



D U R B A N

UNIVERSITY *of*
TECHNOLOGY

**THE KNOWLEDGE OF, AND THE ATTITUDE TOWARDS,
TAXATION OF SOUTH AFRICANS**

**Submitted in fulfillment of the requirements of the degree of
Doctor of Technology: Business Administration
in the Faculty of Management Sciences
at the Durban University of Technology**

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DECLARATIONS

This work has not been previously accepted in substance for any degree, and is not being concurrently submitted in candidature for any degree.

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This submission is the result of my own independent work / investigation, except where otherwise stated. Other sources are acknowledged giving explicit references. A bibliography is appended.

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ABSTRACT

In conversation, people often base their arguments on the assumption that the knowledge that one has about a subject influences one's attitude about that subject. From this they deduce that education would alter the attitude that people have towards that subject; taxation is no different. Its complexity and equity are often used as major points of discussion.

This researcher chose to study income tax to determine if the knowledge that South Africans have of taxation in general influences their attitude towards taxation. It also determined which biographical details of people in South African influence their knowledge of, and their attitudes towards income tax.

It also tried to lay a foundation for future students in this field broad field of accounting who may continue this investigation so as to build a knowledge base of the subjects in the accounting fields.

A questionnaire was designed by asking registered master's students in taxation to determine the major questions to be asked about the various taxation acts to establish their knowledge and attitudes. The additional information about other types of taxation was to be used in future research. These questions were discussed by all full-time staff and the questionnaire was limited to 20 questions in each category. A pilot study was then undertaken after which questions were further refined or deleted.

The population consisted of all the people living in South Africa. Within each of the nine provinces in South Africa a convenience sample was chosen. To each of these members of the sample a self-administered questionnaire was given. The raw data was captured using SPSS and then analysed extensively.

The results showed that knowledge of income tax was affected by age, race, and level of education, type of occupation the person is in, the province a person lived in and the income they earned.

Attitudes towards income tax were affected by age, race, occupation of the person, the province they come from and the income they earned.

The research indicated that there was relationship of 40 to 49 percent between the various biographical details of people in South African and the knowledge that they had of various sections of income tax act. There was also a 29 to 33 percent relationship between the biographical details of people in South Africa and the attitudes they have towards various statements about income tax.

There was a 20 to 30 percent relationship between the knowledge that respondents had of income tax and their attitude towards income tax.

DEDICATIONS

The life of an academic is one filled with study, renewal and marking. These are often done at the expense of those who should be receiving support and encouragement.

It is for this reason that this work is dedicated to the family and friends who have not received the attention they deserve.

It is especially to my children, Tavis, Freyr, Galen and Kyne that this is dedicated. You people have had to give up so much parental time for the betterment of others that you will probably never meet.

Then finally, and most importantly, to Frith, a patient wife who has seen me through a second and third Bachelors degree, one post graduate diploma, a Masters degree and now a Doctorate. Thank you for the indulgence as the institutions have kept raising the standards required of academic staff. I cannot promise that this is the last of the studies because every new book that comes into my life leads me to find a new avenue to pursue.

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My gratitude goes to a number of people. My mother taught me to enquire about things. My late father taught me to observe detail. My late grandmother encouraged me to pursue my dreams. My students who have always led me to find new methods of achieving learning; and this is just another brick in the wall to encourage each of them.

My thanks also go in particular to the following individuals for their support, input and help, which enabled this work to be successfully completed.

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- Karunanidhi (Tony) Reddy who has always had an encouraging word to move the writing of this work forward. To disappoint him would not be an option.
- The number of past students who have assisted in the collection of data. They are now in positions where they could assist with the diverse requirements of the data collection.
- The counsellors and heads of departments in schools around South Africa that have handed out questionnaires and collected them and sent them back.

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GLOSSARY

The following terms and acronyms are defined or explained for ease of reference:

Income Tax is the taxation charged on the income of an individual

Value Added Tax is taxation gathered indirectly on the increase in the value in the hands of the vendor.

LIST OF ACRONYMS AND DEFINITIONS

Administration of Estates	On the death of a person their estate is administered and distributed through a process defined by this legislation
Amendment Acts	As a government changes smaller sections of an act these are promulgated and become binding in the place of the section they replace or as additions to the main act.
Capital Gains Tax (CGT)	A method of taxing increases of capital assets which are held for the purpose of generating income.
Correlation	The relationship by which two or more variables change together, such that systematic changes in the one accompany systematic changes in the other.
Cross tabulation	A technique for comparing data from two or more categorical variables in tabular form
Estate	On the death or liquidation of an individual their assets and liabilities are administered in an estate, which is a separate entity from the person who is no longer considered as a taxable entity.
General Sales Tax (GST)	A method of collecting indirect taxes on the sale of goods and services at the final point of sale.
Gross Income	The total income attributable to a "person". This includes salaries, interest, dividends, rent, and any other income in cash or otherwise. It is before any deductions are permitted.
Schedules	When an Act has to be updated on a regular basis as economic or social conditions change, sections are placed in schedules after the act and the act refers to these. This allows changes to take place without altering the act.
Hut Tax	Hut tax is a type of poll tax levied on inhabited dwellings or huts generally at an early stage in the development of an economy when it is not feasible to impose any other form of taxation

Income Tax	Taxation levied on the income of persons. This includes salaries, commissions, interest, dividends and royalties.
Income Tax Threshold	Every natural person is given a rebate according to their age and status. This results in no tax being paid on income below a certain Rand value. This value varies every year and for different categories of "person".
Pay as you Earn (PAYE)	A method of deduction of income tax on a monthly basis by an employer from a salary or other remuneration.
Person	The Income Tax Act does not identify the term "person" but through the application of the findings in case law the term applies to natural and juristic entities which includes the estates of deceased and insolvent natural persons. It also applies to trusts and companies.
Poll Tax	Also refer as a "head" tax in some instances. It is often a fixed amount that has to be paid per person in order to be allowed to vote.
Progressive Scales	A progressive scale implies that as a person earns more the percentage of their income paid increases.
Rebate (Primary)	This is the amount taxable income that is not taxed for all natural persons.
Tax Gap	This is the difference between what the government should be collecting in taxation, based on the economic figures presented in an economy, and the actual amount of tax collected.
Rebate (Secondary)	This is the amount of income that is not taxed for natural persons who are over the age of 65. This is in addition to the Primary Rebate.
Receiver of Revenue	The authority responsible for administering the Income Tax act through the Commissioner (SILK 2009:7)
Retirement Fund Employment (RFE) income	This is the salary or remuneration which is allowed to be used for the calculation of deductible contributions to a pension fund administered by an employer.
Standard Income Tax on Employees (SITE)	Taxation deducted from employees on the prescribe scale. Such amounts are not refundable when a tax return is submitted.
South African Revenue Service (SARS)	The authority in South Africa delegated to collect taxes.

Tax Avoidance	An attempt to minimize a tax liability using legal means.
Tax Evasion	An attempt to minimize tax liability using illegal means
Tax Gap	The difference between the theoretical amount of taxation calculated and the actual amount collected by the taxing authority.
Tax Morality	The innate disposition of people to comply with tax rather than avoid it.
Statistical Significance	An index of how meaningful the results of a statistical comparison are: the magnitude of difference between a sample value and its population value; the difference is statistically significant if it is unlikely to have occurred by chance.
Value Added Tax (VAT)	A method of indirect taxation which adds tax at a fixed rate to the increase in value that a business adds to a product or service.

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION TO THE STUDY

A study of the history of taxation leads one through many interesting side trails. Taxation starts in the most ancient of times with such interesting records as those in the times of the Egyptian pharaohs who appointed tax collectors called scribes who imposed taxes such as a “cooking oil tax”. The amount of oil that families were using was audited, to ensure that the “oil tax” was not being evaded, or to see if they were using alternatives for oil. (Tax World 2009:1)

Greece imposed taxes for financing wars and taxes on foreigners. The Romans on the other hand under Caesar Augustus imposed “sales tax” of 4 percent on slaves and 1 percent on other goods (Tax World 2009:2).

In the year 10 BC it is purported that income tax was introduced by Emperor Wang Mang of China who taxed “profits of professionals” and “skilled labor” at a rate of 10 percent (Gu B 2011:1). Before this period taxes, were imposed as a “Head Tax” or a “Property Tax” in China. (Wikipedia 2009:2)

In South Africa there is a rich history of tax collection. Before European occupation some areas of Africa which were under Muslim rule already had direct taxation, but it was with the European occupation that a cash economy was created to facilitate a labour policy that would release labour for work in the economy (Hailey 1938: 546) There was an “inadequacy of the supply of labour” (Hailey 1938: 603), and this had to be remedied. The imposition of taxes, and the method of administration of these taxes, tended to be the

major influence on the attitude of Africans towards administration (Hailey 1938:552-584).

The introduction of perpetual land ownership by Sir John Cradock in 1813 allowed for land to be taxed in South Africa and with the movement of the “Boers” into the eastern and northern territories this land tax slowly proliferated. (Dunkley 2000:1)

Amongst the local black tribes in Africa there have been a number of tax initiatives to attempt to get them to participate in the commercial economy. One such attempt was the administration of hut tax patrols in the period 1903 – 1916 in which tokens were distributed predominantly to females as a receipt for their taxes. (Dunkley 2000:1)

The British, having been involved in the Boer wars, finally unified the four provinces or states of South Africa in 1910 in accordance with the treaty of Vereeniging (Boddy-Evans 2009:1). This introduced not only the founding of the National Party in 1913 under JBM Hertzog, (History and Society 2009:1) but also set the path for a number of taxation developments, which were coupled to the 1913 Land Act, The Immigration Act, and the completion of the Union Building in Pretoria. (History of South Africa 2009:1)

First introduced in 1914 in the form of the Income Tax Act No 28 (Huxham and Haupt 2007:3) based on the 1895 New South Wales Act in Australia, the South African Tax Act has since undergone annual amendments and consolidations to form the Income tax Act No 58 of 1962 (as amended). (Jordaan et al 2006:1)

There has been no major change in emphasis of the Income Tax Act in the twentieth century to bring it in line with the expectations of the population at large, or the economic and social perceptions, even

though there have been social shifts within South Africa over this period.

The Value Added Tax Act (VAT) is the most recent of the South African Acts to be promulgated. Introduced in 1991 as the Value-Added Tax Act No 89 (Huxham and Haupt 2007:605) it replaced the General Sales Tax (GST) Act. The major thrust of this Act was to fragment the responsibility of enterprises to collect dues as the general sales tax relied on the final point of sale to collect this indirect tax which made it open to abuse.

The most recent addition to the South African Tax System is the addition of the Eighth Schedule to the income tax act, through the Taxation Laws Amendment Act of 2001, in which capital gains tax was introduced from 1 October 2001 (Huxham and Haupt 2006:658)

These acts and schedules, mentioned here in promulgation order, lead to the question as to whether they are still applicable to the current population especially with the improving efficiency in tax collection by the State through the South African Revenue Services, and the rapid change in the political and economic situation in South Africa. Are people knowledgeable about these acts and do these acts or more precisely methods of taxation, still apply?

A fourth act that needs to be mentioned here is the Administration of Estates Act No 44 of 1955 (both Insolvent and deceased) which at the time of writing finds itself under scrutiny as it does not comply with the social inclusion of all race groups in South Africa.

Besides these four types of taxes there are others that will not be mentioned in this thesis as they are substantial topics in their own right. They include legislation that focuses on imports and exports,

and deal with excise, as well as regional levies, and training levies, which are collected for particular purposes. Land is taxed at municipal level in South Africa and this is a vast study in itself.

In Australia, efforts to ascertain what people know about taxation and the problems with the incomprehensibility of the tax law have led to a reduction of 28 percent of the tax legislation (Tax Breaks Newsletter 2005:3) after responses were received to the April 1988 article entitled *Improving Tax compliance in the Cash Economy*. (Australian Taxation Office 1998:35)

The American administration is questioning more vigorously what is called the "tax gap", which is the difference between what people should be paying and what they do pay. Conrad (2006:3) states that the tax gap is staggering and amounted to \$311 billion in the USA in 2001 and is increasing. This is having an effect on honest tax payers and their attitude. Maggs (2006:45) informs that the changes in the American Tax Credit System reduced the number of taxpayers in the Federal system to exclude 40 percent of all people, which is 50 percent higher than what it was in 1950. The income of the top 1 percent of the American taxpayers now supports 129 percent more of the tax bill in 2003 than it did in 1979. Beach (in Maggs 2006:45) proposes that it is now time for low-income people to feel that they are supporting their country rather than living off the handouts.

In Britain, tax authorities are also examining the tax gap that companies are using so as not to pay taxes. The key finding of the Tax Justice Network (2006a:1) is that there is an increase in the corporate tax gap but not in the VAT tax gap.

Similar enquiry is starting in South Africa and is amply portrayed in the recent work of Elliot Zondi whose play *Insumansumane* centers around the lack of consultation in the 1906 Bhabada Rebellion and the effects of taxation on the masses. (Mathonsi 2005:1 - 15)

1.2 REASONS FOR THE STUDY

The reason for the broader study is to determine what the South African population actually knows about the four major tax acts, and to determine their attitude towards the major points in these acts. From this foundation it is hoped that more studies will materialize and form a base from which to compare the South African Taxation situation with other international studies of a similar nature. If these are found not to exist, it is hoped that students will be encouraged to generate them.

Studies of this nature could also assist in creating a more effective tax system in South Africa. Developments are already underway to expand in that direction under the auspices of the South African Revenue Services (SARS) who have had great success in decreasing the tax gap in South Africa. The 2009 overview of revenue collection indicates that 95 per cent of tax revenue is being collected, and this amounts to 29.9 percent of gross domestic product (GDP) (National Treasury 2009:43).

A more effective tax system may also result in South Africa simplifying tax codes, making taxes more palatable to the local population, and stemming rebellious feelings. The collection of income tax by SARS could become more efficient as well. Maggs (2006:45) calls the American system “Byzantine” – meaning complicated, inflexible, underhand (Concise Oxford Dictionary 2002), and the intention of this study is to determine if the South African tax system faces a similar

future crisis requiring a revamping and streamlining like the Australian system which has recently undergone rationalization in consultation with the public. The development of the Chinese economy as an integrated monetary economy is also resulting in very interesting reforms, as is depicted on the Asia Tax Blog (2008:1).

People avoid tax legally, others evade it through devious means, but avoidance and evasion are based on the attitudes that the people have towards the fiscus and the rules that govern the collection of taxes.

1.3 THE MANAGEMENT PROBLEM

Mainstream economic theory states that the income flows within an economy, and the growth of an economy depend on the balances between injections into, and leakages from, the circular flow of income where funds flow into the economy and out of the economy respectively. The 5 Sector model (Mohr and Fourie 2004:58) introduces three leakages from the economy (savings, taxes, imports), and three injections into the economy (investment, government spending, exports.) The balance between these creates various levels of income, output, expenditure and employment in the economy, and results in either boom and expansion in the economy, or contraction and recession (Mohr and Fourie 2004:58).

Two of these income flows fall within the public sector (Mohr and Fourie 2004:56) namely government spending (an injection of cash) and taxation, which is a leakage of funds.

The funding of government spending is largely dependent on the taxation which occurs. But there are problems being experienced in the field of taxation in South Africa. Both the Margo Commission in

1986 and the Katz Commission in 1995 reported on tax morality and the tax gap mentioned above. In industrial countries the tax gap amounts to about 10 percent, and for developing countries it averages about 33 percent. (Katz 1995:4)

The level of tax morality in South Africa was deteriorating and hit the lowest level it had ever been at in 1997 (Finansies en Tegniek 1997:66) but the tax gap at present is narrowing. The percentage of GDP that has been collected has risen from 24.9 percent in 2003/4 to 28.3 percent in 2008/9 (National Treasury 2009b:2).

Included in tax morality in both developing and developed countries are the following:

- Resentment in paying tax as it is seen to be unfair,
- Poor administration of the taxation system,
- Ineffective countering of legitimate avoidance, and
- A high scale of evasion.

These issues are prevalent in other countries, including

- Australia (Tax Break Newsletter 2005:3);
- The United Kingdom (Tax Justice Network 2006:1);
- United States of America (Conrad 2006:2-5) and
- Canada (Franchise Tax Board 2005:2).

In a study on the tax knowledge and attitudes towards taxation in South Africa amongst students, Fallen found that

“improved knowledge significantly changed both male and female students attitudes towards the fairness of the tax system”
(Fallen 1999:173)

This study intends to determine the nature and extent of the relationship between the knowledge of taxation that South Africans

have and their attitude towards taxation. The problem statement deals with this.

1.3.1 The problem statement

The problem statement for the broad research concerning this topic is: Does the knowledge that South Africans have of taxation affect their attitudes towards taxation?

1.3.2 The research questions and research objectives

From the above problem statement flow four research questions.

These research questions are:

1. Is there a relationship between the knowledge that South Africans have of income tax and their attitudes towards income tax?
2. Is there a relationship between the knowledge that South Africans have of VAT and their attitudes towards VAT?
3. Is there a relationship between the knowledge that South Africans have of estate duty and their attitudes towards estate duty?
4. Is there a relationship between the knowledge that South Africans have towards capital gains tax and their attitude towards capital gains tax?

These four major research questions resulted in a number of research sub-questions which may stimulate further examination. These were contained in the survey.

- Does gender determine the knowledge about taxation in South Africa?
- Does gender affect the attitudes towards taxation in South Africa?

- Does age determine the knowledge about taxation in South Africa?
- Does age affect the attitudes towards taxation in South Africa?
- Does race determine the knowledge about taxation in South Africa?
- Does race affect the attitudes towards taxation in South Africa?
- Does home language determine the knowledge about taxation in South Africa?
- Does home language affect the attitude about taxation in South Africa?
- Does level of education determine the knowledge about taxation in South Africa?
- Does level of education affect the attitude towards taxation in South Africa?
- Does occupation determine the knowledge about taxation in South Africa?
- Does occupation determine the knowledge about taxation in South Africa?
- Does location determine the knowledge about taxation in South Africa?
- Does location affect the attitude towards taxation in South Africa?
- Do residents of different provinces have different knowledge about taxation?
- Do residents of different provinces have different attitudes towards taxation?
- Does income determine the knowledge about taxation in South Africa?
- Does income affect the attitude towards taxation in South Africa?

The research objective was to suggest a provisional model that would explain the findings from the research questions above and open up research for further study of the topic.

1.4 THE VARIABLES

There are two main variables in this study. The first or independent variable is the knowledge that people in South Africa have about taxation. The second or dependent variable is the attitude that South Africans have towards taxation.

1.5 THE RATIONALE FOR THE STUDY

As the economic and social base of a country changes there is a concomitant shift in the taxation methods and fiscal focus. The reasons for taxation change, and the assets or processes that are taxed vary to meet the need and the philosophy of the time. The private ownership of the means of production tends to be paramount to the imposition of taxes on private persons (Hudson 2000:2). The history of this is documented briefly in sections in chapter 4.

The rationale for this broad study was to encourage an investigation into the appropriateness of various taxes within the Republic of South Africa and to later make comparisons. In this respect it was exploratory in nature.

This study will, it is hoped, precipitate further questions that will allow for investigation by more researchers in the fields of taxation and possibly accounting, and for this reason the study sets out to do two things viz. to develop a South Africa Tax Theory and create a teaching tool for further research in taxation

1.5.1 Development of South African Tax Theory

Firstly the findings of the study should inform taxation theory and practice about the trends within the Republic of South Africa and compare them to developments in the trading partners to inform trends in International taxation. The study should allow for the establishment of a base line as well as inform the foundations of a model on the knowledge that South Africans have of taxation and their correlating attitudes towards the taxation regime.

This should also assist the South African Revenue Services to refine some of their research and implementation on various sections of the Income Tax Act as well as inform the trend to move towards electronic submission of returns, and to such methods of taxation as Turnover Tax, and taxation on Small businesses (Stiglingh et al 2009:949).

1.5.2 Creating a teaching tool for further research in taxation

Secondly, the introduction of Masters in Technology degrees at Universities of Technology in South Africa has caused its own problems such as a lack of supervisors and research topics. The number of supervisors in the field of taxation, and accounting, are few in number. Also supervision of certain research topics is not universally possible as will be demonstrated in section 4.4.

The secondary reason for this study was to provide a quantitative background to serve as a stimulus for further studies in this field as well as a framework in which students designing a Masters thesis may launch their own investigation. The data collected in this study was also far too large for one study and will be made available for further research by other students.

A set of qualitative questions was also incorporated and will be presented for the purpose of later examination in a quantitative way to triangulate these results in the future.

This thesis is thus also intended as a teaching tool in the development of knowledge. The problems encountered and presented in the final chapter will inform further study. The information gathered and purposefully mentioned is to encourage diverse exploration within the subject. The language will be avoid technical terms so as to encourage exploration in such a new epistemology.

1.6 HYPOTHESES

Although it is not usual to present both problem statement and hypothesis, this study was conducted using a quantitative methodology (section 5.5 and 5.6) and focused on only one tax regime in South Africa, namely Income Tax. The main hypotheses of this study are presented. The other research questions presented in 1.3.2 will be left to stimulate future studies.

1.6.1 The main hypotheses for this study

The hypotheses for this study are as follows.

H_{01} : There is a relationship between biographical details and knowledge of income taxation.

H_{a1} : There is no relationship between biographical details and knowledge of income taxation

H_{o2}: There is a relationship between biographical details and attitude towards income taxation.

H_{a2}: There is no relationship between biographical details and attitude towards income taxation.

H_{o3}: There is a relationship between the knowledge of taxation and the attitude towards income taxation.

H_{a3}: There is no relationship between the knowledge of taxation and the attitude towards income taxation.

1.6.2 Sub-hypotheses for this study

From the above, 18 sub hypothesis will be examined. The first 9 inform the research on knowledge on taxation and the last 9 to the attitudes that people have.

The following sub-hypotheses flow from the hypothesis above:

H_{o1.1}: There is a relationship between gender and knowledge of the Income Tax Act.

H_{a1.1}: There is no relationship between gender and knowledge of the Income Tax Act.

H_{o1.2}: There is a relationship between age and knowledge of the Income Tax Act.

H_{a1.2}: There is no relationship between age and knowledge of the Income Tax Act.

H_{o1.3}: There is a relationship between race and knowledge of the Income Tax Act.

H_{a1.3}: There is no relationship between race and knowledge of the Income Tax Act.

H_{o1.4}: There is a relationship between home language and knowledge of the Income Tax Act.

H_{a1.4}: There is no relationship between home language and knowledge of the Income Tax Act.

H_{o1.5}: There is a relationship between level of education and knowledge of the Income Tax Act.

H_{a1.5}: There is no relationship between level of education and knowledge of the Income Tax Act.

H_{o1.6}: There is a relationship between occupation and knowledge of the Income Tax Act.

H_{a1.6}: There is no relationship between occupation and knowledge of the Income Tax Act.

H_{o1.7}: There is a relationship between location and knowledge of the Income Tax Act.

H_{a1.7}: There is no relationship between location and knowledge of the Income Tax Act.

H_{o1.8}: There is a relationship between province and knowledge of the Income Tax Act.

H_{a1.8}: There is no relationship between province and knowledge of the Income Tax Act.

H_{o1.9}: There is a relationship between income and knowledge of the Income Tax Act.

H_{a1.9}: There is no relationship between income and knowledge of the Income Tax Act.

H_{o2.1}: There is a relationship between gender and attitude towards the Income Tax Act.

H_{a2.1}: There is no relationship between gender and attitude towards the Income Tax Act.

H_{o2.2}: There is a relationship between age and attitude towards the Income Tax Act.

H_{a2.2}: There is no relationship between age and attitude towards the Income Tax Act.

H_{o2.3}: There is a relationship between race and attitude towards the Income Tax Act.

H_{a2.3}: There is no relationship between race and attitude towards the Income Tax Act.

H_{o2.4}: There is a relationship between home language and attitude towards the Income Tax Act.

H_{a2.4}: There is no relationship between home language and attitude towards the Income Tax Act.

H_{o2.5}: There is a relationship between level of education and attitude towards the Income Tax Act.

H_{a2.5}: There is no relationship between level of education and attitude towards the Income Tax Act.

H_{o2.6}: There is a relationship between occupation and attitude towards the Income Tax Act.

H_{a2.6}: There is no relationship between occupation and attitude towards the Income Tax Act.

H_{o2.7}: There is a relationship between location and attitude towards the Income Tax Act.

H_{a2.7}: There is no relationship between location and attitude towards the Income Tax Act.

H_{o2.8}: There is a relationship between province and attitude towards the Income Tax Act.

H_{a2.8}: There is no relationship between province and attitude towards the Income Tax Act.

H_{o2.9}: There is a relationship between income and attitude towards the Income Tax Act.

H_{a2.9}: There is no relationship between income and attitude towards the Income Tax Act.

1.7 LIMITATIONS OF THE STUDY

This study intended to collect data from people in South Africa concerning income tax only. The value added tax, estate duty and capital gains tax would be examined in further studies so as to compare the attitudes towards different taxes by the same sample group.

The study will deal only with the quantitative responses and not the open ended questions collected in the survey. These will be compared in a future study.

The following sections also limits the study to a certain period in time and by giving the definitions which define the scope of the research.

1.7.1 Duration of the study

This study was conducted over a three year period only (2006 – 2008). It was envisaged that the major thrust of the investigation would be to create a cross-sectional picture of the provinces of South Africa in the future when the study can be repeated. The difference in time span could result in some interesting trends.

1.8 DEFINITIONS

The following definitions are pertinent to this study.

