby seeking your consent to participate in an interview regarding your views on green tax compliance. This will be take place at your premises or an online platform. The aim of this study is to explore how green tax compliance is viewed amongst SME business owners and develop strategies to strengthen same. The objectives include 1) To inquire how SME business owners define and understand green tax compliance 2) To explore their awareness of green tax compliance and how they are compliant 3) To inquire about the reasons for non-compliance with green tax amongst SME business owners 4) To understand what strategies can be put in place to strengthen green tax compliance amongst SME business owners 5) To make recommendations on how to improve the level of green tax compliance amongst SMEs.

I have provided you with a copy of my proposal which includes copies of the data collection tools and consent and/ or assent forms to be used in the research process, as well as a copy of the approval letter which I received from the Faculty Research Ethics Committee (FREC).

If you require any further information, please do not hesitate to contact me on 072 879 1205, Email: akirasingh47@gmail.com. Thank you for your time and consideration in this matter.

Yours sincerely,
Akira Singh
Durban University of Technology

APPENDIX F: Letter of Permission from the Co-ordinator of the Green Tax Conference



11 June 2019

Dear Akira Singh

Subject: Selection of SME businesses

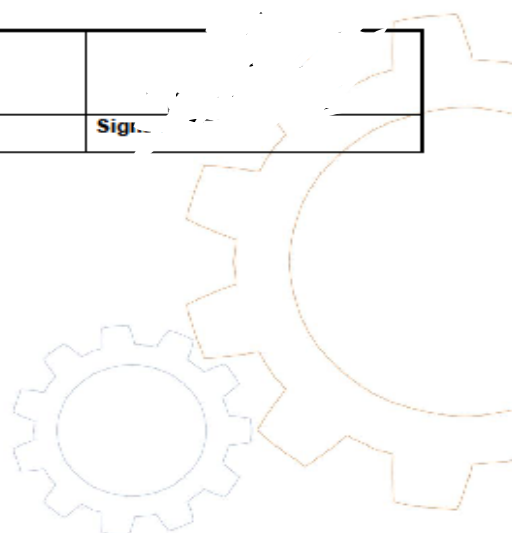
With reference to the above subject, I, Ashley Bhugwandin hereby confirm that 2 SMEs in the eThekweni district will be selected from a green tax conference that I will be hosting with 30 manufacturing entities from the eThekweni district. This conference is a partnership between the Technology Localisation Implementation Unit (TLIU) and the National Cleaner Production Centre (NCPC), which are both initiatives of National Government. I hereby confirm that these businesses can be used as a sample for your study entitled: An exploratory study on green tax amongst Small and Medium business owners and strategies to enhance compliance in the eThekweni district.

The firms that will be chosen during this conference will thereafter refer you to other related manufacturing entities that can be used as a sample for your study. I confirm that you will have access to these entities once introduced.

I, Ashley Bhugwandin confirm that the above mentioned is correct.

Ashley Bhugwandin	11 th June 2019	
Full Name of Recruiter	Date	Sign.

An initiative of the DST



APPENDIX G: Interview Guide (SME Business Owners)

Sample 1: SME Business Owners

Interview Questions

1. Can you briefly tell me the operation of your business and the type of products that are manufactured?
2. Can you share with me the recycling process?
3. What are your views regarding the sustainability of the environment?
4. What do you understand by the term Green Tax?
5. What is your opinion towards paying Green Tax in EThekweni?
6. What are your views regarding the ways that the government implement green tax? For example, before the introduction of the tax, did the government give a reasonable and clear explanation about the detailed information of the green tax and have adequate consultation and discussion with your business?
7. What are better ways to implement the green tax?
8. What does your company do to minimise green tax costs?
9. What if there was a guarantee that the money generated by the extra tax was spent directly on projects that would help to reduce carbon dioxide emissions. How would this change your opinion of green taxes?


APPENDIX H: Interview Guide (Tax practitioners)

Sample 2: Tax Practitioners

Interview Questions

1. How would you define green tax?
2. What are your views regarding environmental tax?
3. What is the current level of public awareness of environmental protection in EThekweni?
4. What are SME Business owners' attitude towards the Government's environmental protection actions?
5. What do you think are the primary reasons that hinder the compliance Green tax with SME Businesses?
6. What do you think are the difficulties the government face when implementing environmental taxes?
7. What are the implementation effects of current green tax measures with SMES in EThekweni?
8. What is the Government's attitude towards green tax?
9. What do you think about the future of green tax in EThekweni? Why?
10. Which type of businesses do you think is/are potentially in opposition to green tax?
11. How will you advise Manufacturing SME owners to reduce green tax costs in their company?

APPENDIX I: Editor's Letter



PROOF-READING

PROFESSIONAL EDITING SERVICES

PHD PRACTICAL THEOLOGY (SU) • MTH PRACTICAL THEOLOGY (SU) • BA (HONS) PSYCHOLOGY (UNISA)
BTH (HONS) PRACTICAL THEOLOGY (UNISA) • BTH PASTORAL COUNSELLING (UNISA)

DR LEE-ANNE ROUX

EDITOR | PROOFREADER

+27 82 825 7325
leeanne@proof-reading.co.za
www.proof-reading.co.za

30 April 2021

TO WHOM IT MAY CONCERN

RE: LANGUAGE EDITING

This letter serves to confirm that I have edited the thesis titled:

**Compliance on green tax amongst small medium enterprise owners in the
EThekwini district.**

by

Akira Singh

Please feel free to contact me if you need any further information.

Yours sincerely,

Dr Lee-Anne Roux