- Income tax – This refers to the Income Tax Act No 58 of 1962 as amended and presented in South African Institute of Chartered Accountants Handbook 2008/2009 Volume 2. (Stiglingh et al 2009:2)
- Location – for the purpose of this study location refers to the urban/rural/divide of people in South Africa caused by apartheid. Within the populations there is a referral to those who live in the suburbs, those who live in townships, those who live in the cities and those who live on farms. Suburbs are areas predominately inhabited by white people while townships are those areas in which predominantly black people were forced to reside. Cities form the core of the large urban areas which have been subjected to urban decay and have become predominantly residential areas for migrant laborers and various groups of mobile South Africans.

1.8.1 The definition of a taxpayer

It is envisaged that a taxpayer is any person that may have to pay direct or indirect taxes. Owing to the practice of placing income generating assets in the hands of minors and trust, as well as the

payment of VAT or GST as an indirect taxation by minors the term taxpayer will apply to both minors and those who earn less than the income tax threshold of the country, as well as people over retirement age.

In South Africa a minor is a person who has not yet reached the age of 21 years, while the tax act gives special rights to individuals who are 65 years or over, implying that this is retirement age.

Section 1 of the Income Tax Act defines a person, and although this forms a large part of the first year syllabus at universities of technology in South Africa, this debate is left to future studies.

1.8.3 Juristic persons

This study was limited to natural persons and not judicial persons. It was also limited to the people residing within the Republic of South Africa. Trusts, companies and close corporations established under South African law, did not form part of the study even though included in the definition of a person (Section 1 of the Income Tax Act).

1.9 CONCLUSION

In this chapter the introduction, title, problem statement, research questions and objectives, variables, reason for the study, hypotheses, limitations of the study, and variables have been outlined.

In the next three chapters the conceptual framework, the Income Tax Act and literature of this study will be examined.

CHAPTER 2

CONCEPTAL FRAMEWORK

2.1 OVERVIEW

This chapter will examine the population of South Africa and the particular biographical details that will form the basis of the study.

Lesham and Trafford (2007:94) indicate that there are three criteria that should be evident in any doctoral work. They are as follows:

- a) Make reference to the relationship to other research (This will be examined in the literature review in chapter 4);
- b) Indicate why it was designed in a particular way (This will be emphasized in the research methodology in chapter 5 and in chapter 1); and
- c) Provide arguments that conceptual coherence is present to the research for it to be considered to be a contribution to knowledge.

These three are to be examined in relation to

- The assessment criteria of the University (Delamont, Atkinson and Parry 1997);
- The provision of scholarship that contributes to knowledge (Winter, Griffiths and Green 2000:25-37) and,
- The merit of the work when compared to similar criteria (Pearce 2005).

In definition, the most frequently quoted is that of Miles and Huberman (1984:33), which says that the conceptual framework is

“the current version of the researcher’s map of the territory being investigated”

(quoted in Lesham and Trafford 2007:95).

The framework deals with the boundaries, the evolution and coherence of the research. Weaver-Hart (1988:11) sees the conceptual framework as the tools that the researcher uses to construct the theoretical overview of the topic. The signposts within the field of study (Brynman 1988:68) or the concept map (Maxwell 1996:25) are other definitions.

Locally the framework is put forward as the sum total of the constructs (Welman, Kruger and Mitchell 2007:21) which represent the concrete forms, bound together to form a theory or system of the topic to be explored.

It is within this context that the literature review has been separated from the conceptual framework. This chapter will lay out the theory required to demarcate the field of study in anticipation of the questions in the questionnaire. Chapters three and four will relate these parts to the current literature and research and then chapter five will indicate the method of placing the current investigation within the context of the map, namely the research methodology.

2.1.1 Presentation of the conceptual relationships

There are three sections that have to be covered in this chapter and the next to lay the foundation for this work as reported in chapter one. They are:

- The biographical details of the population of South Africa;
- The sections of the Income Tax Act to be examined; and
- The historical development of attitudes towards taxation in South Africa.

The information presented in these three chapters will inform the construction of the questionnaire.

2.2 BIOGRAPHICAL DETAILS OF THE SOUTH AFRICAN POPULATION

In the following section the distribution and the biographical characteristics of the South African population are presented. This is done because the sampling method and frame of reference rely on the population characteristics to enable this study to be generally applied to the entire population and the provinces of the Republic of South Africa in particular.

Statistics within South Africa are gathered at intervals, and in the intermediate periods estimates are given. These estimates are based on trends and smaller samples but are not as accurate. For this reason the 2001 census was used as the basis, but tables were drawn up wherever possible on a percentage basis rather than actual figures. This also allowed comparison with the sample and also future trends in the population. The next complete census takes place in 2011.

2.2.1 Background to the South African census

The most recent South African Census culminated in a narrative report, which took three and a half years in planning, demarcation, enumeration, data processing and checking, and product development (Statistics South Africa 2001:99). It gives much detail concerning the ownership of radios, televisions, computers etc. which may be used to determine the socio-economic status of individuals in a community but these details have been ignored for this particular study due to rapid changes in these fields.

This study has attempted to concentrate on those demographic

attributes that are considered relevant to the study and useful in determining the social standing of respondents.

These are:

- Gender distribution;
- Age distribution;
- Race distribution;
- Home language;
- Level of education;
- Occupation;
- Location or urbanization;
- Number of rooms available to the family;
- Energy source used;
- Telephone facilities; and
- Monthly Income;

Where possible each one of these was examined under the sub-headings of the various provinces in the Republic of South Africa to determine the size of the sample to be gathered within a province and talk to the “generalisability” of the results.

2.2.2 Population and Gender distribution in South Africa

Gender distribution is skewed in South Africa with 52.177 percent of the population being female and 47.823 percent of the population being male. Presentation in tabular form was preferred for this data, emphasizing the percentages of the total rather than the aggregate numbers. These percentages were used to determine the significant categories incorporated in the sample for the research.

The population of South is depicted below in tabular form (Table 1) to

determine the percentage of females and males in each province as well as the percentage of the total population that reside in this particular province. A graphical representation (Fig.1) is included to enhance the visual presentation.

Table 1 Population per province by totals and percentages in 2001 for South Africa.

Province	Male	Female	Total	% Male	% Female	% of Total
Eastern Cape	2975512	3461251	6436763	46.226	53.773	14.361
Free State	1297605	1409170	2706775	47.939	52.061	6.039
Gauteng	4444679	4392499	8837178	50.295	49.705	19.717
Kwa-Zulu/Natal	4409091	5016925	9426016	46.776	53.224	21.031
Limpopo	2394785	2878857	5273642	45.410	54.590	11.766
Mpumalanga	1497333	1625658	3122991	47.945	52.055	6.968
Northern Cape	401168	421559	822727	48.761	51.239	1.836
North West	1821547	1847803	3669350	49.642	50.358	8.187
Western Cape	2192321	2332014	4524335	48.456	51.544	10.095
	21434040	23385737	44819777	47.823	52.177	100.00

(Sources: Statistics South Africa 2001)

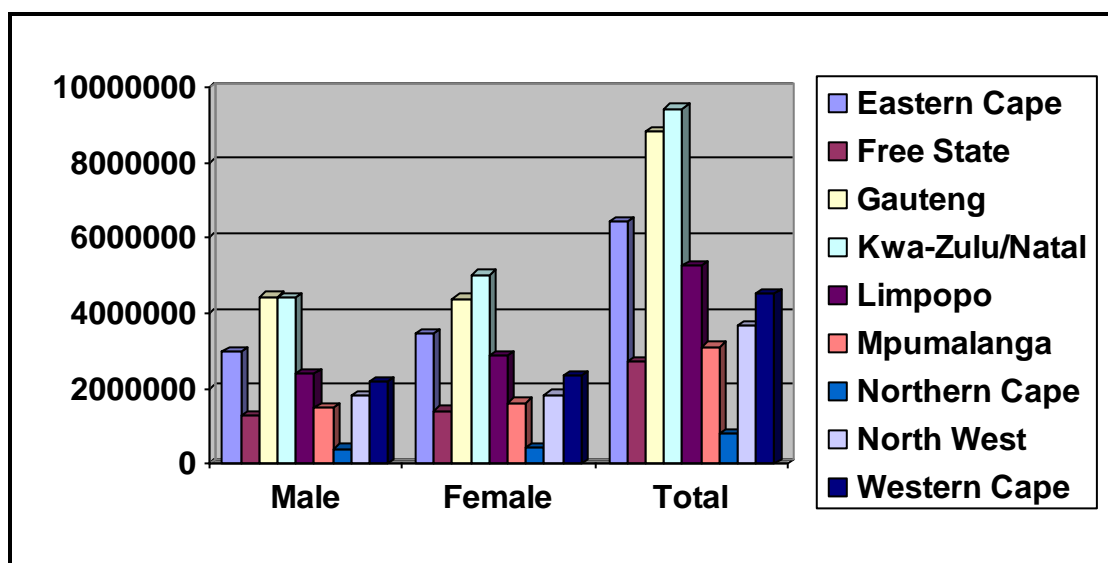


Figure 1 Population per province by totals and percentages in 2001 for South Africa. (Sources: Statistics South Africa 2001)

In 2001 the Eastern Cape Province had a population of 6 436 763 people of which 46.227 percent were male and 53.773 percent were female. This made up 14.361 percent of the population of South Africa.

The Free State Province had a population of 2 706 775 people of which 47.939 percent were male and 52.061 percent were female. This made up 6.039 percent of the population of South Africa.

The province of Gauteng had a population of 8 837 178 people of which 50.292 percent were male and 49.705 percent were female. This made up 19.717 percent of the population of South Africa. This is the only province in which there are more males than females.

The province of KwaZulu-Natal had a population of 9 426 016 people of which 46.779 percent were male and 53.224 percent were female. This made up 21.031 percent of the population of South Africa.

The province of Limpopo, in 2001, had a population of 5 273 642 people of which 45.410 percent were male and 54.590 percent were female. This made up 11.766 percent of the population of South Africa.

The province of Mpumalanga had a population of 3 122 991 people of which 47.945 percent were male and 52.055 percent were female. This made up 6.968 percent of the population of South Africa.

The Northern Cape Province had a population of 822 727 people of which 48.761 percent were male and 51.239 percent were female. This made up 1.836 percent of the population of South Africa.

The North West Province had a population of 3 669 350 people of which 49.642 percent were male and 50.358 percent were female. This made up 8.187 percent of the population of South Africa.

The Western Cape Province had a population of 4 524 335 people of which 48.456 percent were male and 51.544 percent were female. This made up 10.095 percent of the population of South Africa.

The three smallest provinces in terms of population were thus the Northern Cape (1.836%), Free State (6.039%) and Mpumalanga (6.968%). The three largest provinces in terms of population were KwaZulu-Natal (21.031%), Gauteng (19.717%) and Eastern Cape (14.361%).

2.2.3 Age distribution in South Africa

Table 2 gives the distribution of males and females per age group and the percentage of each. Figure 2 presents the percentage of males and females in each of the age groups as a percentage of that group.

The Figure below (Fig. 2) has a very distinctive shape. It is that of a population that grew steadily until twenty years ago (1990) and then started to decline. The groups depicted in the table and graph at the time of the study were almost ten years older than these census figures which were gathered in 2001. The largest group would be between the ages of 24 and 30 years. The progressively smaller groups are therefore under the age of 20 years at present.

The second obvious fact gleaned from Figure 2 and Table 2 is that the percentage of females in each group slightly exceeds the number of males, and over the age of 50 this excess becomes progressively larger.

Table 2 Population in 5 year age groups by totals and percentage in 2001 for South Africa.

Age Group	Male	Female	Total	% Male	% Female	% Total
0 – 4	2223731	2226085	4449816	4.961	4.967	9.928
5 – 9	2425804	2427751	4853555	5.412	5.417	10.829
10 – 14	2518956	2542961	5061917	5.620	5.674	11.294
15 – 19	2453079	2528642	4981721	5.473	5.642	11.115
20 – 24	2099293	2195230	4294523	4.684	4.898	9.582
25 – 29	1899124	2035814	3934938	4.237	4.542	8.780
30 – 34	1594488	1746412	3340900	3.558	3.897	7.454
35 – 39	1441507	1630264	3071771	3.216	3.637	6.854
40 – 44	1233632	1385832	2619464	2.752	3.092	5.844
45 – 49	967604	1119776	2087380	2.159	2.498	4.657
50 – 54	769499	868521	1638020	1.717	1.938	3.655
55 – 59	552323	652943	1205266	1.232	1.457	2.689
60 – 64	444510	620784	1065294	0.992	1.385	2.377
65 – 69	304763	483164	787927	0.680	1.078	1.758
70 – 74	232547	398922	631469	0.519	0.890	1.409
75 – 79	136436	231101	367537	0.304	0.516	0.820
80 – 84	90835	180111	270946	0.203	0.402	0.605
85+	45907	111452	157359	0.102	0.249	0.351
Total	21434040	23385737	44819777	47.823	52.177	100.00

(Sources: Statistics South Africa 2001)

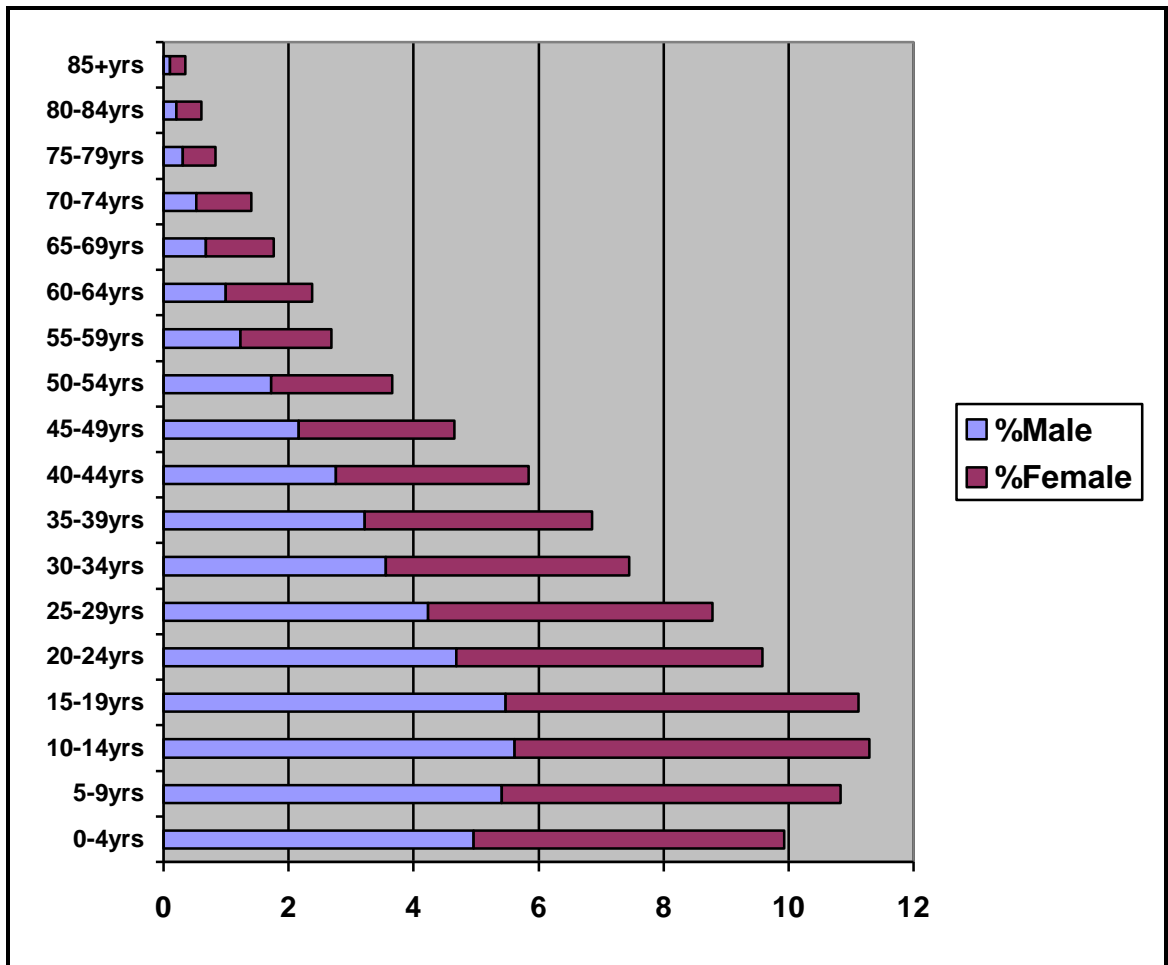


Figure 2 Population in 5 year age groups as a percentage in 2001 for South Africa. (Sources: Statistics South Africa 2001)

2.2.4 Race distribution in South Africa

Statistics South Africa (2001) continues to classify people by population group, in order to monitor progress in moving away from the apartheid-based discrimination of the past. However, membership of a population group is now based on self-perception and self-classification, not on a legal definition (Statistics South Africa 2001: vii).

Differences in perceptions amongst the different population groups were examined and will be made available to other users to link these in to the categories they would use. A purer and expanded definition

of race would permit respondents to choose amongst more detailed definitions of race but it is hoped that these will reflect in the examination of the home language to be discussed in the section 2.2.5.

Table 3 Race distribution in South Africa as a percentage per province

Province	Black African	Coloured	Indian or Asian	White	Total
Eastern Cape	87.5	7.4	0.3	4.7	100.0
Free State	88.0	3.1	0.1	8.8	100.0
Gauteng	73.8	3.8	2.5	19.9	100.0
KwaZulu-Natal	84.9	1.5	8.5	5.1	100.0
Limpopo	97.2	0.2	0.2	2.4	100.0
Mpumalanga	92.4	0.7	0.4	6.5	100.0
Northern Cape	35.7	51.6	0.3	12.4	100.0
North West	91.5	1.6	0.3	6.7	100.0
Western Cape	26.7	53.9	1.0	18.4	100.0
South Africa	79.0	8.9	2.5	9.6	100.0

(Sources: Statistics South Africa 2001)

From Table 3 and Figure 3 it can be seen that the provinces with a large proportion of coloureds are the Western Cape (53.9%) and the Northern Cape (35.7%). The Indian or Asian population is predominantly in KwaZulu-Natal (8.5%). The white populations are highest in Gauteng Province (19.9%) and the Western Cape (18.4%). Although the percentage is high in the Northern Cape (12.4%) this is a very small total in terms of total population.

The black population is smallest in the Northern Cape (35.7%) and largest in Limpopo (97.2%) and Mpumalanga (92.4%) provinces.

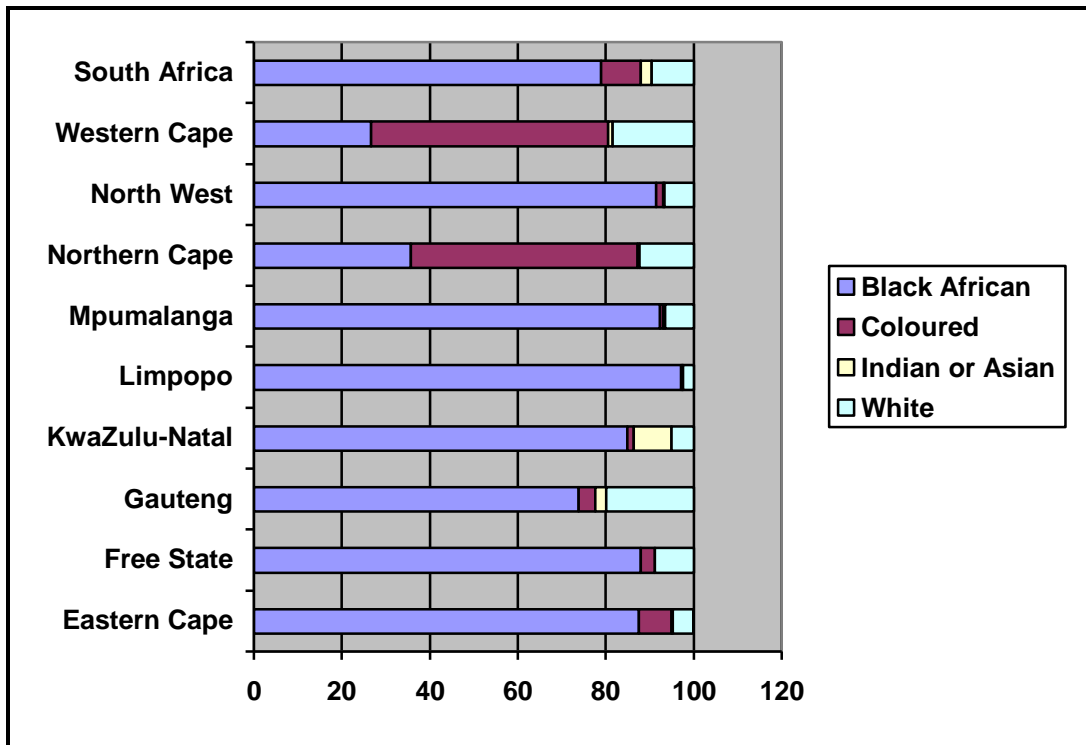


Figure 3 Race distribution in South Africa as a percentage per province (Sources: Statistics South Africa 2001)

2.2.5 Home Language distribution in South Africa

The home language could be the language that is spoken mostly in the home rather than referring to the mother tongue. There have been movements of population after the 1994 constitutional changes because of economic factors, and people have married outside their language groups. English has also become the predominant language spoken in some families because of the movements in the school going populations. (Gough 2010:2) Language names are used as per the census data rather than English convention.

The difficulty in plotting a graph for home languages (11 official languages) and nine provinces has meant that only the table was presented. Within this table, where less than one percent of the population speaks a particular language, the figure was not entered.

Table 4 Home Language distribution in South Africa as a percentage of people in the province

Home Language	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Afrikaans	9.3	11.9	14.4	1.5	2.3	6.2	68.0	7.5	55.3
English	3.6	1.2	12.5	13.6		1.7	2.5	1.2	19.3
IsiNdebele			1.9		1.5	12.1		1.3	
IsiXhosa	83.4	9.1	7.6	2.3		1.5	6.2	5.8	23.7
IsiZulu		5.1	21.5	80.9		26.4		2.5	
Sepedi			10.7		52.1	10.8		4.2	
Sesotho	2.4	64.4	13.1		1.3	3.7	1.1	5.7	
Setswana		6.8	8.4		1.6	2.7	20.8	65.4	
SiSwati			1.4		1.1	30.8			
Tshivenda			1.7		15.9				
Xitsongo			5.7		22.4	3.8		4.7	

(Sources: Statistics South Africa 2001)

In choosing a sample for this study the following provinces needed to be included, based on Table 4. The Eastern Cape had a high concentration of IsiXhosa speakers (83.4%). The Free State had a large proportion of people who speak Sesotho (64.4%). Gauteng had all the languages represented. KwaZulu-Natal had a large proportion of their population who speak IsiZulu (80.9%). Limpopo province had the largest proportion of Sepedi (52.1%) and Xitsongo (22.4%) speakers while Mpumalanga had the largest proportion of SiSwati speakers (30.8%). The Western Cape had a large proportion of Afrikaans (55.3%) and a small population of English (19.3%) speakers. The North West province had the largest proportion of Setswana (65.4%) speakers.

2.2.6 Level of education distribution in South Africa

The education levels that have been chosen by the Department of Statistics in South Africa separate people into six categories. There are those that have no formal education; those that have some primary education; those who completed primary education; those who have some secondary education or high school; those that

completed high school with grade 12 or the old standard 10, and then those who have higher education.

Table 5 and Figure 4 give the South African perspective for the census in 2001 with respect to education levels.

Table 5 Highest level of education by province amongst those aged 20 and older (percentages)

Province	No schooling	Some Primary	Completed Primary	Some Secondary	Grade 12/Std 10	Higher
Eastern Cape	22.8	19.8	7.4	29.6	14.1	6.3
Free State	16.0	21.7	7.8	30.7	17.5	6.3
Gauteng	8.4	11.2	5.5	34.3	28.0	12.6
KwaZulu-Natal	21.9	16.9	5.7	28.8	19.8	6.9
Limpopo	33.4	14.1	5.5	26.1	14.0	6.8
Mpumalanga	27.5	15.9	5.9	26.6	18.2	5.9
Northern Cape	18.2	21.0	8.3	29.9	16.5	6.1
North West	19.9	20.0	6.8	29.0	18.5	5.9
Western Cape	5.7	15.2	7.9	36.5	23.4	11.2
South Africa	17.9	16.0	6.4	30.8	20.4	8.4

(Sources: Statistics South Africa 2001)

Table 5 and Figure 4 indicate that the following exist with respect to the distribution of levels of education in South Africa in 2001.

Limpopo province had the highest proportion of its population who had no education (33,4%). This was followed by Mpumalanga with 27.5 percent. Those who have some primary education, completed primary education and some secondary education were relatively evenly spread amongst the provinces.

In the Western Cape and Gauteng province the proportion of the population was the highest with regard to higher qualifications. These two provinces also had the highest proportion of their populations who had completed secondary education or high school.

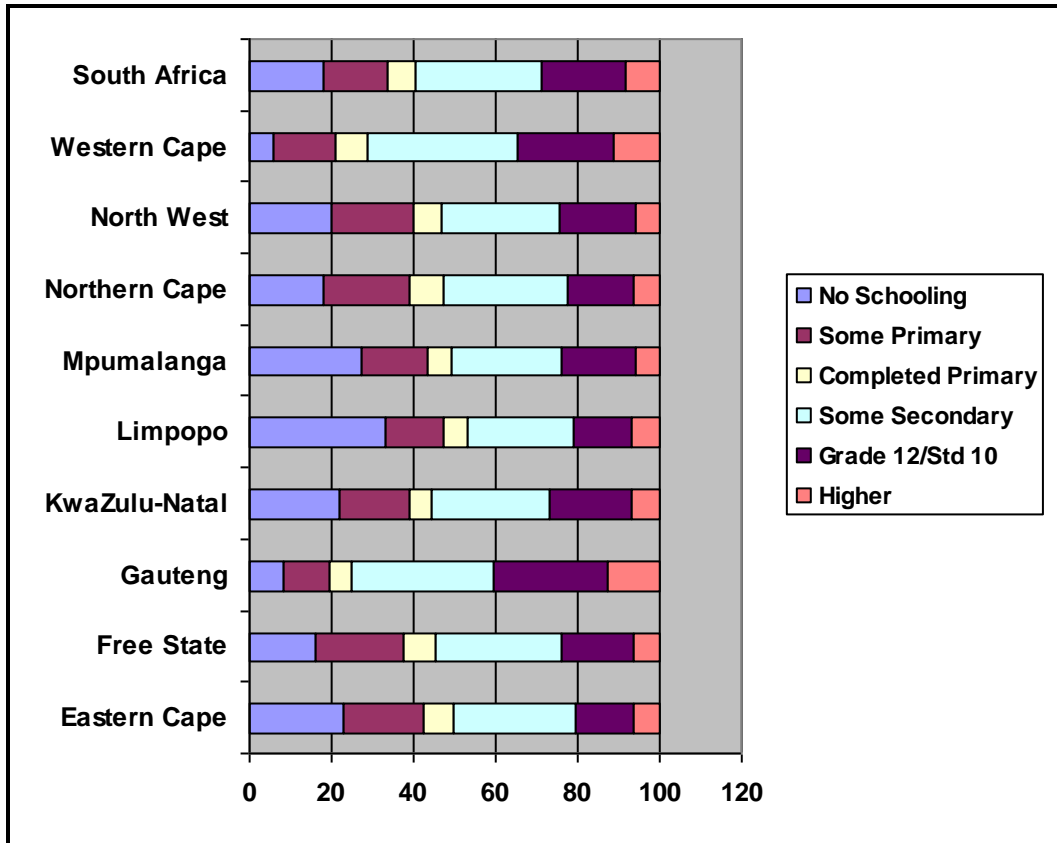


Figure 4 Highest level of education in South Africa as a percentage per province amongst those aged 20 years and older.
(Sources: Statistics South Africa 2001)

2.2.7 Occupation categories in South Africa

The occupational categories used in the census of 2001 were used as a basis for gathering this information. In the study two further categories were added. These were the category of student and unemployed, which are shown in Table 15. These are not equivalent to the category “Undetermined” which the Census uses.

Table 6 Occupation amongst the employed aged 15 – 65 in figures and as a percentage.

Legislators, Senior Officials and Managers	515389	5.4
Professionals	668463	7.0
Technical and Associate Professionals	919774	9.6
Clerks	1047699	10.9
Service workers, shop and market sales workers	977587	10.2
Skilled Agricultural and Fisheries Workers	268110	2.8
Craft and related trade workers	1164973	12.2
Plant and Machinery Operators and assemblers	844233	8.8
Elementary Occupations	2539942	26.5
Undetermined	637593	6.7

(Sources: Statistics South Africa 2001)

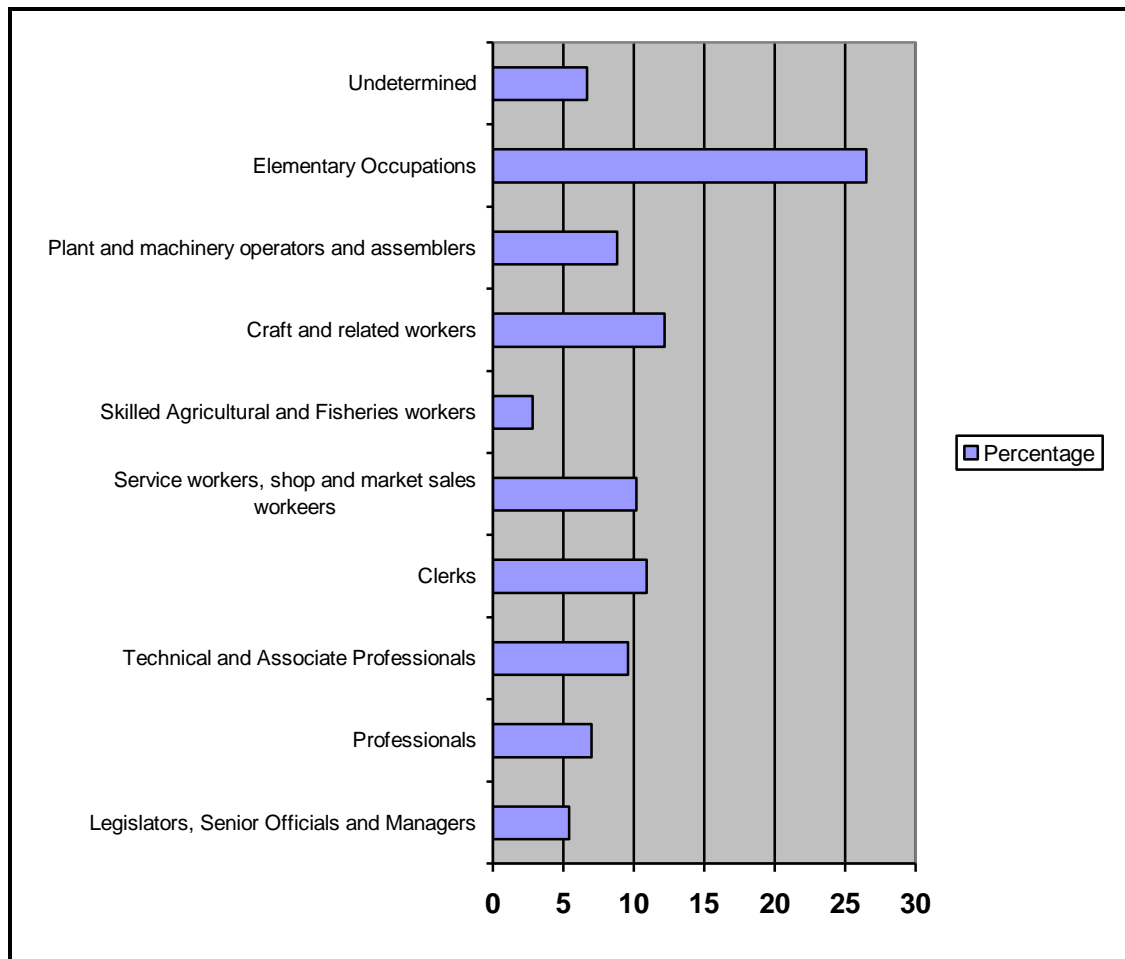


Figure5: Distribution of the employed aged 15 - 65 by occupation category by percentage.

(Sources: Statistics South Africa 2001)

Table 6 gives the actual figures from the 2001 census as well as the percentage in every category. These categories were going to be difficult to factor in to the sample because of the large number of categories. The managerial and professional categories were largest in Gauteng and the Western Cape. The elementary occupations were most representative in Limpopo and Mpumalanga. Skilled Agricultural and Fisheries workers were not present in Gauteng province.

2.2.8 Location in South Africa

In South Africa the urban-rural divide is made more complicated by the fact that many migrant workers in the past were accommodated in hostels and townships. The defining parameter of the divide between urban and rural seems so well understood if one examines it superficially. On a different level, in South Africa where many live in a rural manner near a city, it can be seen as more than a divide between city and country. One thus needs to settle on the definition of urban-ness and rural-ness as being a way of life rather than a place.

In this section six different categories have been chosen for the purpose of investigation. These were:

- City;
- Urban suburbs;
- Urban township;
- Rural town;
- Rural village; and
- Farm

In South Africa in 1994 the major cities were predominantly white, and the townships and “squatter areas” that ringed cities were

overwhelmingly black (US Library of Congress 2009:1). The composition of the cities, and especially the previously white suburbs began to change in the 1990's but still retained some semblance of their previous nature.

Statistics South Africa did not divide people up into a rural – urban divide in its 2001 report or subsequent estimates.

2.2.9 Number of rooms available to a household in South Africa

There are a number of indicators recorded by Statistics South Africa that give some form of indication of the status or affluence of a person.

Three of those chosen for this study were:

- The number of rooms available to the household;
- The energy source used; and
- Telephone facilities available.

Table 7 Number of rooms available to households by population group of the household head as a percentage.

Number of Rooms*	Black African	Coloured	Indian or Asian	White	South Africa
1**	21.5	9.7	1.9	1.9	17.6
2	18.3	14.7	5.0	3.5	15.8
3	14.0	14.1	10.4	8.5	13.2
4	19.8	27.5	26.2	17.8	20.3
5	9.8	19.0	25.1	18.6	12.0
6	7.3	8.2	15.7	18.1	8.9
7	4.1	3.6	7.2	12.2	5.1
8	2.4	1.7	4.1	8.5	3.1
9	1.3	0.8	2.1	4.8	1.7
10+	1.6	0.8	2.1	6.0	2.1

(Sources: Statistics South Africa 2001)

* Including kitchens, and outside rooms used by the same household, but excluding bathrooms and toilets.

** Including household sharing a single room with another household or households.

*** Excluding all collective living quarters

A number of other indicators were dismissed, like the type of access to water, because of the concerted effort that has been placed on the provision of this necessity since the elections in 1994 in South Africa and it no longer is an indicator of affluence.

From Table 7 and Figure 6 it can be deduced that black Africans are likely to live in dwellings which have fewer rooms – between 1 and 5, but usually less than five rooms. Coloureds are inclined to inhabit dwellings that are slightly larger (two or more rooms).

The Indian or Asian group has dwellings which predominantly have four or five rooms while whites predominantly have dwellings with between four and seven rooms.

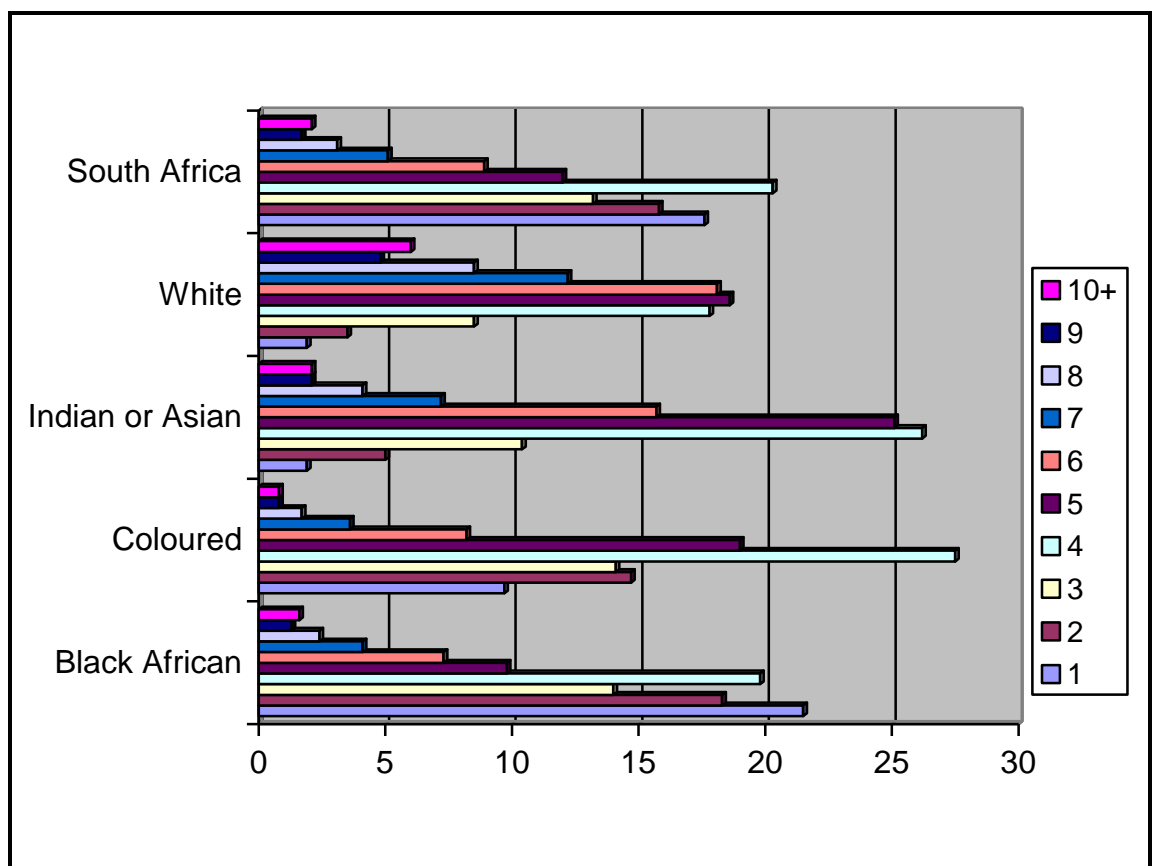


Figure 6 Number of rooms available to households by population group of the household head as a percentage.
 (Sources: Statistics South Africa 2001)

This variable has a very good prediction value for affluence based on the privilege of the apartheid regime.

2.2.10 Energy source used by households in South Africa

Energy source is seen as one of the indicators of status or affluence to separate those who are more affluent from those who are not. The statistics gathered in the 2001 census looked specifically at the source of energy used for heating, lighting and cooking.

For this study these will be given in one composite table as a percentage of the total use made of the particular source for that purpose.

Table 8 Energy source used for heating, cooking and lighting as a percentage.

Type of Energy	Cooking	Heating	Lighting
Electricity	51.4	49.0	69.7
Gas	2.5	1.1	0.2
Paraffin	21.4	14.6	6.8
Wood	20.5	24.6	0
Coal	2.8	6.6	0
Animal Dung	1.0	0.7	0
Solar	0.2	0.2	0.2
Candles	0	0	22.7
Other	0.2	3.1	0.3

(Sources: Statistics South Africa 2001)

Table 8 and Figure 7 indicate that the predominant source of energy for heating (49%), cooking (51.4%) and lighting (69.7%) was electricity. This was followed by candles (22.7%) for lighting, and for cooking 21.4 percent used paraffin, 20.5 percent used wood and for heating 24.6 percent used wood.

Since the census in 2001, there has been a concerted effort by government to get areas electrified using their social electrification

model which is at variance with the financial models usually used (Gaunt 2005), thus, electricity is not an indicator of affluence.

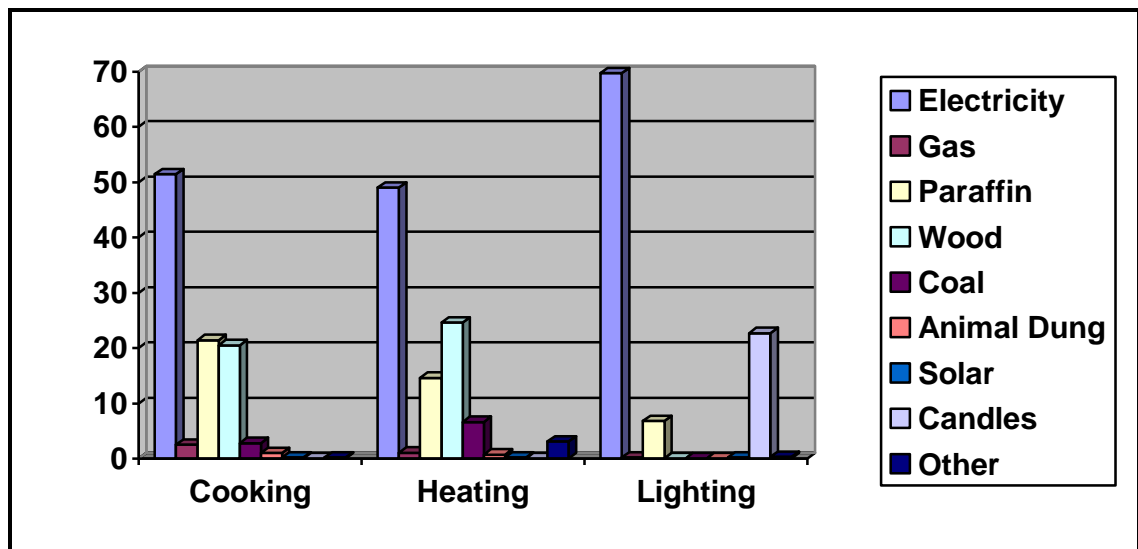


Figure 7 Energy source used for heating, cooking and lighting as a percentage. (Sources: Statistics South Africa 2001)

2.2.11 Telephone facilities available to households in South Africa

“The past decade has seen dramatic shifts in the telecommunications sector changing the wayindividuals communicate, and with the wireless and mobile services providing connectivity to millions of people previously excluded from having a phone”

(Gillwald 2005:470 - 471).

Communication has become more of a necessity than a luxury in this present age. The table and graph below indicate the 2001 position as determined by the census.

Table 9 and Figure 8 emphasize that there was a very good distinction between the access to telecommunications and race group in South Africa in 2001. The black African (5.4%) group has the smallest proportion that has access to both a telephone in the house and a cell-phone, while the white group (58.0%) had the highest access to both facilities.

Table 9 Telephone facilities by population group of the household head as a percentage of the group.

Telephone Facilities	Black African	Coloured	Indian or Asian	White	South Africa
Telephone in dwelling and cell-phone	5.4	19.8	46.5	58.0	14.2
Telephone in dwelling only	6.5	23.4	28.2	20.6	10.2
Cell-phone only	19.1	11.2	12.3	16.6	18.0
At a neighbor nearby	7.2	10.5	3.4	0.9	6.6
At a public telephone nearby	46.2	28.7	8.7	3.3	38.5
At another location nearby	3.8	2.6	0.3	0.2	3.2
At another location not nearby	4.2	1.4	0.1	0.1	3.4
No access to a telephone	7.5	2.4	0.4	0.3	6.0

(Source: Statistics South Africa 2001)

The use made of public telephones nearby was the reverse of the above. The black African population (46.2%) made most use of public telephones while the white group (3.3%) made the least use of public phones.

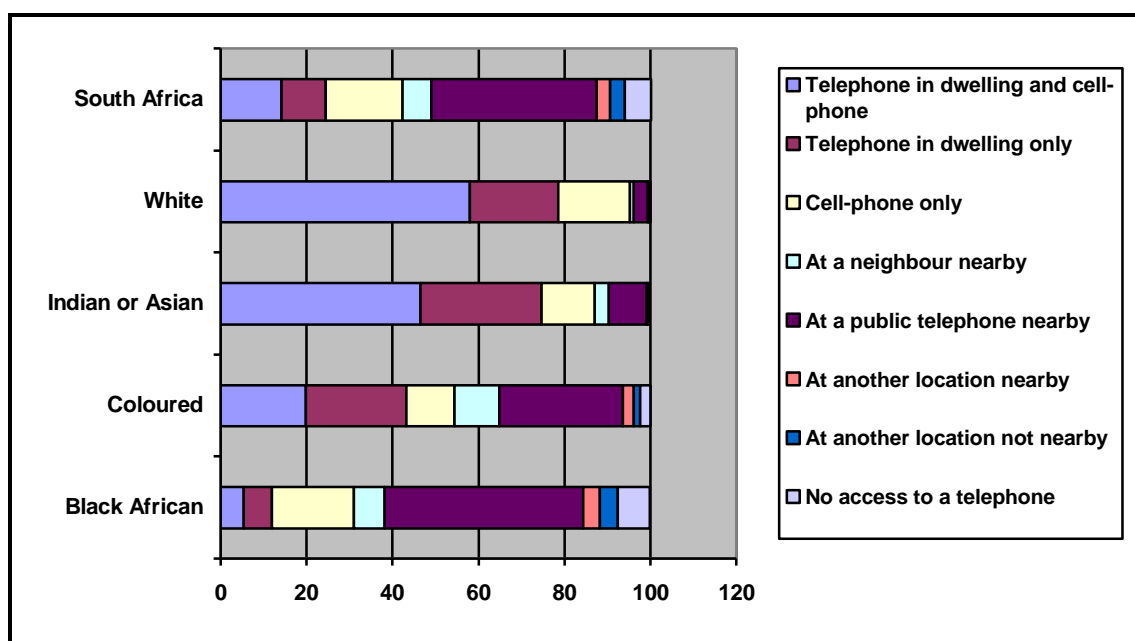


Figure 8 Telephone facilities by population group of the household head as a percentage of the group. (Source: Statistics South Africa 2001)

The orders in which these facilities are ranked give a very clear distinction of status or affluence as depicted in 2001.

2.2.12 Population per province

Figure 9 indicates the percentage of population per province. The physical size of the province was not examined. The population information is presented in Table 1 but the Figure 9 places emphasis on the size of the province rather than the gender distribution as Figure 1 on page 24 does.

Figure 9 indicates that the largest percentages of the population are to be found in KwaZulu-Natal (21.0%), Gauteng (19.7%) followed by the Eastern Cape (14.4%), Limpopo (11.7%), and the Western Cape (10.1%).

The province that has the smallest population is the Northern Cape (1.8%) and in sampling would probably be very difficult to access.

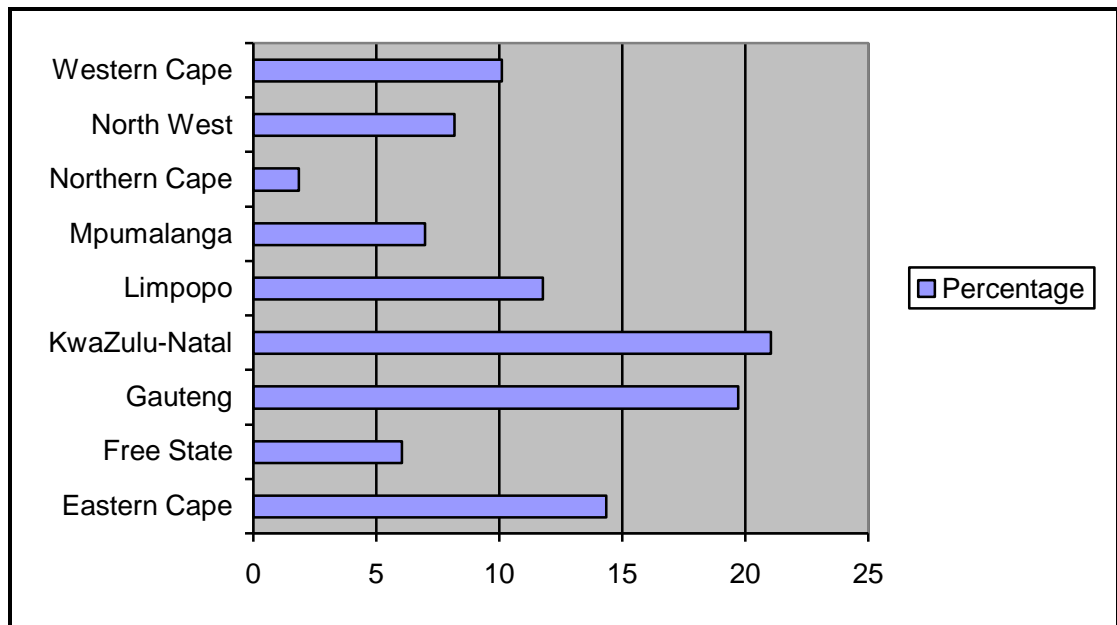


Figure 9 Percentage of population living in each province
(Source: Statistics South Africa 2001)

2.2.13 Income distribution per province

The statistics gathered in the 2001 census do not indicate the distribution of income within or between provinces. This category has been constructed independently of the census. Each category is in an increment of R 1 000 up to R 8 000. The next category has an increment of R 2 000 from R8 001 to R 10 000. The categories above R 10 000 have incremental values of R 5 000 up to the top limit of R 35 000. The final category is R 35 000+. If a constant increment of R 1000 between levels were used it would result in too many categories, and an increment greater than R 1000 at lower levels was not discerning enough.

2.3 CONCLUSION

This chapter has covered the biographical details of the population of South Africa that were used in determining the sample for administration of the questionnaire for the study.

All provinces are used in the study but the provinces that should be included for the purpose of the study and its feasibility are the following:

- Eastern Cape;
- Free State;
- Gauteng;
- Kwa-Zulu/Natal;
- Limpopo; and
- Western Cape;

In the next chapter the legislation pertaining to the Income Tax Act and its amendments will be examined.

CHAPTER 3
THE INCOME TAX ACT OF SOUTH AFRICA AND ATTITUDES TOWARDS
TAXATION OF INCOME

3.1 INTRODUCTION

The previous chapter examined the biographical details of the South African population, identifying the provinces of South Africa that should be sampled in the study.

In this section the normal taxation pertaining to “individuals” (natural persons) is examined. From the construction of this conceptual framework the questions for the questionnaire for this section were constructed. The literature review in the following chapter examines the research that has been done to date.

Normal tax (Van Schalkwyk, 2009:1) is imposed on persons by section 5 of the Income Tax Act 58 of 1962 of South Africa, and applies to all definitions of a person, natural and juristic. These include companies, trusts, estates of insolvent and deceased persons as well as associations and clubs. The taxation on deceased estates is not covered in the study while the taxation on natural persons will form the basis. The other definitions of a person have been excluded (Huxham 2008:11) (Income Tax Act - s1: definitions)

In the following discussion the major sections of the act are examined and expanded on.

3.2 THE MAJOR SECTIONS OF THE INCOME TAX ACT

The discussion of Income Tax has been tempered with discussions on what the “common man” or the “man in the street” may know about

taxation. The Income Tax Act is outlined briefly and then those sections which are considered to be common knowledge amongst the various cultural and racial groups of the country are expanded on in more detail. From these deliberations, the following points to be examined in the study materialized.

Individual tax always starts with the determination of gross income which is defined in section 1 of the Income Tax Act. The determination of gross income is very legalistic and is excluded from the questionnaire as it was felt by all groups consulted that most people would not have any definite understanding of this aspect. It covers the definitions of “accrued to” (Muller, 2009:18); “received by” (Muller, 2009: 16) and “total amount in cash or otherwise” (Muller, 2009:14) which will not form part of the current study.

A second section that has not been included in the study is the defining of “income” (or revenue) and “capital” (Muller 2009: 25). Much of this is based on intricate court decisions which inform the section. They are dealt with in theoretical arguments and not in the administration of taxation by the Receiver of Revenue.

The third and fourth sections that were not included in the study were the sections on special inclusions (Smit 2009: 39) and residence and source respectively (Van Schalkwyk 2009:49). The special inclusions include alimony, restraint of trade agreements, lump sum payments, pension fund payments and annuities, as well as pension and providence funds. (Huxham and Haupt 2008:54-68) (Stiglingh, et al. 2009:39-48). Many of these sections are only examined when taxpayers retire or change their status as in the case of a divorce, or death, or becoming a “spouse”. They are thus biased towards age.

Special deductions also did not form part of this study, as many of them apply to business activities and not the individual who does not own a business. Also many of them will only apply where income is above the income tax threshold (Huxham and Haupt 2008: 866). This is a figure below which the amount of taxation due is equal to or less than the total amount of rebates and allowances deductible resulting in no taxation payable. This amount varies from year to year and is dependent on the primary (s6(2)(a)) and secondary rebates (s6(2)(b)) which are set at different levels every year.

The sections that were considered by the groups consulted in drawing up the questionnaire (detailed in 5.6 METHODOLOGY DETAILS, page 78), as possibly being understood and known by the public at large, and to be examined, are as indicated in the sections that follow.

3.3 USE OF INCOME TAX

Income tax is administered by the Commissioner for the South African Revenue Service (s2) in terms of the South African Revenue Act (No. 34 of 1997) (Stiglingh et al 2009:7). In terms of sections 3 and 4 of the Act the Commissioner may delegate these powers. Direct and indirect taxes all vests in the State in the National Revenue Fund (Huxham and Haupt 2008:3). The Commissioner's offices are in Pretoria and he delegates his powers to the provincial offices who implement the collection of taxes under his supervision through the regional offices in each province. The Commissioner is considered to be the Chief Executive Officer and reports to a Board who in turn report to the Minister of Finance (Stiglingh, et al 2009:9)

The names used in the past vary from the Commissioner of Inland Revenue (CIR), to Secretary of Inland Revenue (SIR) (Stiglingh et al

2009: 7, but the application of the Income Tax act has always been the responsibility of this executive officer. It has been tempered by the judicial findings as well as the practice notes issued by the Commissioner from time to time. (Stiglingh et.al 2209:7 – 9)

Every year the Minister of Finance presents a budget to Parliament, which lays out the financial intention of the state. This amount is computed in a complex process which takes a full year in gathering figures from every Ministry. The expenditure is to cover a fiscal year which runs from 1 April to 31 March of the following year. (Huxham and Haupt 2008:2). This amount determines the taxes to be gathered.

It is therefore the ruling government that has the authority to allocate taxes for the running of the country through the parliamentary budgeting process.

3.4 DISTIBUTION OF PAYMENT OF INCOME TAX

Huxham and Haupt write

“Normal tax is a levy imposed on all persons who have taxable income”

Huxham and Haupt (2008:5).

This is an annual tax that is collected in monthly levies until a final assessment is made at the end of the year and adjustments made.

There is, however, an annual primary rebate for all persons that varies from year to year. There is also a secondary rebate for persons 65 years of age and older. This results in a person who earns under a certain income not having to have income tax deducted from their salaries because the tax rebate is equal to or higher than the amount of income tax to be collected.

3.5 RATES OF INCOME TAX

The South African income tax system imposes taxation on a progressive scale (Huxham and Haupt 2008:189), with earners at the lower levels of income paying less (18% of income in the 2008/9 year of assessment). This increases to the point where those who earn more than R 450 000 per annum pay 40% of their marginal income in income tax (2008/9 year of assessment).

These tables are promulgated annually and applied from the date mentioned in the table until new tables replace them. These rates vary from year to year (Huxham and Haupt 2008:862) so it is not worth while asking questions on these in a study that covers more than one period of taxation.

It is therefore evident that all people do not pay the same percentage of their salary as tax.

3.6 TAX AVOIDANCE AND EVASION

Tax can be avoided legally in many ways, making it a topic in its own right for investigation. Huxham and Haupt (2008:416) define avoidance as

“an attempt to minimize a tax liability using legal means i.e. to regulate your affairs in such a way that you pay the minimum, tax imposed by the Act rather than the maximum.”

The opposite of this is evasion, which is defined as “the use of illegal means to reduce a tax liability, e.g. falsification of books, suppression of income, fraudulent non-disclosure of income, overstating of deductions (Huxham and Haupt 2008: 416).

The first recorded case which dealt with this topic of avoidance was commented upon by Lord Tomlinson who said that

“Every man is entitled, if he can, to order his affairs so that the tax attracting under the appropriate Act is less than it otherwise would be.”

(IRC v Duke of Westminster [1936] AC1) (Williams 2005 : 562)

The depth of the discussion on tax evasion is richly examined in Williams (2005), Huxham and Haupt (2008) and Jordaan, et al. (2009). Such transactions are usually abnormal (Williams 2005:577); are characterized by a lack of honest intention (Williams 2005:562); and display a sole purpose of avoiding tax and thus draw investigation under section 103(1) of the Income Tax Act (Williams 2005:568).

Through careful planning payment of taxation can be avoided and not evaded.

3.7 REGISTRATION OF A TAXPAYER

Sections 65 to 76A of the Income Tax Act deal with returns that a taxpayer has to make. Section 66 deals with the annual public notice that the Commissioner must give concerning returns. This notice must make reference to the manner and place that returns must be submitted, and this must not be confused with the actual registration of a taxpayer.

The Income Tax Act notes:

“Every person who at any time become liable for any normal tax or who become liable to submit any return contemplated in section 66 must, within 60 days after so becoming a taxpayer, apply to the Commissioner to be registered as a taxpayer”

(s67)

Persons who do not work may often have interest of dividend income which makes them liable to furnish a return, but in general those who do not have employment do not have to register for income tax. Registration is actually done through the employer in most instances where Pay as you Earn (PAYE) and Standard Income Tax on Employees (SITE) are deducted by the employer (Huxham and Haupt 2008: 567).

People who do not work do not have to register for income tax purposes.

3.8 INCOME TAX ON INTEREST

Interest specifically forms part of the definition of gross income in section 1 of the Income Tax Act as it is “a payment for the use of funds and is therefore revenue in nature” (Huxham and Haupt 2008: 109). The monitoring of small amounts of interest in the income of every taxpayer would be rather onerous to police and administer. An amount is thus set every year so as to exempt small amounts of interest to be declared. The exemption is provided for in section 10(1)(h) of the Act. The amount depends on whether the taxpayer is under 65 years of age, or 65 years or over. The amount usually increases annually.

Section 9(7) of the Income Tax Act deems any interest that accrues to a South African citizen to be from a South African source until proved otherwise. Section 10 (1)(h) imposes tax on interest earned by foreigners only if it is earned within the Republic of South Africa.

Interest is therefore taxable, no matter its source, for South Africans.

3.9 TAXATION ON DIVIDENDS

All dividends, South African and foreign, are included in gross income in terms of paragraph (k) of section 1 of the Income Tax Act. However, there are certain exemptions.

The first exception is that South African dividends (section 10(1)(k)(i)) which are not

“totally exempt from tax”
(Huxham and Haupt 2008:76),

are dividend from property shares, distributions by a portfolio of a collective investment scheme, and proceeds from a share buyback scheme.

The second exception is foreign dividends (section 10(1)(k) (ii)), which are only exempt to the amount promulgated annually. In 2008 this amounted to R 3 000 and reduced the interest exemption mentioned in 3.8 above by that amount. Dividend amounts above this are not exempt.

In all cases then, dividends are taxable, but, certain amounts of this tax are exempt depending on the source. Dividends are included in calculations of gross income and then the exempt portion removed under the exemption section.

3.10 UNIFORM ALLOWANCES

An item that affects a number of taxpayers is the provision of a uniform by the company. Section 10 (1)(nA) in the Income Tax Act indicates that it must be a condition that the employee has to wear the uniform and that the uniform must be

“clearly distinguishable from ordinary clothing”

In such cases this allowance for a uniform is not taxable. If the conditions are not met, then it is not considered to be a uniform and not a uniform allowance.

3.11 PENSION FUND DEDUCTIONS

South Africa is not a welfare state in which everyone access to a pension, public medical care and other social welfare benefits. Individuals make provision for their old age and unfortunate circumstances by contributing to pension funds or insurance. These are encouraged by the state through allowable tax deductions. However as these could be subject to abuse, limits are placed on these allowances.

Contributions to

“pension funds are deductible, but are limited to the greater of R 1750 or 7.5 percent of the members pensionable salary for the year of assessment”

(Huxham and Haupt 2009:217).

By ‘members pensionable salary’ these authors mean the income from retirement fund employment (RFE). This is the value of the income from the employer who administers the fund.

In practice the employer may also deduct a contribution of up to 10 percent of RFE income to a retirement fund or Retirement Annuity fund mentioned below (3.12). Revenue offices allow employers to deduct their full contribution to a pension fund even if above 10 per cent. This is outlined in section s 11(k) of the act.

3.12 RETIREMENT ANNUITY FUND DEDUCTIONS

A retirement fund is never administered by the employer and is there for persons who either wish to top up their provision for retirement in

an employer initiated pension fund, or who do not belong to an employer created pension fund, possibly because they are self-employed.

The deduction to a retirement annuity fund which is allowed (s 11 (n)) is the greater of:-

- R 1 750,
- R 3 500 less any amount allowed under s11(k) as a contribution to the pension fund (mentioned above in 3.11),
- 15 percent from non RFE (Retirement Fund Employment) income (with some restrictions).

All persons are, therefore, allowed at least a deduction of R 1 750 as a contribution to a retirement annuity fund.

3.13 DEDUCTIONS OF MEDICAL EXPENSES

The deduction allowances of medical expenses constantly change. They vary in accordance with age, disability of the members of the employee's family and the type of membership of a medical aid fund.

At the time of writing (Huxham and Haupt 2009:212-214) the total medical expenses of persons over the age of 65 are deductible. Families who have a person who has physical impediment or disability may claim all expenses allowable by the commissioner, as the category 'handicapped' has been removed.

Any other person under the age of 65 is allowed varying amounts of deduction, depending on the number of dependents that are paid for, who belong to the medical aid fund, the ages and status of children, and the registration of the medical attendant.

Generally legitimate medical expenses are deductible from income for taxation purposes.

3.14 TAXATION ON A COMPANY CAR

The value exempt from tax of private use of a motor vehicle has been slowly reduced over the past few years (2000 – 2009). There is a formula that is used to calculate the exempt portion. This is dependent on the number of kilometres that are deemed to be for private use and the value of the car. The monthly benefit is calculated at two and a half percent of the determined value of the car for a first vehicle and four percent for any additional vehicles. It should be remembered that this is true at the time of writing and is altered annually.

These impositions often make it tax efficient to take the money rather than use the company vehicle (Huxham and Haupt 2009: 552-556), (Para 2b of the Seventh Schedule of the Income Tax Act) as the company vehicle is taxed.

3.15 DEDUCTION OF INCOME TAX

Employee's tax is withheld by every employer. These terms are defined in the Fourth Schedule of the Income Tax Act. The rules and regulations are detailed and the amounts allocated to SITE and PAYE are laid out in the schedule.

Persons who are not employees in terms of the definition have to register as provisional tax payers (par 17(8)). Such provisional tax payers, which include directors and contract workers, have to have tax deducted at the prescribed rates from the payments made to them.

All persons have to have tax deducted when they receive remuneration or make payments to the South African Revenue Service (SARS) at predetermined intervals.

3.16 SUBMISSION OF TAX RETURNS

Until 1 March 2010 there was a system in place which separated tax payers into two categories. Those who earn only enough to be liable for SITE (Standard Income Tax on Employees) or were not in standard employment as defined in Schedule 4 of the Income Tax Act, did not have to submit returns. Those who earned enough to be liable for PAYE or were over the threshold tax of R46 000 (2009); R 43 000 (2008) and R 40 000 (2007) (Huxham and Haupt 2009:924) had to submit returns.

During the seven years of the study there were some people who did not have to submit tax returns as they earned below the tax threshold.

3.17 PENALTIES FOR TAX EVASION

Tax evasion is illegal while tax avoidance is legal (Huxham and Haupt 2009:450–476). Being illegal, evasion constitutes a criminal offence and will be tried in the normal manner in a court of law. There are penalties within the Income Tax Act that deal with these transgressions. Section 75 of the Income Tax Act allows for both fines and imprisonment. Cases concerning evasion are explained in detail in Williams (2005).

Tax avoidance is covered in section 3.6 above and refers to those legal methods that a person may use to reduce their tax liability.

Evasion of income taxation results in the taxpayers being fined.

3.18 INCOME TAX THRESHOLDS

As mentioned above there are thresholds for taxpayers for the payment of tax. These are determined by calculating the level at which the tax payable equals the primary rebate (or secondary and primary rebate in terms of persons over 65 years of age). Below this figure, no tax will be payable. Up to, and including, 2009 this threshold amount has been below R 50 000 p.a. (R 43 000 in 2008; R 46 000 in 2009). This means that there would be people who would pay tax, who earned below R 50 000 p.a. over the period of data collection

Tax payers over the age of 65 years are entitled to a secondary rebate as well as the primary rebate. This has meant that their thresholds are above R50 000 p.a. (R 74 000 in 2009; R 69 000 in 2008; R 65 000 in 2007), (Huxham and Haupt 2009: 924)

The statement in the questionnaire which says; "A person who earns below R 50 000 per year pays no tax" was not true for the period of the data collection.

3.19 PROVISIONAL TAXPAYERS

People who run their own business are not employees as per the definition in the Fourth Schedule. In terms of section 8 (1) of the Fourth schedule they have 30 days in which to register as a provisional taxpayer.

Although there are thresholds for such people to pay income tax it is advisable for a person to register as they could carry losses forward.

They could also apply for small business rates (Huxham and Haupt 2009: 926), which apply to turnovers below R 14 million. This facility has been in operation since 2007.

3.20 ATTITUDES OF SOUTH AFRICANS TOWARDS TAX

It is rather difficult to pin down information on the attitudes of South Africans to taxation. Cooper and Schindler (2006:330) give the following definition:

“An attitude is a learned, stable predisposition to respond to oneself, other persons, objects, or issues in a constantly favorable or unfavorable way”

(Cooper and Schindler 2006:330).

One therefore has to look at the relationships that exist and the stability relative to the self, others, and the world one lives in.

The South African Revenue Service (SARS 2010:2) in their background notes makes the following comment:

“Developing countries exhibit a wide variety of tax compliance levels, reflecting not only the effectiveness of their tax administration but also tax-payers attitudes towards taxation and towards government in general”.

Attitudes are formed in a social context by such factors as the perceived level of evasion, the perceived level of fairness of the tax structure, its complexity and stability, how it is administered, and the value attached to government activities and the legitimacy of a government. This ‘tax gap’ is presented on page 4 in section 1.1.

To determine the attitude of a person, one has to look at statements that they judge as positive or negative with respect to their environment. One of the first things that should be asked of a taxpayer is whether they always pay their taxes. This is examined in more detail below where tax morality is discussed.

A second point of observation would be to determine if the respondent felt that equity was practised in tax collection or that the discriminations of the past continue. Based on the statistics of the Pretoria based South African Statistics Service during the period of 1995 to 2002, Creamer (2010:1) says

“The effects of post apartheid policies are still evident when examining the disparities between different households, in both distribution and expenditure patterns.”

Tax morality, examined below, discusses the innate disposition of people to comply with tax rather than avoid it. A question is therefore posed in the study concerning the person’s attitude to avoiding tax.

The historic use of the apartheid philosophy to massage an entire population has left in the psyche of the people of South Africa, collectively and individually, a mistrust of governments of different persuasions.

It has also resulted in perceptions of advantages and disadvantages of various groups related to race, location as defined as areas in which person may reside and work, and the use of government organs to control.

Commercial Banks, for example, are seen as agents of the state (Jones 2008: web page 1) and the opening of a bank account results in tax authorities being able to track financial movements. Kotze (2010:1) says,

“SARS, as all are aware, has extremely wide powers to collect outstanding tax, one of the strategies of which is to appoint an agent to collect tax on its behalf.” Section 99 of the Income Tax Act provides that SARS may declare “any person to be an agent or another.”

Because commercial banks hold its clients' funds, SARS appoints banks as its agents. This results in some taxpayers not being willing to maintain bank accounts.

3.21 ATTITUDES OF EUROPEANS TOWARDS TAX

Torgler and Schneider (2006:2) started some in-depth discussion on attitudes towards taxation, in their May 2006 discussion paper for the Institute zur Zukunft der Arbeit in Bonn, Germany. In this they look at the evidence on what shapes attitudes towards paying tax in European countries.

Their reports on the available research, indicates that various factors cause attitudes towards taxation to vary. These are summarized from Torgler and Schneider (2006:4 - 23) as follows, indicating the main authors responsible for the work in brackets:

- Differences in tax administration (Cummings et al. 2005);
- Citizens attitudes towards government (Swindler 1986);
- The dominant culture of the population (Heinrich et al. 1999);
- Norms learned through social interaction (Williams 1968);
- Institutionalization and internalization of norms (Opp 1979);
- Religiosity (La Porta et al. 1999);
- Political Attitudes (Smith 1992);
- National Pride (Boulding 1992);
- Work Ethic (La Porta et al. 1999);
- Gender (Tittle 1980);
- Homogeneity of the population (Kobach 1994);
- Education on Taxation (Tittle 1980); and
- Self-Employment (Lewis 1982);

This work is covered fully in the literature review in the next chapter where the results of the studies are examined.

3.22 CONCLUSION

In chapters 2 and 3 the framework which informed the construction of the questionnaire for the study was covered. This consisted of the statistics of the South African population as presented in the 2001 census, the sections covered in this study from the Income Tax Act, and the attitudes that exist in the South African population at large.

In the following chapter the literature will be examined that relates to the topic, to ground it in the epistemology of the subject. For instructional purposes many themes are included to indicate their place in the framework, including the history and development of taxation and the research done to date.

CHAPTER 4

LITERATURE REVIEW

4.1 INTRODUCTION

Taxation has come in many guises, from the taxation on cooking oil in Egypt, taxes on goods in Rome, taxes on professionals in China as well as “head taxes” and property taxes (Tax World 2009:1). In Africa Hailey (1938:603) and Dunkley (2000: web page 1) indicate that taxes were imposed to induce labour to enter the market to earn income as they were forced to pay taxes.

This chapter examines the literature related to the topic to ground it in the epistemology of the subject. A number of themes are included to indicate their place in the framework, including the history and development of taxation and the research done to date.

4.2 HISTORICAL DEVELOPMENT OF TAXATION

There are a number of texts and papers that lay out the history of taxation. As the knowledge about taxation expands, so does the history researched to ground the discipline. Some of it emphasises the development taxation has gone through over the decades.

4.2.1 Classical antiquity

There is no written history of taxation in Classical Antiquity from 3000 BC to feudal Europe (Michael Hudson 2000:1), but its characteristics can be deduced through looking at the early evolution of fiscal policy.

The first communities did not support themselves by levying taxes but rather designated land for temples and palaces to produce economic

surpluses to support public activities by usufruct. At that time the economy was an agrarian economy and money was only used to supplement minor requirements through markets. There was no labour for hire, and so public services were provided through male citizens contributing labour for military service and communal needs.

It was not natural to finance public activities by taxing privately owned land and other wealth as it was not the norm for people to own such assets. There was a mistrust of private ownership, which it was thought resulted in social discord and decay (Hudson 2000:1). To avoid situations of excessive wealth the Romans and early Christians tended to dispose of surpluses through public feasts and the like. The Sumerians and subsequent Babylonians avoided this situation by placing the means of production in the hands of the temples and palaces. (Hudson 2000:2)

In the era after 2500 BC (Bronze Age) there was a decrease in palace rule and the ownership of land shifted to private hands and to others in a fiduciary relationship, resulting in a surplus and a consequent money-tax for governments to use for military purposes. The result of this was the development of accounting as a stewardship tool and the institution of the fiscal function to gather such taxes, the word stemming from the basket called a “fisc” used to collect such tributes. (Hudson 2000:3)

Finley (1981) as quoted in Hudson (2000:4) writes that the

“classical Greeks looked upon direct taxes as tyrannical and avoided them whenever possible”

(Hudson 2000:5)

implying that tax avoidance, or perhaps evasion, was a topic of discussion even in those days.

It was Darius, who in the time of Herod, introduced state taxes based on property in provinces where each province collected the tax in the manner it saw fit. Hudson (2000:7) writes that, from this time on the taxation system gained uniformity, based on male citizenship - those who were more capable of supporting themselves, and were able to persuade authority to exempt them from different taxes for different reasons.

4.2.2 Early British records

Records about taxes are well preserved in the archives of the Exchequer. According to the National Archives (2007:2) there were two methods of taxation in early Britain. These were lay taxes collected according to the counties, hundreds and parishes, and the clerical grants collected from dioceses, archdeaonries and parishes.

Until 1689 each tax being levied was independently detailed. It was at this time that thresholds, below which individuals did not have to pay tax, were documented. The exemptions were also detailed, as were the rates of tax payable and the number of installments due. (National Archives 2007:4)

During the period 1334 to 1624 fractional taxation was used to gather income at a fifteenth or a tenth of a village's wealth rather than on the individual. The use of such a taxation system was probably due to the Peasant's Revolt of 1381 to the Poll Taxes that were imposed. A poll tax was levied on every 'head', this being either the household head or the male members who were considered capable of paying. It was usually a fixed sum of money. Poll taxes were used in the seventeenth century but only on minorities who could not object. (National Archives 2007:4 - 5)

Under Henry VIII, the Tudor form of taxation became the over-riding taxation system. This consisted of a fixed rated tax, levied on the value of a subject's movable goods or their income from land, whichever was the greater (National Archives 2007:6).

The imposition of "ship money" by Charles I resulted in the outbreak of civil war in 1635 and it was replaced by a weekly or monthly assessment paid in advance.

4.2.3 Early African and South African records

As mentioned in the introduction, Hailey (1938:546) enumerated the taxes that existed in 1925 in which all non-native single persons who earned more than £400 and non-native married persons who earned more than £ 600 per annum at the rate of two shillings in the pound. Supertax was levied on persons who earned more than £2,500 per annum, at the rate of five shillings in the pound. Rebates of 30 percent were introduced by Act 28 of 1935, primarily to relieve the poorer European of taxation. (Hailey 1938:546)

Farmers often escaped taxation by claiming generous rebates for fences, dams, water furrows and improvements to land.

Natives were taxed primarily by a tax collected of ten shillings per hut up to a maximum of two pounds per individual. Local chiefs were supposed to assist with the collection of taxes but the burden fell mainly on the shoulders of the local administrator. Native taxes were due on the first of January but were not always collected due to the mobility of the population. In order to counteract this, police were prone to arrest natives who could not produce a tax receipt (Hailey 1938:580).

About the African continent as a whole, Hailey (1938:592) says,

“There is a striking difference in the manner in which direct taxation affects Europeans and Africans. The amount due from the European is usually related to his financial capacity and where this is not so the flat rate does not impose a heavy burden, save on a few of the poorest: it must seldom be the case that a European has to work merely to earn his tax. In the case of the native, taxation introduced a money economy into his life which had no relation to his traditional ideas of wealth, and, where the incidence of taxation is based on his capacity for earning the money rather than actual wealth or income, it caused a dislocation in his life, and forced him into an activity in which he would not otherwise engage”

(Hailey 1938: 594)

This imposition of taxation in Africa had social consequences, which are still experienced today. It led to a dislocation of 50 percent of the male population through migration; a drift to the urban areas to seek employment, and the possibility of arrest if proof of payment of tax could not be furnished.

4.2.4. Recent South African developments

Major changes have occurred in the Republic of South Africa, since the democratization of government in 1994 when an inclusive constitution was adopted, which brought previously disempowered members of the South African population into the fold of the definition of “a person” (s1).

Because of this change of composition of the category ‘person’, the various tax acts apply to persons who previously fell outside the ambit of the act causing a major shift in the necessity of these persons to be taxed in a uniform way.

After many years of adding to, and altering existing taxation acts, which were promulgated under different circumstances, by different governments in South Africa, there comes a time when it has to be considered that the four maxims of Adam Smith, proclaimed in the *Wealth of Nations* -1776, (Huxham and Haupt 2005:2) may no longer apply to taxation in South Africa in its present form.

These maxims are presented as follows:

1. ***“The subjects of every State ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is in proportion to the revenue which they respectively enjoy under the protection of the State. The expense of government to individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate.”***
2. ***“The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor.”***
3. ***“Every tax ought to be levied at the time, or in a manner in which it is most likely to be convenient for the contributor to pay it.”***
4. ***“Every tax ought to be contrived as to both take out, and keep out, of the pockets of the people as little as possible over and above what it brings into the public treasury of the State.”***

(Huxham & Haupt 2005:2)

Much has been done to try to comply with these maxims in developing taxation legislation in South Africa, but they may not reflect the feelings of the taxpayers of the present South Africa. If there is a difference between what the authorities have tried to achieve and what the subjects considers fair, then revision of the processes and procedures of taxation would undoubtedly be a government priority.

It is also possible that within the constant revision of tax law and the additions to this law, that the knowledge of taxation by the people has become eroded and thus their compliance compromised resulting in a larger tax gap.

It is within this context that the present study was conducted as a foundation for a broader enquiry. The various tax acts of South Africa need to be examined further and then compared to other states in Southern Africa especially if there is a similarity of development of taxation in South Africa in their own legislation.

4.3 THE DISPROPORTINATE BURDEN OF TAXATION

The maxim put forward by Adam Smith in 1776 as documented by Huxham and Haupt (2005:2), requires that a person should contribute to the running of the state in proportion to his or her ability to pay.

However, the arguments put forward to exclude members of the public from taxation have outweighed the arguments for the inclusion of taxpayers. This, in South Africa, results in rebates and exclusions, such as the primary and secondary rebates (s6 (2) a&b), exemption of medical expenses (s18), exemptions (s10) and allowances (s11).

Consequently many citizens do not have to contribute to the running of the state at all as they fall below the tax threshold. Other types of taxes like VAT in which transactions rather than persons are taxed, is considered to be more equitable but this does not form part of this study.

John Maggs (2006: 45) indicates that 40 percent of adults living in the United States of America live outside the present tax system and thus present a political challenge to that country.

Maggs feels that the relationship between a government and its citizens is depicted in the result of their tax return and is therefore vital to forming this relationship. In the 2005 tax year, in the USA, one third of the federal tax returns filed resulted in no taxation being paid. This was double what it was in 1985. These 45 million people, when coupled to the 15 million who did not have to submit returns because they did not reach the minimum taxable income, result in 40 percent of the American adults falling outside the tax system and not being able to be influenced by government tax collection.

The other point that Maggs (2006:46) makes is that there needs to be a radical simplification of the “Byzantine Tax Code” present in many regimes around the world. As mentioned earlier the Australian revision of their taxation procedures has resulted in a significant reduction in the taxation legislation (The Australian Tax Office 1998) (Katz Commission 1995: 2)

4.4 SCHOLARSHIP IN ACCOUNTING

It is prudent for the reader to be made aware of the academic tension that is occurring in departments of Accounting, Auditing, Taxation and Financial Management in South Africa (Van der Schyf 2008:1) so that the investigations of academics may take cognizance of these developments and be internationally acceptable.

The teaching and learning that takes place, in the fields in Accounting, in South African Universities has been governed since 1918 by the dictates of the professional bodies (Maguire 1980; Van der Schyf 2008:18). This has led to a lack of development of research and scholarly practice in these departments. Gray and McKernan (2000:10) point to this lack of a research culture in South African

universities with regard to accounting, and West (2006:121) emphasizes how far South African universities are behind their international counterparts. Van der Schyf (2008:3) says that

“no similar research has been undertaken in this particular area in South Africa”

concerning the development of a scholarly investigation.

To this end the three worlds' framework of Mouton (Barbie and Mouton1998:37) was modified and examined by Van der Schyf (2008:5). The World 1 sector which entails the everyday world is well represented in South African universities. It is in this World that the everyday practice of accounting is transmitted to students.

The World 2 sector, which looks at accounting; and taxation by implication, as a social science is not entertained by the average academic whose load is predominantly a teaching one, embedded in World 1. This world of scholarly activity encompasses the conceptual foundations of accounting (and taxation), accounting concepts (and taxation concepts) and definitions and the outcomes of scientific research; encompassing a problem statement, research design, methodology and conclusion (van der Schyf 2008:5). It is the determination of scientific facts that surround this World 2.

World 3, or the meta-science world, is the one that is under-developed in the accounting and taxation fields. This is the world of meta-science in which the paradigms in the philosophy of accounting as a science are examined and expanded using several methodologies. (Riahi-Belkaoui 2004:329; Schroeder, Clark and Cathey 2005:102; Kam 1990:485)

Van der Schyf (2008:15) says;

“thus far there is no generally accepted accounting theory.”

But he goes on to quote Riahi-Belkaoui (2004:110-116) in suggesting that any research should start looking at an ethical approach, a sociological approach, an economic approach and an eclectic approach as options to expanding the World 3 knowledge base of accounting to find a conceptual framework that will provide guidance for the study of accounting.

Once this develops, accounting departments in universities will begin to meet university requirements of “scholarship” and “scholarly activity” as put forward by Cryer (2006:73)

The field of public finance, which deals with taxation and government spending, seems to be in a similar quandary if the comments of Spindler (2001a: 2001b) are anything to go by. He comments that:

“(a)s a discipline Public Finance simultaneously offers a number of principles or ideals of taxation that are mutually inconsistent” (Spindler 2001a:4).

He names these as conventionalism, division of labour specialization, and professional market potential, but the comment that affects the working of this, is that there is a dissonance between what should be taxed and how to tax it.

Gildenhuys (1997) confirms this position in when discussing his book, Introduction to the Management of Public Finance: A South African Perspective, where he says:

“It deals with the same topics covered in Public Management Finance, but in simpler terms. Greater emphasis is placed on facts and theories rather than on the philosophy of the subject” Gildenhuys (1997: i)

Since Musgrave’s 1959 classic: *The Theory of Public Finance* there has been an emphasis on the ‘Schanz-Haig-Simmons’ notion of comprehensive personal income. This is based on the assumption that a person should not be worse off after the tax than they were at

the beginning of the year. However this is based on a single period model. It has been adjusted, but basically defines what should be taxed (Spindler 2001a: 4). Thus one determines “what” should be taxed in accordance with this principle.

The method of taxing is based on two other principles, namely the benefit principle and the ability-to-pay principle, with modern theory placing emphasis on the latter. The examination of horizontal and vertical equity (Spindler 2001a:9) has resulted in the progressive tax rates that exist at present. (2001a:10)

The result of trying to apply the Schanz-Haig-Simmons notion, and attempts to eliminate avoidance has created more avoidance opportunities for taxpayers than it solved.

The political interference of lobby groups has also skewed the burden of tax on the South African public. “While South Africans in total shoulder a relatively low tax burden as measured by the ratio of government revenue to GDP (roughly 28%), actual taxpayers shoulder an excessive burden because they are so few as a proportion of the population (Spindler 2001b:15).

Spindler’s wish is that another Musgrave manifests to prepare a **“new consistent version of the discipline”**
(Spindler 2001b:16)

4.5 TAX MORALITY

Tax morality is defined by Torgler and Schneider as

“a moral obligation to pay taxes, a belief in contributing to society by paying taxes”.

Torgler and Schindler (2006:3)

The formal model put forward in 1972 by Allingham and Sandmo (1972:323-338) originally proposed a direct correlation between tax evasion, the probability of detection and the degree of punishment. This relationship they proposed was negative, but studies by Graetz and Wild (1985:355-363), Alm, McClelland, and Schultz, (1992:21 - 48) and Frey and Feld (2002:87 - 99) (quoted in Torgler and Schneider 2006:2) do not verify the predictions of this model. Long and Swinger (1991:130) found that people are “simply predisposed not to evade” taxation.

Alm (1999:741 - 768) points out that there are some individuals who are predisposed to comply. They do not evade taxation. This “tax immorality index” of the formal model, when applied to various countries, forecasts compliance that was too low and evasion that was excessive. This resulted in research on this anomaly.

Research found that tax morality tends to be related to the following factors:

- Citizens’ attitudes towards governments (Alm, Sanchez, and de Juan 1995);
- Specific geographical regions (Torgler and Schneider 2006);
- Customs and conventions (Henrich, Young, Boyd, McCabe, Albers, Ockenfels and Gigerenzer 1999);
- Language, gossip, stories and rituals of daily life (Swindler 1986:273);
- Common culture (Kasper and Streit 1999:393);
- Socially held beliefs (Swindler 1986);
- Countries (Torgler and Schaltegger 2005);
- Kirchgässner (1999) feels that the relationship between the state and the religious authorities also plays an important role in tax morality; and

- Torgler and Schneider (2006) indicate that the ability of the taxpayers to control and monitor their politicians through the degree of democracy may also be a mitigating factor.

“(T)he more involved citizens are in establishing the rules, the stronger their sense of obligation”

(Torgler and Schneider 2006:8).

In studies done in Switzerland (Torgler and Schneider 2006: 16) it was found that there was a direct correlation between democracy and tax morality or the tendency to pay tax. Tax morality was also significantly, positively affected by trust in government as well as a feeling of national pride. Punishment has a negative effect on tax morale. Women were reported to have higher tax morale than men as did older people when compared to younger people. Married people, retired people and part-time employees showed higher tax morale.

In the studies reported in Belgium (Torgler and Schneider 2006: 20) there was no significant difference between the Flemish speakers and the French speakers. The studies here did agree that national pride; trust in government, church attendance, being older, a woman, married and having democratic attitudes had a positive effect on tax morale. It was also found that the tax rate did not affect tax morale but a higher household income tended to lower tax morale.

In Spain, where there are 17 autonomously governed communities, Torgler and Schneider (2006:21) report that culture did play “a significant role in the determination of individual tax morale”.

They also report that tax morale improved over time in the Basque country from 1990 to 1995 after the various reforms of 1990. The conclusion of the studies they report indicates that “higher autonomy

does not lead to significantly higher tax morale” (Torgler and Schneider 2006: 23). Church attendance in this state did not affect tax morale. On the other hand pride, trust, and pro-democratic attitudes do have a significantly positive effect on tax morale. Other findings were that women were more compliant than men, as were widows and part-time employees. It was also found that being middle class resulted in the lowest tax morale.

The above observations tend to be based on two basic constructs, say Torgler and Schneider (2006:8). These are the attitudes engendered in the person’s political and religious persuasion. These constructs influence the trust in state institutions, national pride, pro-democratic attitudes, and trust in government, parliament and the fairness of the legal system (2006:8). They also can be taken as substitutes for the work ethic, tolerance and trust (2006:9).

One problem, however, is that most of this information is gained through self-reporting by the subject, leading to possible bias.

4.6 RESEARCH TO DATE

Taking cognizance of the explanation above and the move towards solving the tension between accounting research in particular and its sub categories like taxation, there is some movement towards scholarship in this field. Admittedly it is within the World 2 sector but as momentum is gained and more students are stimulated to pursue research there will be enough scholarship to develop the World 3 knowledge.

The amount of research to date is small in taxation. Geabo and Robinson (2007:2-3) write, “although little research has been conducted” they see their research as a “stepping stone for further

research of this nature” with regard to tax compliance. Their work is set in South Africa and like this research is an attempt to encourage more research.

The only other work done in South Africa in this field is that of Oberholzer (2008:46). In a survey of homeowners in one particular area in South Africa she discovered that one of the main causes of noncompliance with tax legislation was the attitude and perceptions of the sample (Oberholzer 2008:45). One of the contributing factors to this dishonesty was found to be the complexity of the tax system in South Africa and the resultant administrative failure (Oberholzer 2008:49).

Most of the respondents in Oberholzer’s study (2008) could not, unassisted, list the different types of taxes. They felt positive about the government where it applied taxes in an appropriate manner, yet would welcome lower tax rates, if introduced. Her research also reported that significant numbers of respondents felt that government should be transparent, while Oberholzer (2008:50) inferred that amongst the previously disadvantaged there is a need for tax education regarding the systems and their applications.

The work of Cummings, Martinez-Vazquez, McKee and Torgler (2005:23) done in comparing tax reporting in South Africa and Botswana indicates that compliance rates vary between these two states based on a number of factors. The two major factors discussed in their study were the relationship between tax compliance and the percentage of taxation being gathered (Martinez-Vazquez et al 2005: 9) as well as the tendency of the government to listen to the people (Martinez-Vazquez et al 2005:22). The lower the tax rate and the more attuned the government was to the population, the higher the tax compliance these researchers found.

The research reported by Torgler and Schneider (2006:7) on tax morale has been reported above. Although not a new notion, tax morale has received surprisingly little attention in the tax compliance literature. (Torgler and Schneider 2006:2)

With the introduction of on-line submissions of taxation in Saba and Sarawak, Kamaluddin and Madi (2005:3) determined how literate salaried taxpayers were with respect to self-assessment systems. Their findings were that salaried employees were not yet literate enough to comply with such a system. They also discovered that the results varied between areas but not between members of the private and public sectors or the sector of employment.

Other research from Europe indicates that men are less compliant than women (Vogel 1974:499); those who are educated have more knowledge about tax matters, especially the sanctions placed by government on taxpayers for non-compliance. Tittle (1980) (Quoted in Torgler and Schneider 2206) says that those who are self-employed comply more with taxation legislation as their actions are more visible.

The South African Revenue Service (SARS) has been successful in improving the collection of tax revenue since its inception in 1997, regularly surpassing its targets, but this cannot continue indefinitely, say Geabo and Robinson (2007:357). There is a point beyond which more has to be done to decrease the tax gap. They feel that this can only be done by becoming more transparent and improving tax morale, especially in the informal sector of the South African economy.

They further indicate that despite the lack of research conducted, there is a trend to look at the effect of improving confidence in government, which they refer to as “positive citizen attitudes”, and what they call “tax literacy” rather than tax compliance (Geabo and

Robinson 2007: 357). Tax literacy, Geabo and Robinson (2007:358) define as the theoretical and practical knowledge of tax systems.

Alm, Martinez-Vazquez and Torgler (2005:1) report that over the period 1991 to 1995, in Russia there was decay in tax morale as the social norms changed. With the stabilization, which occurred in the government after 1995 they report a slight recovery in tax morale as the levels of trust in the state normalized.

4.7 CONCLUSION

This chapter has presented the literature that has a bearing on the topic at hand. It examined a number of themes that have bearing on the questions that have been constructed in the questionnaire. It has traced some of these over time and culminated in a look at the prominent research that is available.

The next chapter examines the research methodology. The population or sampling frame will be defined and the determination of the sample enumerated. The method of analysis will be examined and the method of collecting data explained.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

The previous chapters have examined the literature and the theory applicable to this study. The foundation laid here has paved the way for the study. In this chapter the research methodology, population, and sampling methodology will be examined as well as the analysis of the research presented.

5.2 THE SALIENT POINTS

To place this chapter in context the main points from Chapter 1 are summarized here. The topic of this research is,

The knowledge of, and the attitude towards, taxation of South Africans.

This leads to the problem statement, which asks,

Does the knowledge that South Africans have of Taxation affect their attitudes towards taxation?

This in turn results in research objectives that try to determine,

If there a relationship between the knowledge that South Africans have of income tax and their attitudes towards income tax, and

What biographical characteristics influence the knowledge and attitude of taxpayers?

The variables in this study are:

- The knowledge that persons in South Africa have about taxation;
- The attitude that South Africans have towards taxation; and
- Their biographical characteristics.

5.3 POPULATION

The population consists of all people present in the Republic of South Africa. This includes foreigners and visitors. As taxation can apply to children and also non-South African nationals they will be included in the population. People under the age of ten years of age have specifically been excluded from the survey as it was assumed after lengthy discussion that their responses could not be gained through a questionnaire and also their exposure to taxation was minimal.

5.4 SAMPLE

The sampling in this research was divided into stages. The objective of this was to allow future researchers to focus on a particular province of the Republic of South Africa or a particular group.

- Stage 1.
An area/quota sampling method (Welman and Kruger 2007:63) was used to divide the project into provinces with each area to produce at least 50 responses. Those provinces of the Republic of South Africa where populations are larger, a proportionately larger sample would be required. Also the provinces where some language groupings predominate and a large concentration of the four race groups exist, was targeted.

The provinces that must be included in the study were given in the conclusion of chapter 2 and are the Eastern Cape; The Free State; Gauteng; Kwa-Zulu/Natal; Limpopo and the Western Cape.

- Stage 2.

A convenience/judgmental sampling method was used within each province. A pilot study was carried out in which different methods were used to gather the data. An interview in shopping malls was one of these but the population proved to be rather biased and dependent on the time of day one interviewed in the shopping mall. A method that proved to be effective was to ask contacts to distribute the questionnaire to people they knew.

The method which worked best was to ask grade 12 teachers in appropriate high schools to ask their pupils to give these questionnaires to people who met the criteria on the front cover, e.g. an Asian male between 25 and 35 years of age. A request was coupled to this for the pupil to assist the person to complete the questionnaire.

- Stage 3

Additional questionnaires were distributed to target populations that form a significant number for that province in terms of the National Statistical reports so that they are fully represented. At this stage care was taken that certain groups were not over or under represented.

5.5 RESEARCH METHOD

This research was undertaken using a survey technique (Barbie and Mouton 1998: 229 - 268) in which a pre-formatted questionnaire was

designed to cover the major points of the following Tax Acts:

- Income Tax;
- Value Added Tax;
- Estate Duty; and
- Capital Gains Tax.

The biographical details of the respondents, as categorized in the National Census (Statistics South Africa 2001) were included, and one open ended question was included in each section to guide further research concerning the above mentioned Tax Acts.

5.6 METHODOLOGY DETAILS

The methodology in this research is outlined in detail in this section.

The first step was to develop a questionnaire to cover the biographical details. These were aligned with the results of the categories of the latest national census so that comparisons could be made with the samples that were chosen as well as other similar studies. (Statistics South Africa 2001) The results were to be generalized to the population so sampling was kept as random as possible.

The details of the four Taxation Acts were brainstormed by all the prospective and present Masters students in Taxation at the Durban Institution of Technology (now Durban University of Technology), to come up with 20 questions that would indicate whether the respondent knew the main points of that particular Act. At least 20 questions were also identified to gauge the attitudes of the subjects to the particular tax Act. These questions were then subjected to the comments of the lecturers of the Taxation department on the relevance of these questions for validity purposes.

The second part of the questionnaire was constructed using true/false questions to determine the knowledge that the respondent had of the particular Tax Act, and in the third part, a Likert scale was used to determine the attitude of the subject to various statements about that tax. The questionnaire was then reviewed and alterations or additions made.

This questionnaire was tested in a pilot study and the results analyzed. Questionnaires were also given to a group of Tax 1, Tax 3 and fourth year Bachelor of Technology students to determine if there was a hierarchy of knowledge within the format of the true/false questions. Alterations were then made to questions that obviously were unclear, biased, ambiguous, or which did not indicate a difference in knowledge. Questions that were problematic were excluded.

Once the questionnaire had been tested it was used in a second pilot study to determine if 40 members of the public could answer the questions in their entirety. It was found that the true/false knowledge questions were often left blank so a third category was added to the knowledge questions, which allowed a respondent to answer "I don't know".

The final questionnaire had three parts.

- The first collected the biographical details of the respondents in the order that it is presented in the Statistics South Africa schedules (2001) and in section 2.2.1 above.
- The second section asked various questions to establish how much the person knew about the tax Act to be examined. This is covered in section 3.2 above. Also an open ended question

was included to gather data that the researchers did not foresee in the closed questions.

- The third section comprised statements with a 5-point Likert Scale, which would determine the attitude of respondents towards statements concerning the major points in the Act being examined.

The final questionnaire is presented in Appendix A.

5.7 DATA COLLECTION

Data was collected by means of self administered questionnaires. Data collection was carried out in various ways as mentioned in 5.4 above. During the collection and recording process the data was monitored so that where possible at least 20 responses of the biographical categories mentioned in the Statistics South Africa 2001 Census data are covered. These included gender, age, race, home language and location (City, Urban Rural and Village).

Data was checked in the field and then again in the office where the reliability of the data collected was examined. Any data which the field worker indicated as being suspect was examined, and a decision made about its exclusion based on the percentage of completion.

The raw data was captured using SPSS as a base for the spreadsheet. Answers to the qualitative questions were captured on an excel spreadsheet for later use.

5.8 DATA ANALYSIS

The data was analysed by doing a primary analysis in which tables and graphs were constructed using SPSS, which were examined to determine trends and patterns within each question. Questions that had a majority of the responses in one category and very small percentages in the other categories were discarded if they provided no further insight. This analysis is reported in Chapter 6 for biographical data where the biographical details are examined with respect to the population.

Chapter 7 examines the knowledge that respondents had about income tax and the effect that biographical details have on this knowledge.

Chapter 8 takes the attitudes that respondents had towards income tax and further determines the effect that biographical details have on this.

This secondary analysis was then performed by examining the relationship between knowledge about income tax and the attitudes that respondents had towards income tax.

Cross tabulations were carried out on each of the questions and attitude statements which were presented in tabular and graphical form, but this resulted in more than 300 pages of graphs and tables, which are not included but are reported and summarised.

Chapter 9 determines the relationships between knowledge of income tax and attitudes towards income tax.

In the secondary analysis, inferential statistics were also applied so as

to accept or reject the hypothesis. Where nominal data, and ordinal data, were being analyzed a chi squared test (X^2) was applied. This indicated “whether the values of the two variables are independent or associated” (Saunders, Lewis and Thornhill 2000:357). A probability of 0.05 meant that there was only a five percent chance that the variables were independent. There was therefore a 95 percent chance that they were associated and not independent. The significances are presented in Tables 50, 51 and 52 on pages 266 in Appendix B. These chi squared values were calculated using the chi squared within the cross tabulation menu in SPSS, the statistical package used by Durban University of Technology.

Correlations were carried out using the same package to determine the size of the correlation and its significance. The correlation quantifies the strength of the relationship between two variables. These were summarized and are presented in Tables 53 to 58 on pages 269 in Appendix C.

The three methods of analysis were then used to determine if the hypotheses are to be accepted or rejected and reported in Chapter 10.

5.9 CONCLUSION

In this chapter the research methodology, population, and sampling methodology were examined and the analysis of the research was described.

In Chapter 6 the biographical data of the sample will be presented. In Chapter 7 the knowledge that South Africans have about Income Tax will be examined. In Chapter 8 South Africans attitudes will be explored, and then in the following chapters the relationships of the various questions will be summarized and conclusions drawn.

CHAPTER 6

PRIMARY ANALYSIS

6.1 INTRODUCTION

This chapter details the biographical characteristics of the sample by presenting the data for each individual question. Comparisons will be made with the population, where possible, to determine if the sample is representative of the population at large. Questions or statements that do not add to the analysis will not be taken to higher levels.

The questionnaire is attached as Appendix A.

6.2 PRIMARY ANALYSIS OF BIOGRAPHICAL DATA

The variables to be analysed are covered in the order that they appear in the questionnaire. The questions are used as the headings of the various sections. The blank responses are included in the data to indicate the percentage of respondents who were unwilling to comment on this question. These blank responses were coded in a separate category. Where the blank response was larger than ten percent it was taken as being a significant factor.

In this section the data collected is categorical data (Saunders M, Lewis P and Thornhill A 2000:328) of the descriptive or nominal level of measurement. This means that they are in categories and can not be subjected to most descriptive or inferential analyses.

6.3 GENDER DISTRIBUTION IN THE SAMPLE

Gender was the first variable that was collected in the questionnaire.

Table 10 Distribution of gender in the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	243	45.9	46.7	46.7
	Female	277	52.4	53.3	100.0
	Total	520	98.3	100.0	
Missing	Blank	9	1.7		
Total		529	100.0		

Table 10 and Figure 10 indicate that the sample was made up of 243 males (52.3%), 277 females (52.4%) and 9 people (1.7%) who did not answer this question. In the population in South Africa in general, these figures are 47.8 percent and 52.5 percent respectively. The difference between the sample percentages and the population percentages is 1.1 percent. This variance is less than that between provinces within South Africa.

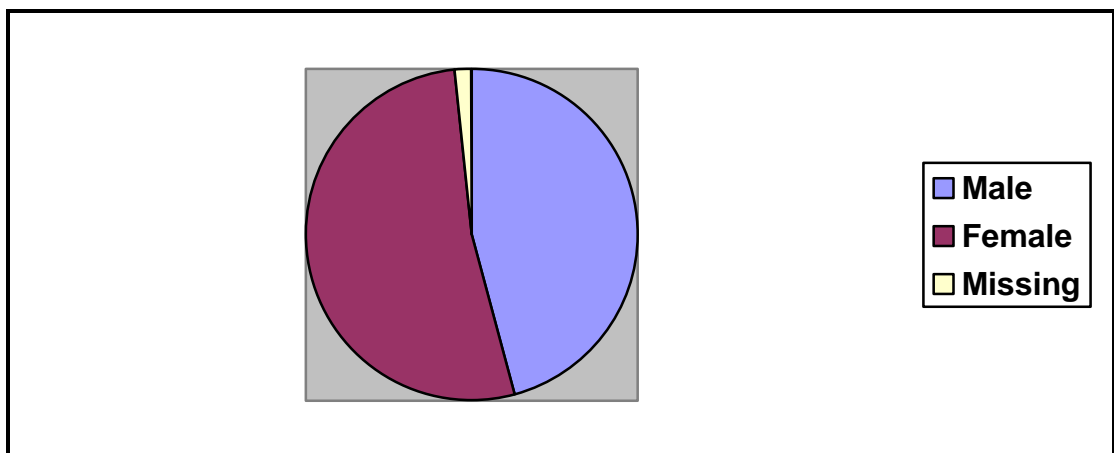


Figure 10 Gender distribution of the Sample

6.4 AGE DISTRIBUTION IN THE SAMPLE

According to the national census the age distribution is categorised in five-yearly increments. Data for children nine years old and younger was not collected as it was considered that these respondents would not have had enough exposure to taxation matters or be able to interpret the questions and give satisfactory answers to a self-administered questionnaire.

The distribution of the age of the sample indicates that there are a large number of respondents in the age group 15 to 19 years of age. This occurred because a number of teachers in various high schools handed out the questionnaires to their grade 12 students rather than requesting that they be taken home and completed by members of the family who represented the age group marked on the front cover of the questionnaire. However, this did compensate for the group of respondents in the age groups below 10 who were particularly excluded.

To eliminate the respondents in the 15 to 19 year old category may have been appropriate when comparing the numbers to the distribution in the population, but it was decided that this data could be used later in further analysis when a study could be done concerning high school students in a “then and now” research project or longitudinal study (Cooper and Schindler 2006:141).

The working groups from 25 to 60 years of age were also slightly higher in number than the national percentages owing to bias in the sampling process.

Table 11 Distribution of age in the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10-14	26	4.9	5.0	5.0
	15-19	126	23.8	24.1	29.1
	20-24	41	7.8	7.8	36.9
	25-29	54	10.2	10.3	47.2
	30-34	54	10.2	10.3	57.6
	35-39	53	10.0	10.1	67.7
	40-44	50	9.5	9.6	77.2
	45-49	42	7.9	8.0	85.3
	50-54	23	4.3	4.4	89.7
	55-59	18	3.4	3.4	93.1
	60-64	14	2.6	2.7	95.8
	65-69	5	.9	1.0	96.7
	70-74	5	.9	1.0	97.7
	75-79	5	.9	1.0	98.7
	80-84	6	1.1	1.1	99.8
	85+	1	.2	.2	100.0
	Total	523	98.9	100.0	
Missing	Blank	6	1.1		
Total		529	100.0		

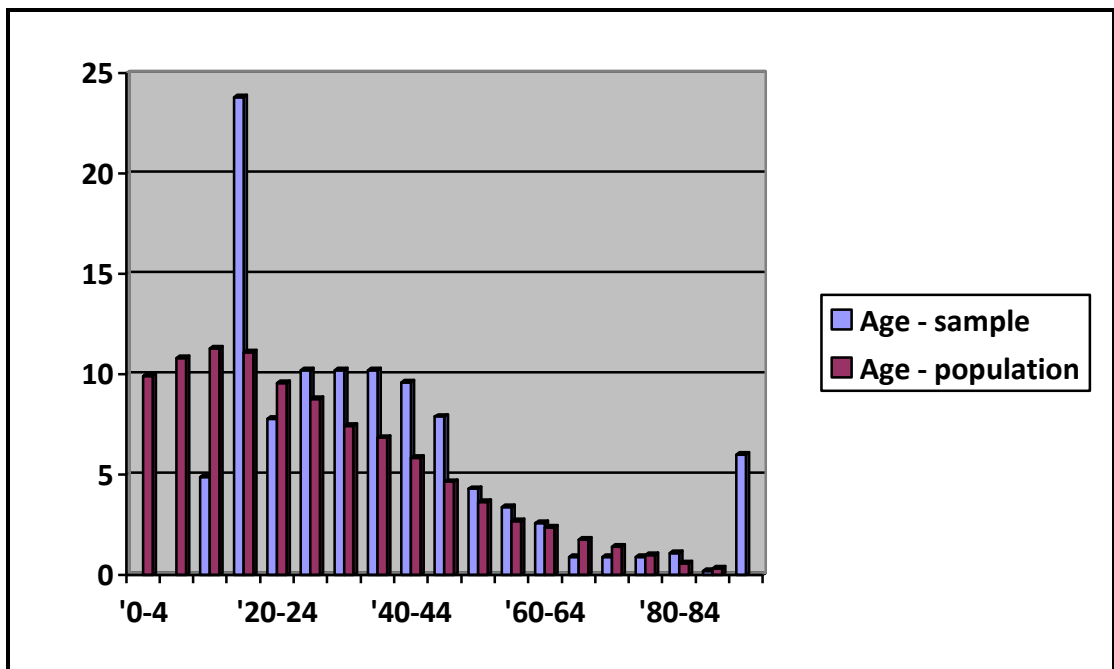


Figure 11 Age distribution of the sample compared to the Population

6.5 RACE DISTRIBUTION IN THE SAMPLE

This section compares the distribution of the sample according to race, with the population in general.

The proportions of the sample tend to be skewed relative to the population (Table 3 and Figure 12) with respect to race. The Black African group is under represented, yet still makes up 43 percent of the sample. The Coloured population is under-represented by 2%, while the Indian or Asian group, as well as the white population were over represented.

Table 12 Distribution of race in the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Black African	213	40.3	40.6	40.6
	Coloured	32	6.0	6.1	46.8
	Indian or Asian	106	20.0	20.2	67.0
	White	173	32.7	33.0	100.0
	Total	524	99.1	100.0	
Missing	Blank	5	.9		
Total		529	100.0		

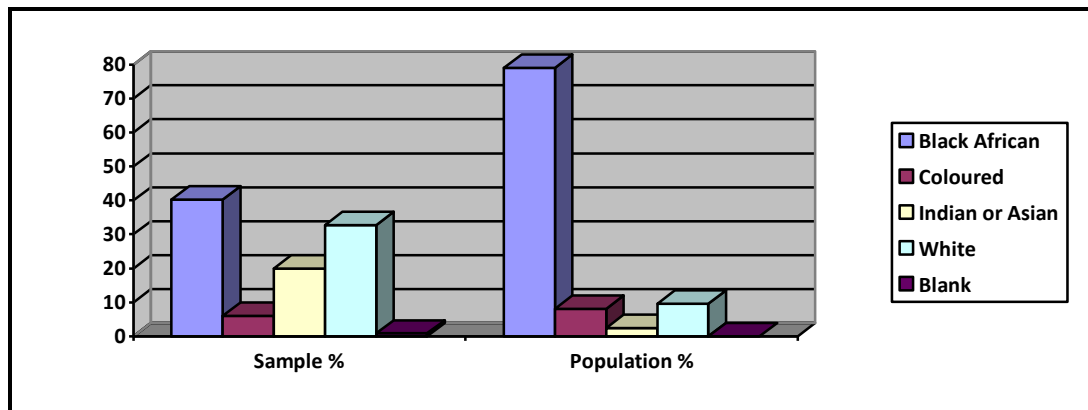


Figure 12 Race distribution of the sample compared to population percentage

Historically the groups that were overrepresented in the sample have had greater access to infrastructure and are more easily accessible with respect to communication channels. The black African and Coloured populations have not had the same privilege with respect to education and development in South Africa especially in those provinces that are predominantly rural in nature. This is improving, especially amongst people in the 20 to 30 year age group (Bhorat, Powell and Naidoo 2001:11). The Coloured population is also more widely distributed in provinces where access to high schools was not readily available so the questionnaires that were returned had to be distributed through alternative channels to gather data.

6.6 HOME LANGUAGE OF THE SAMPLE

The number of official languages in the Republic of South Africa is eleven even though the language of communication in most societies across these divides is English (Thutloa 2010:1). Many of the black African members of the community received their education in English, and some in Afrikaans (Thutloa 2010:1). It was, therefore, expected that there would be a bias towards these languages and English in particular.

Table 13 and Figure 13 indicate that there is a difference between the percentages of the population and the percentages of the sample with regard to home language. The major outlier is the large percentage of English speakers in the sample (42.9%) compared with the small percentage of English speakers in the population (8.2%). Thutloa (2010:1) calls this a language shift, “where one speech community adopts another language and gives up their own” language. English has become the language of social and economic mobility in South Africa and the ‘lingua franca’ of the post-apartheid community (Thutloa 2010:1). Also the lack of concentration on IsiZulu (14%) and

IsiXhosa (8.3%) emphasises the inability of the researcher to reach the rural areas in the provinces in which these language predominated.

Table 13 Home language of sample compared to population

		Frequency	Percent	Valid Percent	Cumulative Percent	Population Percent
Valid	Afrikaans	82	15.5	15.6	15.6	13.3
	English	227	42.9	43.1	58.6	8.2
	IsiNdebele	2	0.4	0.4	59.0	1.58
	IsiXhosa	44	8.3	8.3	67.4	17.6
	IsiZulu	74	14.0	14.0	81.4	23.8
	Sepedi	15	2.8	2.8	84.3	9.4
	Sesotho	18	3.4	3.4	87.7	7.9
	Setswana	17	3.2	3.2	90.9	8.2
	SiSwati	15	2.8	2.8	93.7	2.7
	Tshivenda	6	1.1	1.1	94.9	2.3
	Xitsongo	22	4.2	4.2	99.1	4.4
	Other	5	.9	.9	100.0	0.5
	Total		527	99.6	100.0	
Missing	Blank	2	.4			
Total		529	100.0			

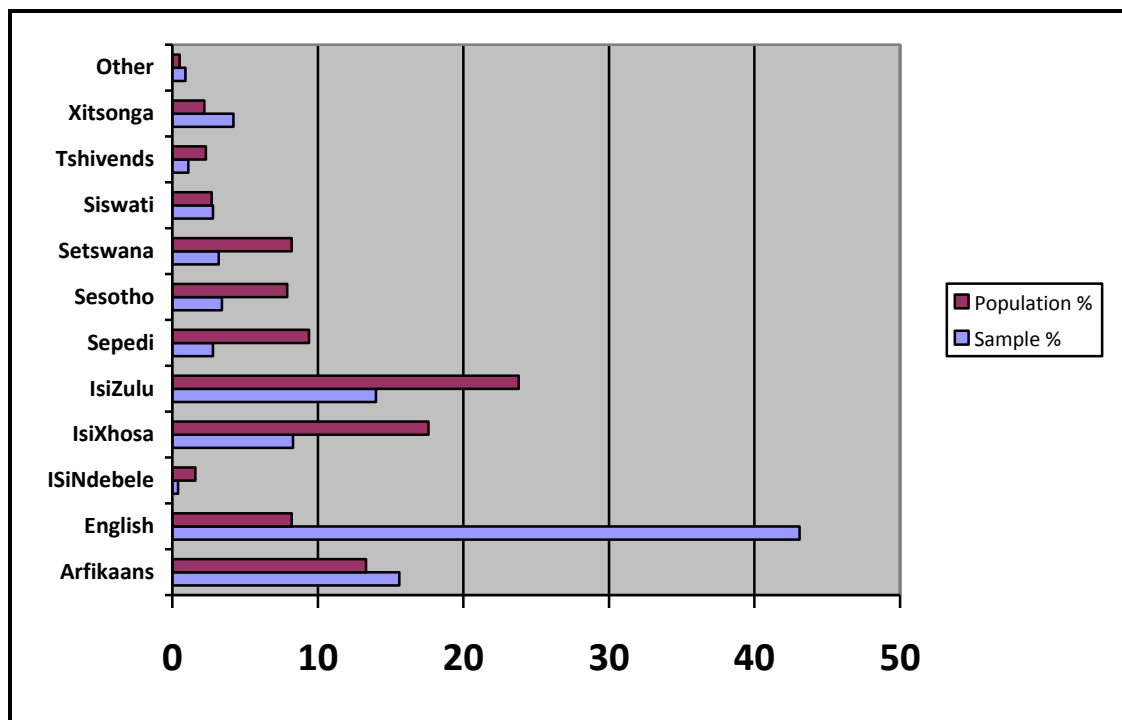


Figure 13 Home language of sample compared to population

All the languages were represented to some extent. As can be seen, those with very small footprints on the country were not well sampled even with the variety of sampling methods used.

6.7 LEVEL OF EDUCATION OF THE SAMPLE

Firstly, questionnaires that are dependent on the respondents reading it are often biased towards those who are capable of reading the questions (Welman and Kruger 1994:171).

Secondly, they are biased towards those who are capable of understanding the language in which the questionnaire is compiled and, thirdly, respondents must be able to understand the questions (Welman and Kruger 1994:171). These points require questions to be appropriate for the population being surveyed. Questions in the questionnaire were originally examined to demystify the topic by using simple language and asking questions that did not require technical terms.

Table 14 Level of education of the sample compared to the population

		Frequency	Percent	Valid Percent	Cumulative Percent	Population
Valid	No Schooling	9	1.7	1.7	1.7	17.9
	Some Primary	11	2.1	2.1	3.9	16.0
	Completed Primary	6	1.1	1.2	5.0	6.4
	Some Secondary	97	18.3	18.8	23.8	30.8
	Grade 12 / Std 10	171	32.3	33.1	57.0	20.4
	Higher	222	42.0	43.0	100.0	8.4
	Total	516	97.5	100.0		
Missing	Blank	13	2.5			
Total		529	100.0			

As expected the percentage of respondents in the sample with post secondary school qualifications is higher in the sample (43%) than in the population (8.4%).

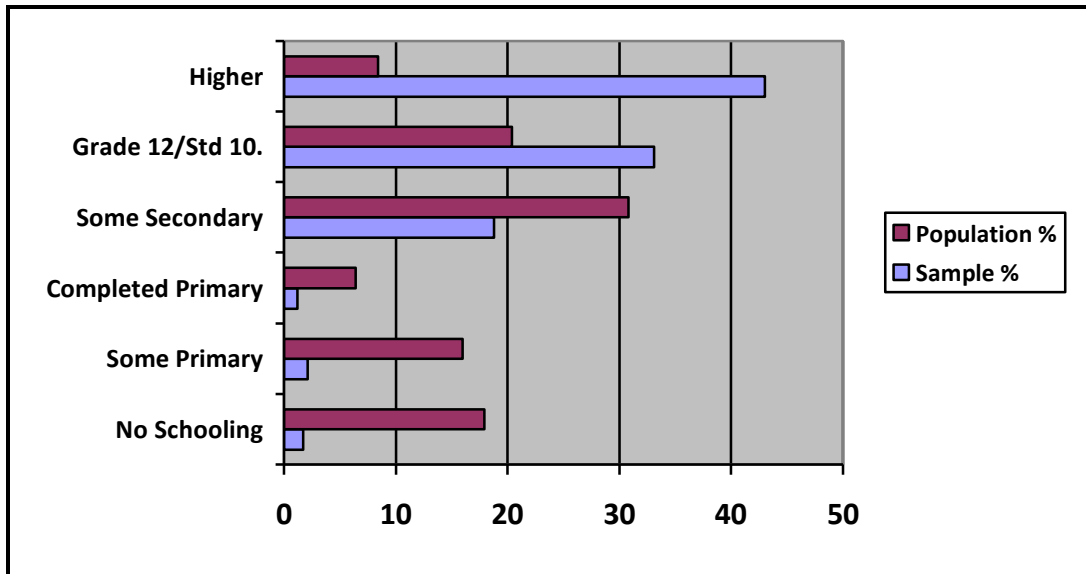


Figure 14 Level of education of the sample compared to the population

There is an anomaly of more people in the population with “Some Secondary education” (30.8%) than in the sample (18.8%). This indicates that these people were not satisfactorily sampled owing to the inability of the sampling systems to incorporate them.

The lower than expected numbers of the sample with less than secondary education were anticipated.

6.8 OCCUPATION CATEGORIES OF THE SAMPLE

The South African Census (2001) places people in the occupational categories as presented below in Table 15. This is compared with the survey population in the graph rather than cluttering the table with figures. It also allows for better comparison.

Figure 15 re-emphasises the inability of the sampling method to sample the rural and less educated members of the population.

There is a larger percentage of professionals in the sample (16.3%) compared with the population (7%) and there are few people sampled who were in the elementary category of employment. The census (2001) does not include the number of unemployed as a category; neither does it give the number of students who are in full-time study.

Table 15 Distribution of the sample with respect to occupations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Legislators, Senior Official and Managers	43	8.1	8.6	8.6
	Professionals	86	16.3	17.2	25.9
	Technical and Associate Professionals	40	7.6	8.0	33.9
	Clerks	72	13.6	14.4	48.3
	Service Workers, shop and market sales workers	32	6.0	6.4	54.7
	Skilled Agricultural and Fisheries workers	1	.2	.2	54.9
	Craft and related trade workers	9	1.7	1.8	56.7
	Plant and Machinery Operators and assemblers	8	1.5	1.6	58.3
	Elementary Occupations	7	1.3	1.4	59.7
	Undetermined	13	2.5	2.6	62.3
	Student	154	29.1	30.9	93.2
	Unemployed	34	6.4	6.8	100.0
	Total	499	94.3	100.0	
Missing	Blank	30	5.7		
Total		529	100.0		

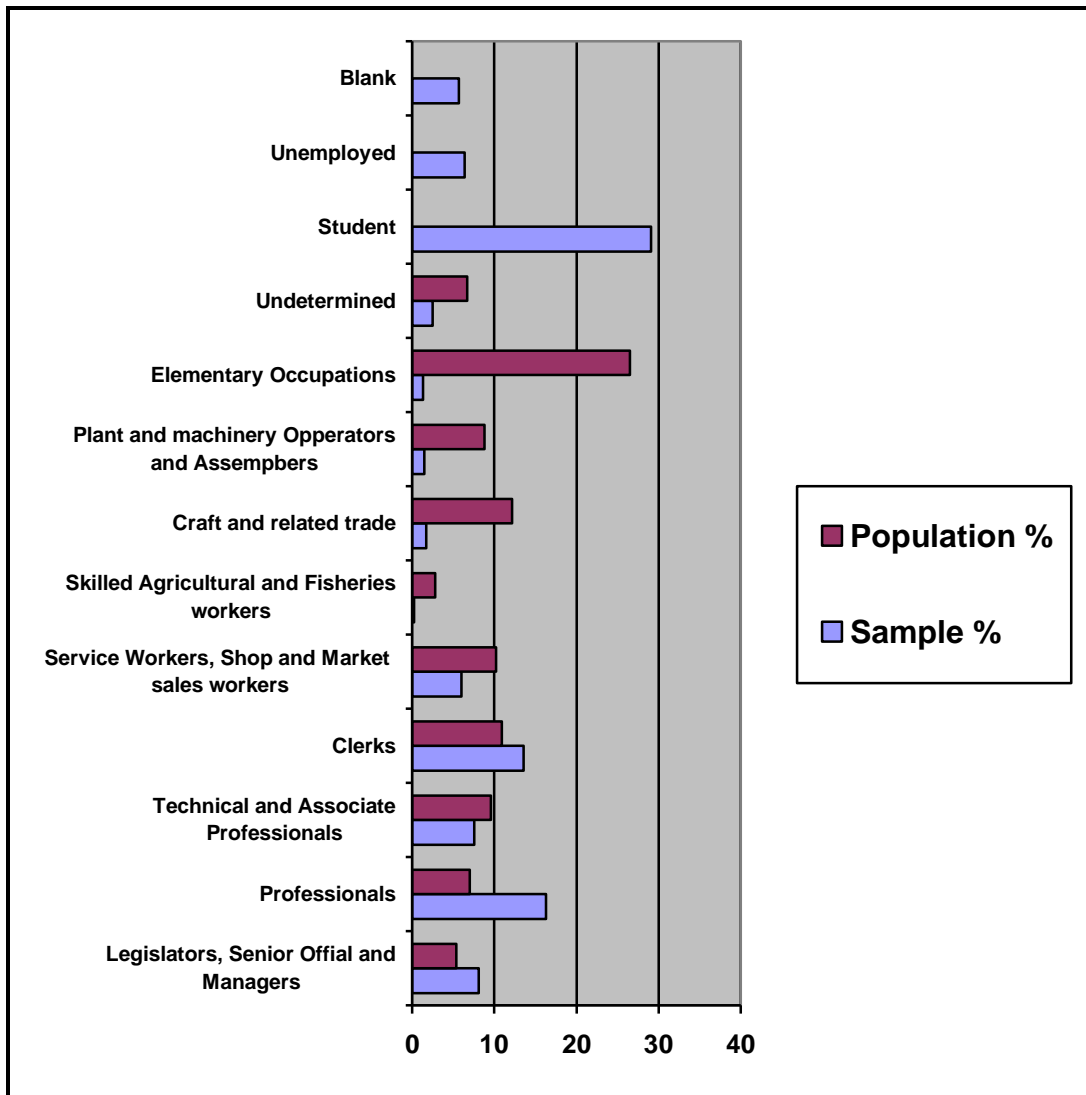


Figure 15 Distribution of the sample with respect to occupations compared to the population.

6.9 LOCATION OF MEMBERS OF THE SAMPLE

The location of a person refers to where they live e.g. rural or urban. This data cannot be compared with the population as the 2001 census did not collect this data in this form.

The data presented in Table 16 and Figure 16 indicates where respondents live. The majority of the respondents live in cities (32.1%), urban suburbs (33.1%) and urban townships (17.2%).

Table 16 Location of members of the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	City	170	32.1	33.3	33.3
	Urban Suburbs	175	33.1	34.2	67.5
	Urban Township	91	17.2	17.8	85.3
	Rural Town	47	8.9	9.2	94.5
	Rural Village	19	3.6	3.7	98.2
	Farm	9	1.7	1.8	100.0
	Total	511	96.6	100.0	
Missing	Blank	18	3.4		
Total		529	100.0		

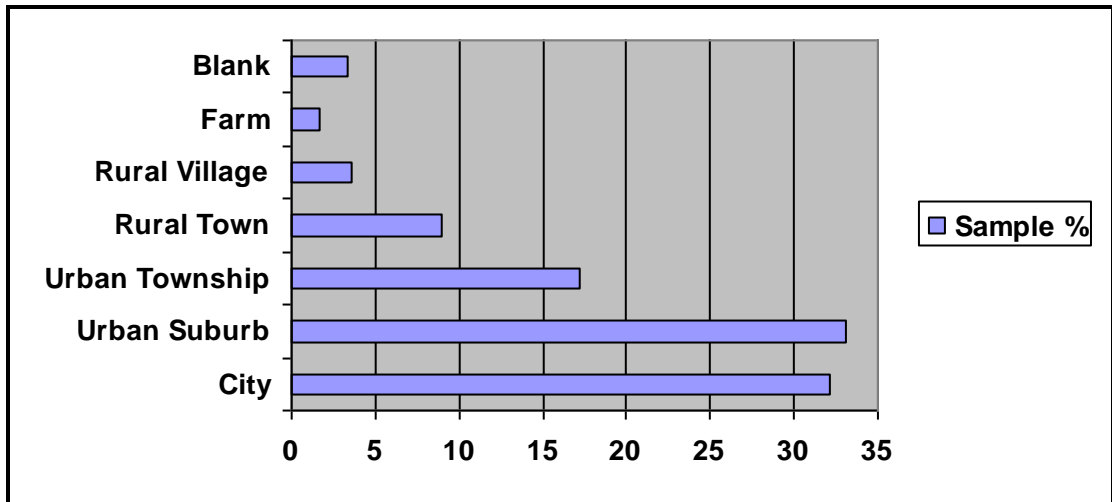


Figure 16 Location of members of the sample

These results were expected as there has been an annual 3.5 percent urban shift in population of South Africa in the period since the last Census in 2001 (Richter, Norris, Pettifor, Yach and Cameron 2007: 504 - 511).

6.10 NUMBER OF ROOMS AVAILABLE TO THE FAMILY

The number of rooms available to a family was used as an indication of the affluence of the respondent. The data collected is presented below (Table 17) and compared to the population as presented in the 2001 census in Figure 17.

Table 17 Number of rooms available to the family

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	18	3.4	3.5	3.5
	2	41	7.8	8.1	11.6
	3	123	23.3	24.2	35.8
	4	83	15.7	16.3	52.2
	5	60	11.3	11.8	64.0
	6	49	9.3	9.6	73.6
	7	38	7.2	7.5	81.1
	8	41	7.8	8.1	89.2
	9	16	3.0	3.1	92.3
	10	39	7.4	7.7	100.0
	Total	508	96.0	100.0	
Missing	999	21	4.0		
Total		529	100.0		

Figure 17 indicates that there was a difference between the distribution within the population and the sample. The sample had larger groups living in houses with three rooms and more than seven rooms. The wider population had a greater percentage living in houses with one, two and four rooms according to the Census in 2001.

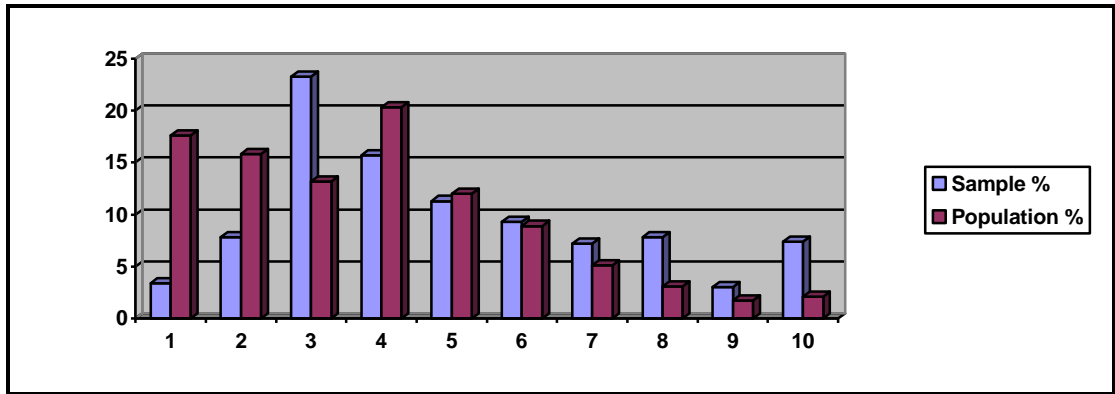


Figure 17 Number of rooms available to the family compared to the population.

This data indicates that the returns did come from people who were more affluent, in both the lower (fewer than three rooms) and upper regions (ten or more rooms) of this variable compared to the census. It may also be put in the intervening years that there has been a shift in the number of rooms available to people especially with the provision of basic three roomed houses by the government since the last census. This was due to the increase in government expenditure from R4.8 billion to R9 billion in 2007 and 2008. This expenditure, coupled with the increase in size of government supplied houses from 28 square meters to 40 square meters, moved the distribution (Ndaba 2008:1).

The distribution of number of rooms available to the family, as depicted in Figure 17, though normal in shape, also has two distinct modes separating those who had greater access from those who did not, and will be used in further analysis as an indicator of affluence.

6.11 ENERGY SOURCE USED IN THE SAMPLE

The preponderance of coal deposits and the lack of gas deposits in South Africa have resulted in electricity being the main source of energy.

Table 18 and Figure 18 indicate that the majority of people sampled (89%) use electricity as their major source of energy. The South African Government has made the provision of electricity and water one of its priorities since 2001 (Ndaba 2008:1) and this has been shown in the results. This variable does not significantly discriminate and separate the affluent from those who are not. This variable will not be used in further analysis as a surrogate for affluence but will be used as a general question.

Table 18 Energy source used

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Electricity	471	89.0	89.9	89.9
	Gas	26	4.9	5.0	94.8
	Paraffin	9	1.7	1.7	96.6
	Wood	9	1.7	1.7	98.3
	Coal	2	.4	.4	98.7
	Animal Dung	3	.6	.6	99.2
	Solar	2	.4	.4	99.6
	Other	2	.4	.4	100.0
	Total	524	99.1	100.0	
Missing	Blank	5	.9		
Total		529	100.0		

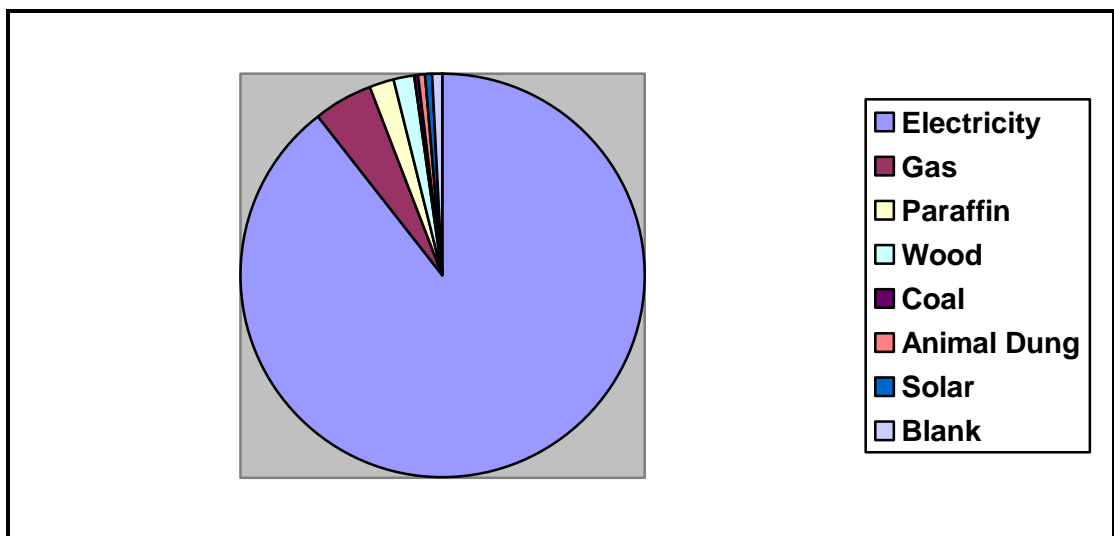


Figure 18 Energy source used by the sample.

6.12 TELEPHONE FACILITIES OF THE SAMPLE

The telecommunication development in South Africa has mirrored that of the rest of the world with a rapid increase in the cellular footprint and a decrease in the costs of cellular calls. This has resulted in the less affluent entering the cellular market and it is no longer the prerogative of the rich to have cell phones. However, the use of fixed line telephones is still the prerogative of the wealthy who own their homes.

Table 19 Telephone facilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Telephone in Dwelling and Cell-phone	307	58.0	58.5	58.5
	Telephone in dwelling only	9	1.7	1.7	60.2
	Cell-phone only	192	36.3	36.6	96.8
	At a public telephone nearby	6	1.1	1.1	97.9
	At another location nearby	2	.4	.4	98.3
	At another location not nearby	2	.4	.4	98.7
	No access to telephone	7	1.3	1.3	100.0
	Total	525	99.2	100.0	
Missing	Blank	4	.8		
Total		529	100.0		

Figure 19 below indicates the remarkable shift in the availability of telecommunications since the 2001 census. In the sample almost 100% of the respondents had direct access to either a cellphone or a telephone in their dwelling compared to the population in 2001 when almost 40% of the population had no direct access to a telephone.

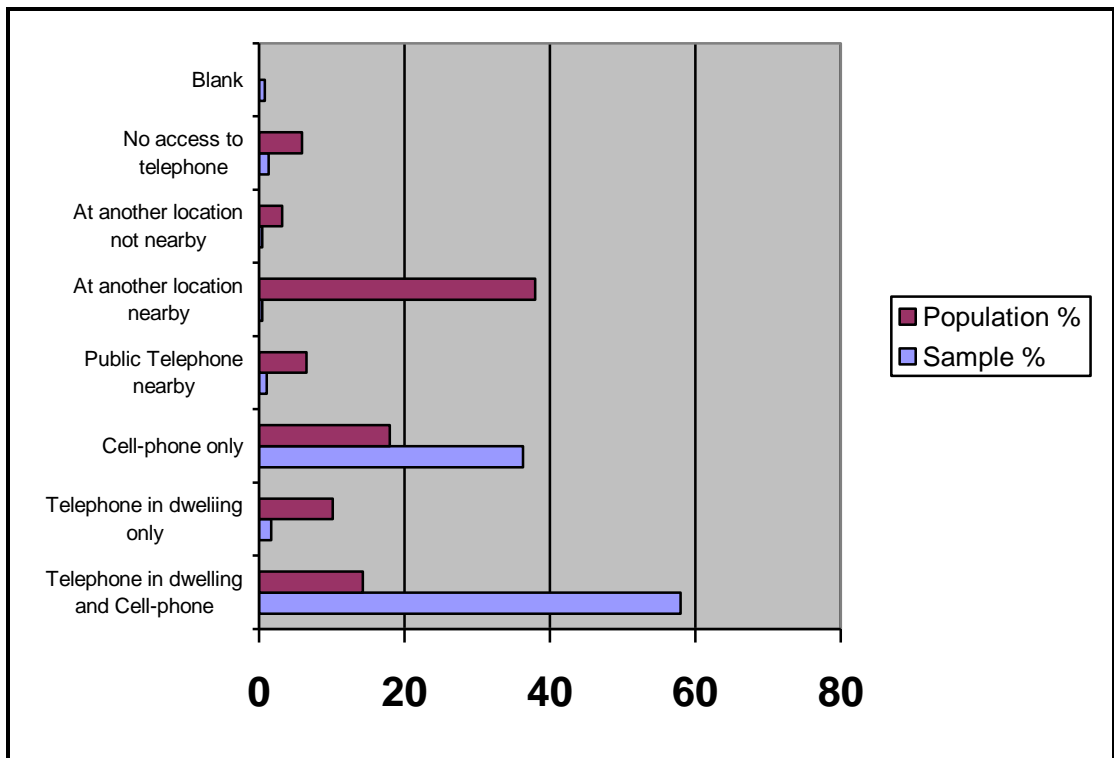


Figure 19 Telephone facilities in the sample compared to the population.

This variable was placed in the questionnaire as a means to determine affluence. It separates the sample into two distinct groups, those that have both a telephone in their home and a cell phone, and those who have only access to a cell phone.

6.13 PROVINCIAL DISTRIBUTION OF THE SAMPLE

Table 20 and Figure 20 indicate the bias created in the sampling when gathering data from provinces that were accessible and had large concentrations of particular race groups, language groups or educational levels.

Table 20 Provincial distribution of the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Gauteng	145	27.4	27.4	27.4
	Western Cape	38	7.2	7.2	34.6
	Northern Cape	3	.6	.6	35.2
	Eastern Cape	46	8.7	8.7	43.9
	Mpumalanga	32	6.0	6.0	49.9
	KwaZulu/Natal	194	36.7	36.7	86.6
	North West	13	2.5	2.5	89.0
	Free State	23	4.3	4.3	93.4
	Limpopo	33	6.2	6.2	99.6
	Other	2	.4	.4	100.0
	Total	529	100.0	100.0	

The response rate from different provinces is somewhat skewed. The two provinces where responses were most prolific were KwaZulu-Natal (15.7 percent above the population percentage) and Gauteng (7.7 percent above the population percentage). As these were the provinces that were most accessible to the research teams, and whose education departments permitted access to schools to gather data, it seems obvious that returns would be higher. The results indicate that the sample did achieve at least half the percentage that exists in the population in most provinces. The exceptions were the North West Province (only 30 percent of the population percentage) and the Northern Cape (only 5 percent of the population percentage).

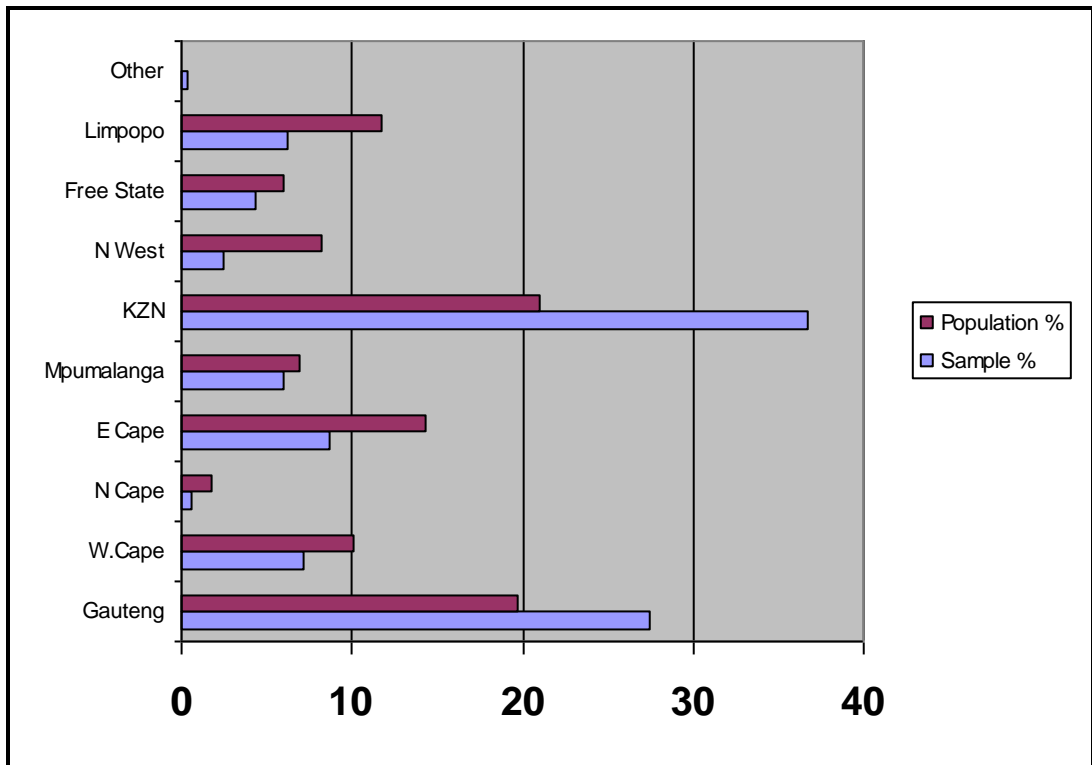


Figure 20 Provincial distribution of the sample

The data captured is sufficient to determine the differences per province. The North West province and Northern Cape, where access to schools was restricted, were excluded as the results were found not to be significant because of lack of sample size.

6.14 MONTHLY INCOME OF THE SAMPLE

The monthly income was measured on a ratio scale (Cooper and Schindler 2006: 315). Although this scale was designed to categorise wealth it was done so on a semi-ratio scale to keep the number of categories small yet spreading the lower earners. This has not indicated what it was expected to do. There is an unexpected bulge where the ratio changes at an income of R 8 000 per month. It can also be seen that there is a very large percentage (29.0%) of the sample who earn under R 1 000 per month.

Table 21 Monthly income of the sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 – 1000	140	26.5	29.0	29.0
	1001 – 2000	25	4.7	5.2	34.2
	2001 – 3000	13	2.5	2.7	36.9
	3001 – 4000	22	4.2	4.6	41.4
	4001 – 5000	23	4.3	4.8	46.2
	5001 – 6000	20	3.8	4.1	50.3
	6001 – 7000	26	4.9	5.4	55.7
	7001 – 8000	24	4.5	5.0	60.7
	8001 – 10000	40	7.6	8.3	68.9
	10001 – 15000	48	9.1	9.9	78.9
	15001 – 20000	41	7.8	8.5	87.4
	20001 – 25000	23	4.3	4.8	92.1
	25001 – 30000	11	2.1	2.3	94.4
	30001 – 35000	11	2.1	2.3	96.7
	35001 plus	16	3.0	3.3	100.0
Total	483	91.3	100.0		
Missing	Blank	46	8.7		
Total		529	100.0		

Figure 21 indicates that there is a spread across the different income groups. This variability across the entire range will allow for further analysis to determine if income does correlate to other questions depicting other variables in the research.

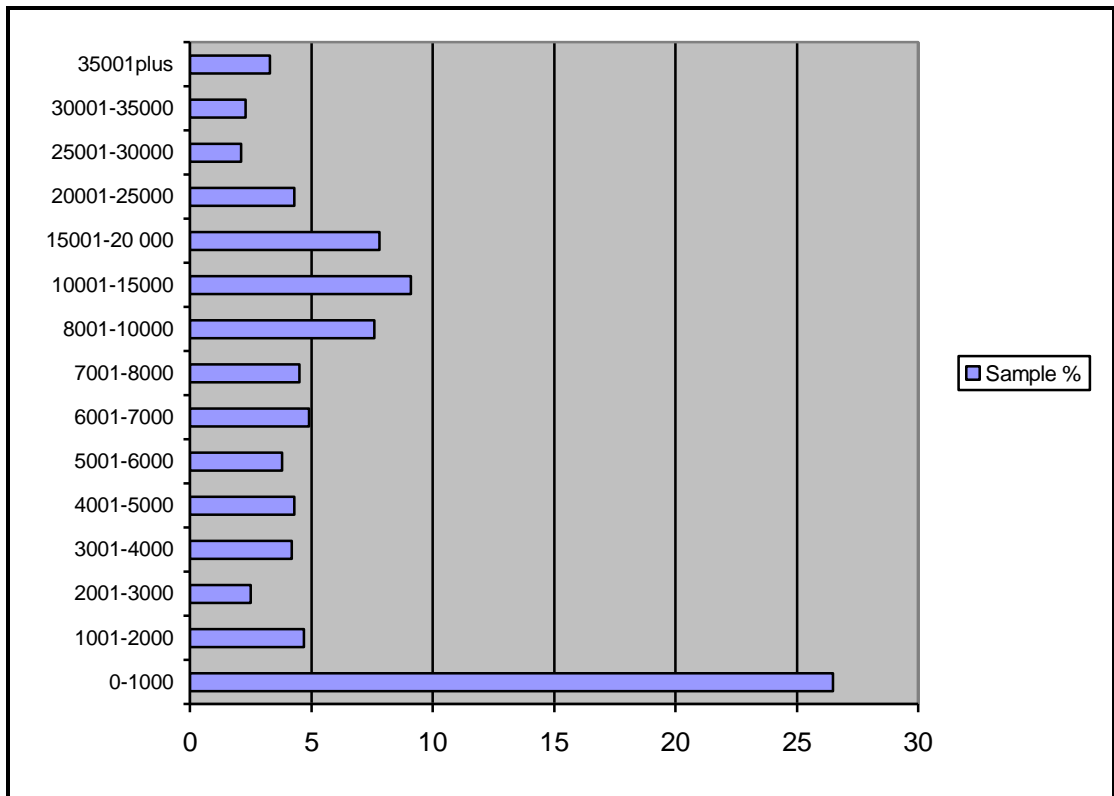


Figure 21 Monthly income distribution of the sample

6.15 SUMMARY OF PRIMARY ANALYSIS OF THE BIOGRAPHICAL DATA

Primary analysis of the biographical data has led to the identification of two categories, namely Occupation and Energy source used which may not produce good results because of the lack of spread amongst the categories. The former is due to the preponderance of people who worked in occupations that had higher earnings, and the few in the occupations that lower earning. The latter is due to the continuous effort of the South African Government since 2001, when the last census was carried out, to get electricity and water to every household in the country.

The other biographical categories examined show a distribution which will make them effective tools in further analysis. These categories are:

- Gender;
- Age;
- Race;
- Home language;
- Level of education;
- Location (urban and rural);
- Number of rooms available to the family;
- Telephone facilities;
- Province; and
- Monthly income

These ten categories will form the focus of analysis in to the next level.

6.16 CONCLUSION

This chapter has examined the biographical characteristics of the sample and determined which characteristics have a reasonable spread so as to allow for further analysis. In the next chapter the questions posed in the questionnaire concerning the knowledge that individuals have about income tax will be presented. This will be examined in relationship to the other questions determining the knowledge that the sample has about income tax as well as the biographical characteristics of the sample.

CHAPTER 7

ANALYSIS OF KNOWLEDGE OF INCOME TAX

7.1 INTRODUCTION

The questions in the questionnaire relating to the knowledge that people have about income tax are analysed independently in the following section. Seventeen questions or statements were used in the second section of the questionnaire to capture this information. Every question had a “True” category, a “False” category, an “I don’t know” category and a blank category. The “Don’t know” category was instituted after the pilot study to allow people to indicate that they could not make a decision rather than just leave it blank which could imply other reasons for not answering the question.

Every question is further examined with respect to biographical details of the sample. Cross tabulations (not included due to space constraints) were done and chi square’s calculated. These are summarised in Table 50 in appendix B. The Correlations are summarized in Table 56 in Appendix C. These calculations were performed using SPSS as the statistical package.

A cross tabulation (Cooper and Schindler 2006:482-487) is the construction of a table of rows and columns indicating how many subjects have both characteristics at a particular level. From such a table it can be deduced if there are some characteristics that are more or less prominent within certain fields of examination. To confirm any trends observed a graph is usually drawn which indicates the categories that are proportionally larger or smaller in. This trend is described in the analysis. Where the differences were greater than five percent in a cross tabulation they have been mentioned.

The chi squared, when calculated, indicates the chance that the two constructs (variables, questions or statements) being examined, are related. This is called the asymmetrical significance. “The lower the asymmetrical significance value, the less likely it is that the two variables are independent” i.e. the greater the likelihood that the two constructs are related (SPSS Tutorial 2009 Version 17). In other words a calculation with an asymmetrical significances of 0.05, indicates that there is a 95 percent chance (100 – 5%) of there being a relationship between the two constructs, variables, statements or questions. Only results of 5 percent or less are considered important and are reported.

The correlation (Cooper and Schindler 2006:536 – 544) is a calculation done to indicate the relationship between two statements or questions. Both the size of the correlation and its significance are stated, the sign indicating if it is positive or negative.

If a correlation of $r = 0.148$ is calculated with a significance at the 1 percent level. This means that we can be 99 percent sure (100 – 1%) that 14.8 percent of the effect in the results measured in the one statement or answer to the question are the result of the other variable being examined.

In the following sections in this chapter and the following chapters, the trends observed in the tables and graphs will be reported. Then the chi squared calculation will be examined to determine if there was a greater than 95 percent chance that these two are related. Then the size of the relationship in the form of the correlation will be stated and the chance, or significance of this result reported, showing the level at which this correlation is acceptable (95 percent level of certainty of higher).

The results are all summarized at the end of the chapter indicating which variables are related and how many methods indicate a significant relationship. Two statements or variables which have all three methods of calculation indicating a relationship would most definitely be taken as being an irrefutable indication that these two are not independent, but related.

7.2 USE OF INCOME TAX

To determine whether South Africans knew how income tax was used the sample was asked to respond to the statement “Income tax is paid to contribute to the running of the country”.

This was the simplest of questions and should have been answered as True” identifying only those who know the least about income tax. The payment of income tax is covered in Section 3.3.

Table 22 Income tax is paid to contribute to the running of the country

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	484	91.5	93.6	93.6
	False	16	3.0	3.1	96.7
	Don't Know	17	3.2	3.3	100.0
	Total	517	97.7	100.0	
Missing	Blank	12	2.3		
Total		529	100.0		

The graph below (Figure 22) indicates that the majority of the respondents (91.5%) were aware that income tax paid is used to finance the running of the country. Only the very few did not know this. Although this question is not discriminatory it was designed to identify the extreme on the knowledge scale.

As this variable does not have a spread of responses it may not be useful in further analysis. In fact when examination of this question relative to the biographical details, the graphs and tables of the cross tabulation indicated no obvious trends.

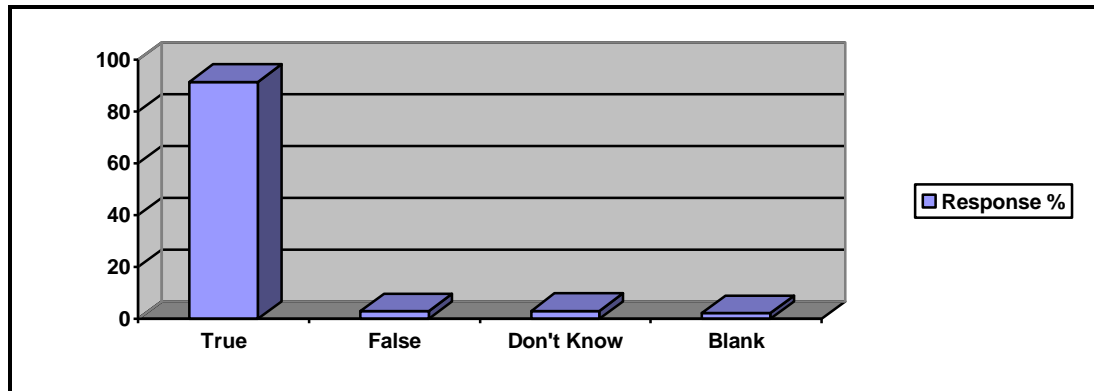


Figure 22 Income tax is paid to contribute to the running of the country

The chi squared calculations indicated that Home Language (0.005), Occupation (0.021) and Location (0.001) were probably related to this knowledge with a less than 5 percent chance of this being by chance (actual probabilities in brackets).

The correlations indicate that 14.8 percent of this knowledge is related to the occupation of the respondent (99% accurate) and 12.6 percent can be related to the Telephone Facilities the respondent has access to (at the 99% level of accuracy).

7.3 DISTIBUTION OF PAYMENT OF INCOME TAX

People who should pay income tax in South Africa are covered in Section 3.4 which indicates that all persons who earn income have to pay income tax. The knowledge that South Africans have of this was examined through the statement “All people who have income must pay tax”. Deductible exemptions can result in a payment of zero

Rand but this is still considered to be a payment. The answer for this question is thus “True”.

The Table (Table 23) and Figure (Figure 23) below reflect the responses of the sample to the statement.

Table 23 All people who have income must pay tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	276	52.2	53.3	53.3
	False	227	42.9	43.8	97.1
	Don't Know	15	2.8	2.9	100.0
	Total	518	97.9	100.0	
Missing	Blank	11	2.1		
Total		529	100.0		

This question separated those people who know that all persons pay tax but that some are below the threshold which means that no SITE or PAYE is taken off their salaries, from those who don't know this. The majority (52.2%) answered “True” while 42.9 percent answered “False”. The “Don't Know” category and the “Missing” category are below three percent.

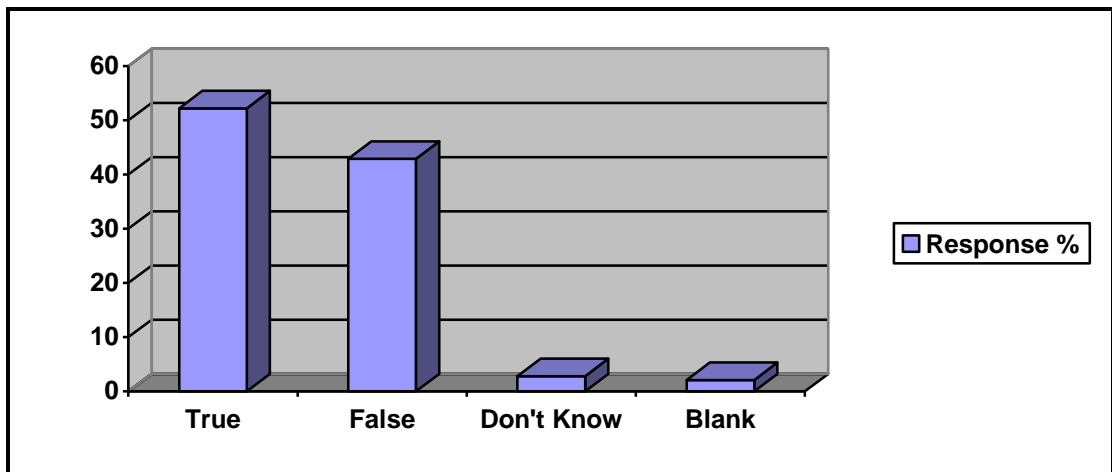


Figure 23 All people who have income must pay tax

On examination of the cross tabulation graphs and tables of this statement the following trends were observed.

In the “Black African” and “Coloured” categories the bias was towards the “True” answer (63%) which is correct, compared to 33 percent for the “False” answer whereas in the “White” category this is reversed (38 percent compared to 57 percent). The Chi squared calculation (0.000) indicated that this relationship could only have occurred by chance in less than 1 in a thousand cases, while the correlation indicates that we can be 99 percent sure that 19.6 percent of the response to this question is determined by the race of the respondent.

As the level of education increased so the proportion of correct responses decreased from 88 percent to 50 percent for the “True” category. Inferential statistics indicated through the calculation of Chi squared that there was only a 0.3 percent probability that this relationship was by chance. The correlation ($r = -0.143$) indicated that Home Language was responsible in 14.3 percent of cases for the response given, this being accurate at the 99 percent level.

In the Western Cape, Gauteng, and KwaZulu/Natal the proportion of the respondents who answered “True” and “False” were very similar, but in Limpopo and the Eastern Cape the “True” response were a larger percentage. In Mpumalanga and the Free State the larger proportion of respondents actually answered “False”.

The Chi squared result indicates that there is a 4.8 percent chance that these responses were by chance while the correlation indicates no significant relationship.

With regard to telephone facilities available to the respondents, the primary analysis and Chi squared calculations indicated no

relationship between the responses and the telephone facilities a respondent had, but a correlation of 10.9 percent was evident at the 95 percent certainty level indicating that, though small there is some relationship between the availability of telecommunications and the knowledge about who pays income tax.

7.4 RATES OF INCOME TAX

As income tax scales in South Africa are progressive and impose a larger percentage of tax on those who earn more income, a statement was inserted in the questionnaire to determine if people understood this. The statement that did this was, “All people pay the same percentage of their salary as tax”.

The results of this question are summarized in Table 24 below, and then presented graphically in Figure 24. The theory applying to this section is given in section 3.5.

Table 24 All people pay the same percentage of their salary as tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	81	15.3	15.7	15.7
	False	377	71.3	73.1	88.8
	Don't Know	58	11.0	11.2	100.0
	Total	516	97.5	100.0	
Missing	Blank	13	2.5		
Total		529	100.0		

The correct response to this statement was “False”. Slightly more than 15 percent of the respondents did not answer this question correctly and 11.0 percent did not know this information while 2.5 percent left this question out. Almost three quarters of the sample knew this fact (71.3%).

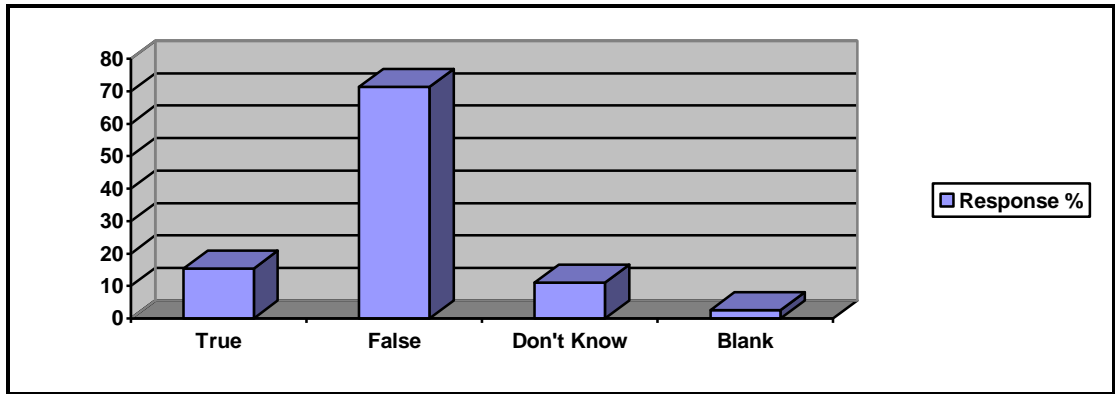


Figure 24 All people pay the same percentage of their salary as tax

Examination of this answer with respect to the biographical factors of the sample, the graphs and tables, cross tabulation and inferential analysis indicate the following trends.

With respect to Race there is no distinct pattern in this cross tabulation however the general ratio for “True” to “False” is 1:23 for the Black African and Coloured categories, but the ratio for Whites is 1:21 and Indians or Asians 1:29 indicating that Whites are slightly less knowledgeable than Black Africans and Coloureds and Indian or Asian group are most aware of this fact.

The chi squared calculation, was found to be below 5 percent for the following biographical details indicating that they are probably related to this question with a 95percent chance of certainty. It indicates that the responses to this statement was related to the Level of education of the respondent (.000), their Occupation (.030), access to Telephone facilities (.000), the Province in which they reside(.004) and their Monthly income (.018) but correlations confirmed none of these observations. The primary analysis which used graphs and cross-tabulations also did not confirm any of these observations.

7.5 TAX AVOIDANCE AND EVASION

Section 3.6 lays out the fact that tax may be avoided legally but tax evasion is not permitted. To determine the knowledge of this fact the statement posed for assessment was, “Through careful planning tax can be avoided”. It tested the understating of respondents about avoiding taxation. The implication of this statement for some respondents could have been interpreted incorrectly as “people could avoid tax completely”. The number of people who identified the correct answer (“True”) was 22 percent as indicated in Table 25.

Table 25 Through careful planning tax can be avoided

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	113	21.4	22.2	22.2
	False	316	59.7	62.0	84.1
	Don't Know	81	15.3	15.9	100.0
	Total	510	96.4	100.0	
Missing	Blank	19	3.6		
Total		529	100.0		

Figure 25 and Table 25 indicate that 59.7 percent of the respondents did not believe that careful tax planning can avoid taxation. There were 15.9 percent who indicated that they did not know and 3.6 percent of respondents left the question blank.

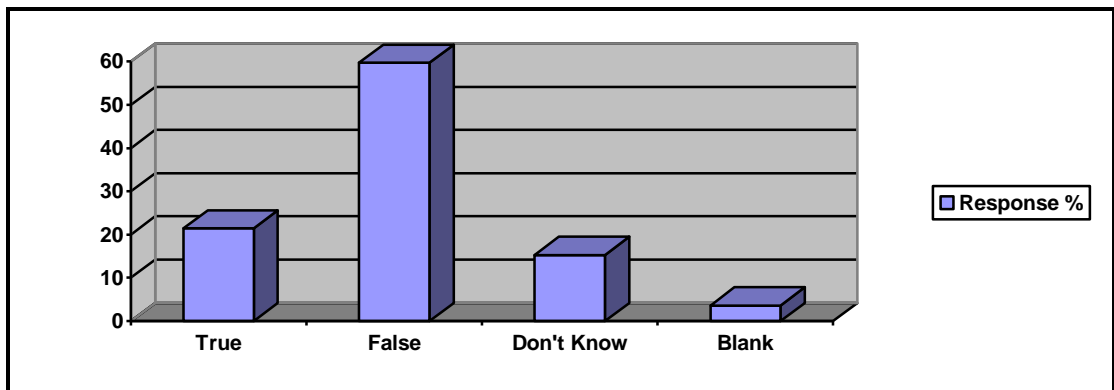


Figure 25 Through careful planning tax can be avoided

The examination of the graphs comparing this statement to the biographical factors of the sample, and the cross tabulations constructed showed that slightly more males (27%) answered this correctly compared to Females (18%). The Chi squared test did not confirm this but a correlation of $r = 0.091$ was found to be significant.

Age showed a 99 percent significant negative correlation with knowledge of this fact ($r = -0.129$), meaning that the older people knew less about this fact than young people. The Chi squared calculation indicates that there is only a 2.7 percent probability that this was by chance.

Black Africans answered "True" in 17 percent of cases compared to 24 percent for White respondents while the "Don't Know" category goes from 25 percent to seven percent respectively for the same groups. There is a correlation of 16.9 (at the 99% level of significance) which is confirmed by the Chi squared which indicates a one in a thousand chance that this was by accident.

With respect to Monthly Income, even though this data is spread over 15 categories the graph did indicate trends. Below an income of R3000 per month a larger percentage of respondents indicated "Don't Know" (30 – 40%) while above R 3000 per month the percentages were much lower, often being zero. The respondents who answered "True" also varied across the spectrum of incomes with bimodal peaks at the R 3000 to R 5000 range and at the R20 000 to R 25 000 level. The chi squared indicates that there is only a 2.6 percent chance that this does not reflect the correct conclusion and the correlations indicates that as people earn more they are 19 percent more likely to answer "False".

Unsubstantiated relationships were also found between Home languages, Occupation, Province, Telephone facilities and a correlation of 14 percent with Level of Education which the chi squared also confirmed.

7.6 REGISTRATION OF A TAXPAYER

To determine if the respondents knew that there was a cut-off point above which a tax return has to be submitted they were asked to determine if the statement “All people have to register for tax even if they do not work” was true or false. Section 3.7 above shows that those who fall below this threshold are not required to register to complete a tax return but may register if they wish. Those who are provisional taxpayers have to register. The correct answer to this was thus “False” as there are people who do not have to register as tax payers.

Table 26 All people have to register for tax even if they do not work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	74	14.0	14.3	14.3
	False	382	72.2	74.0	88.4
	Don't Know	60	11.3	11.6	100.0
	Total	516	97.5	100.0	
Missing	Blank	13	2.5		
Total		529	100.0		

Figure 26 and Table 26 indicate that 74 percent of the sample chose the correct answer. There were 14.3 percent of the respondents who did not answer this question correctly. Those who “Don’t know” were 11.3 percent and the blank response was 2.5 percent.

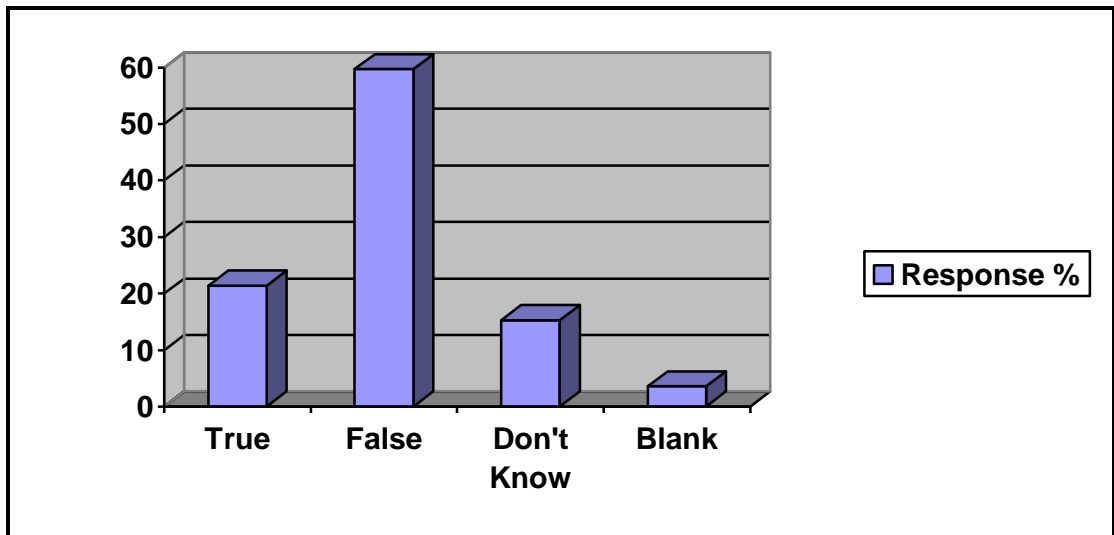


Figure 26 All people have to register for tax even if they are not working

On examination of the graphs and tables the cross tabulations and the associated graphs it was noticed that more females had this question correct (79%) compared to the males (67%). Gender plays a 12.3 percent role in the response (99 % sure), while the Chi squared indicates that this finding could only be wrong in one chance in a thousand.

If Age played any role in answers it did not show up in all the data. Only an unsubstantiated correlation of -0.0149 percent was found, meaning that older people answered “False” more often. However Race did play a role. The Black African and Indian or Asian groups who answered “True” are ten percent of the respondents while the Coloured and White groups were 22 and 21 percent respectively. This trend is the opposite in the “False” respondents. In other words, White and Coloured respondents knew less about this statement. The correlation is -10.5 at the 95 percent confidence level. This is backed up by a 2.8 Chi squared, indicating a very low chance that this finding is incorrect.

As the level of education rose, so did the percentage of persons answering this question incorrectly (9% for persons with some primary schooling to 18 percent for those with higher education). The chance that this happened accidentally is only 1.3 percent. The correlation calculations however, did not show any positive result.

Inferential statistics calculated also indicated that this response was influenced by Home Language where 9 percent of the response differences were due to home language (96% certainty).

Occupation determined the response in 18.5 percent of cases (99% certainty) and confirmed by a 1.2 percent chi squared result which indicates that this is probably 98.8 percent accurate.

The Province in which the respondent resides was responsible for 16.5 percent of the differences in responses to this statement, confirmed with a probability of 99 percent and a chi squared of less than half a percent.

Other factors that chi squared indicated could have played a part were Urban or Rural Location (0.045), Telephone facilities (0.018) and Monthly income (0.000).

7.7 INCOME TAX ON INTEREST

The statement that this question is based on was: "All interest is taxable". Its intention was to determine if respondents know that all interest is taxable although there is an annual amount that is exempt. The exemption does not mean that it is not taxed (see section 3.8). The "True" answer was the correct one.

Table 27 All interest is taxable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	226	42.7	44.4	44.4
	False	155	29.3	30.5	74.9
	Don't Know	128	24.2	25.1	100.0
	Total	509	96.2	100.0	
Missing	Blank	20	3.8		
Total		529	100.0		

The percentage of respondents who got this question right was 42.7 percent. The percentage of those who answered it incorrectly was 29.3 percent and those who “Don’t know” amounted to 24.2 percent. The blank response category was 3.8 percent. The question separates those who do know from those who do not.

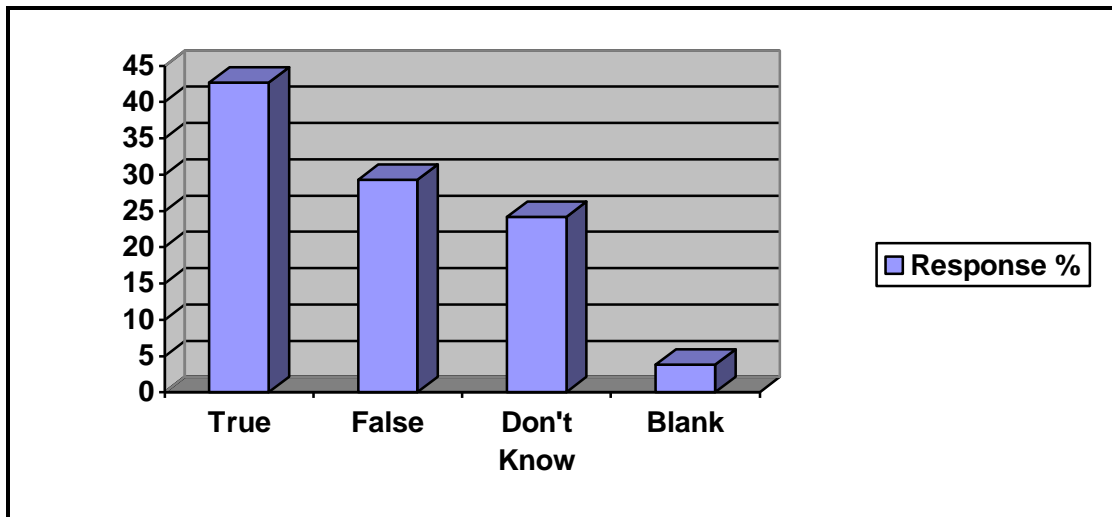


Figure 27 All interest is taxable

Cross tabulations and graphical analysis indicated that slightly more males (48%) answered this statement as expected when compared to females (41%), but this result is not confirmed by any of the inferential statistics.

The proportion of Whites (38%) who answered “False” to this question was larger than that for Black Africans (33%) and Indians or Asians

(23%). The “Don’t Know” responses showed the opposite trend. The chi squared calculation indicates that this could only happen by chance in 0.8 percent of cases. The correlation does not indicate a significant relationship.

Although all (except Xitsongo speakers) of the language groups had “True” as the larger percentage, the second largest percentage in the IsiZulu group was the “Don’t Know” response. Xitsongo speakers had this category as the largest. The correlation calculation indicates that 9.2 percent of the responses were due to the Home Language and the chi squared indicates that this is probable in 99.9 percent of the cases.

As the level of education increased from “Some Secondary” to “Higher Education” the percentages that “Don’t Know” dropped from 41 percent to 18 percent. Correlation calculation indicate that 9.1 percent of the response can be explained by the Level of Education of the respondent, while the chi squared indicates that the possibility of this happening by chance is only 0.6 percent.

The observation from the graphs was that the “True” and “False” responses of most professions were evenly spread over the categories. The exception was students who “Don’t Know” (39%). Inferential statistics indicated that there was a correlation of 13.2 percent between Occupation and the answers to the statement. The chi square indicates that there is only 0.2 percent chance that this is not true for the population.

With reference to Province the cross tabulation indicates that in Limpopo the largest percentage of respondents (56%) indicated they did not know the answer to this question. In KwaZulu-Natal those who answered “Don’t Know” was 30 percent. The other provinces all had similar proportions except for the Free State which had 15 out of

23 respondents answer “False” (65%). A correlation of 16.5 percent exists between the Province a person resides in and the knowledge about taxation on interest. Chi squared indicates there is no probability that this result is by chance.

The distinguishing feature in the graph plotting Monthly Income against Knowledge of tax on interest, is the “Don’t Know” category being the second most prevalent answer for people who earn below R 1 000 per month (33%) compared to the “False” category, whereas at all the other levels of income this was the lowest recorded answer. No correlation was evident but the chi squared calculation indicates that these results are 98.8 percent certain.

One relationship that inferential statistics highlighted that was not seen in the primary analysis of the graphs and tables was a correlation of 9.2 percent between Age and the statement. This was 95 percent certain and the chi squared calculation indicated a 99 percent certainty.

7.8 TAXATION ON DIVIDENDS

Taxation on dividends is covered in section 3.9. All dividends are included in gross income but exemptions are given. This made “True” the correct answer to this question.

Table 28 Dividends from companies are taxable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	289	54.6	56.7	56.7
	False	76	14.4	14.9	71.6
	Don't Know	145	27.4	28.4	100.0
	Total	510	96.4	100.0	
Missing	Blank	19	3.6		
Total		529	100.0		

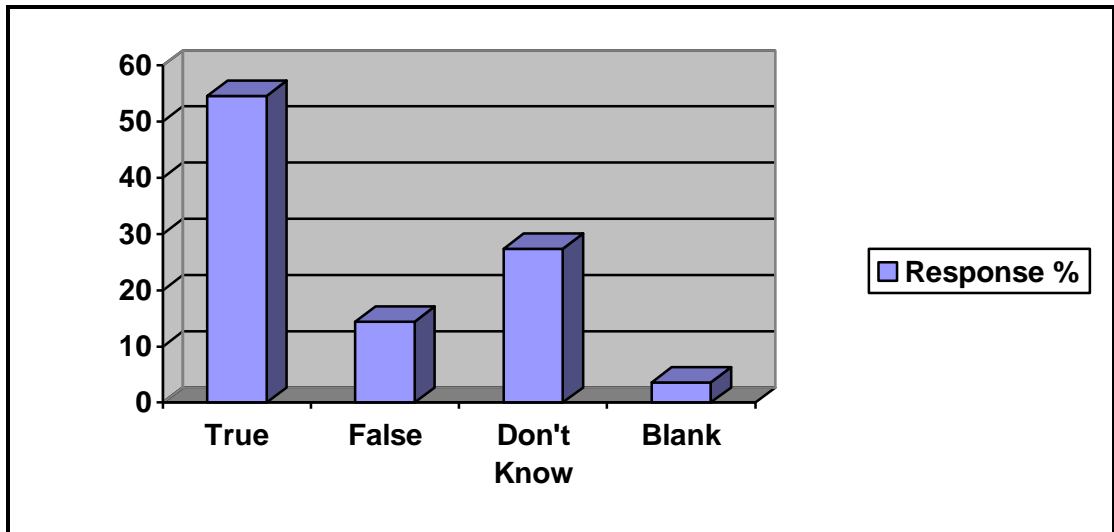


Figure 28 Dividends from companies are taxable

To the statement that “Dividends from Companies are Taxable”, 54 percent of the respondents gave the correct answer (True). The next largest category was the “Don’t know” category with 27.4 percent answering thus, while those who answered incorrectly were 14.9 percent.

On comparing this statement with the biographical details of respondents, the graphs and tables indicated that knowledge of the taxation of dividends decreases as age increases from the age of 15 years to 60 years of age. The correlation is -18.6 at the 99 percent probability level, with a chi squared confirming this with a value of 0.000, indicating that there is no probability that this is by chance.

As the Level of education increase from the “Some primary” category to “Higher” category the percentage who “Don’t Know” dropped from 45 percent to 22 percent. The correlation of 11.7 percent indicates that this is the percentage effect that education has on knowledge of tax on dividends. The probability of this happening by chance is 2.1 percent (Chi squared).

When it comes to Occupation, students responded “Don’t Know” as their largest category (45%) while all other professions answered “True” as the largest percentage. Occupation has the highest effect on knowledge about the taxation of dividends at 25.9 percent. The likelihood of this being by chance is 0.0 percent according to the chi squared calculation, indicating it is almost certain.

The Province in which the respondent resides has a 15.8 percent effect on the knowledge that respondents have about taxation on dividends. In Gauteng, KwaZulu-Natal and Eastern Cape the second largest proportion of responses after “True”, was “Don’t Know”. In Limpopo “Don’t Know” was the highest response percentage. In all the other provinces it was the lowest. Although the correlation provides a 99 percent acceptance level, the chi squared calculates a 0.5 percent possibility of this finding being by chance.

AS far as Monthly income is concerned, the graphs plotted by SPSS for these two variables did not indicate any reversal in trends but they did indicate a constant changing of the ratio from “True” to “Don’t Know” responses over the range of incomes. There is a negative correlation of 22.6 percent with a chi squared prediction of less than one percent that this is by chance. In other words as the income rises, the knowledge about knowledge about taxation n dividends decreases.

7.9 UNIFORM ALLOWANCES

Respondents either knew (52.6 %) that the cost of a company uniform is not taxable or did not know (24.6%). Those who had the question incorrect were 19.1 percent and only 3.4 percent did not answer the question. Section 3.10 covers the company uniform not being taxable.

Table 29 The cost of a company uniform is taxable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	101	19.1	19.8	19.8
	False	280	52.9	54.8	74.6
	Don't Know	130	24.6	25.4	100.0
	Total	511	96.6	100.0	
Missing	Blank	18	3.4		
Total		529	100.0		

Examinations of the graphs and cross tabulation tables show no apparent trends. Inferential statistics indicated that there may be a slight effect by the Home Language used by the respondent and the Province they reside in. A correlation was found between this knowledge and Race (8.7%) and also the rural or urban location of the respondent (11.9%), both of these being at least at the 95 percentage acceptance level.

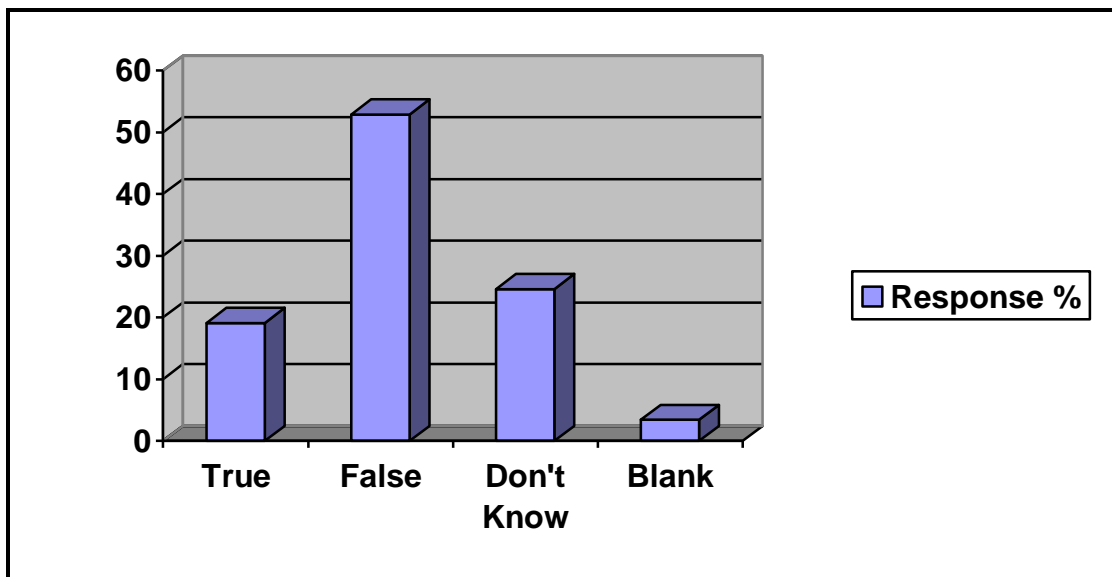


Figure 29 The cost of a company uniform is taxable

7.10 PENSION FUND DEDUCTIONS

Generally most contributions to a pension fund are not large enough to fall outside the allowable amount that is deductible. The full criteria are covered in section 3.11. The statement in the questionnaire to which a response was required was: “The money paid to a pension fund is deductible”. The answer to this statement was therefore “True”.

Table 30 The money paid to a pension fund is deductible

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	212	40.1	41.6	41.6
	False	188	35.5	36.9	78.4
	Don't Know	110	20.8	21.6	100.0
	Total	510	96.4	100.0	
Missing	Blank	19	3.6		
Total		529	100.0		

The percentage of respondents who answered this question correctly, by giving “True” as the answer, amounted to 40.1 percent. The percentage who answered “False” was 36.9 percent while the “Don’t Know” category made up 21.6 percent of the respondents.

The graphs and Cross Tabulations constructed in the Primary analysis indicate that more males (46%) had this answer correct than females (38%) but there was no inferential substantiation for this observation.

Up to the age of 19 years of age the number of those who did not know (40%) that pension funds are deductible exceeded those who did know (27%). This trend reverses from the age of 20 years where 50% knew this fact compared to 32% who did not know. The correlation coefficient indicates that 15.3 percent of the effect in this knowledge can be attributed to the age of the respondent. The chi

squared calculation indicates that the likelihood of this finding being by chance is only 0.3 percent.

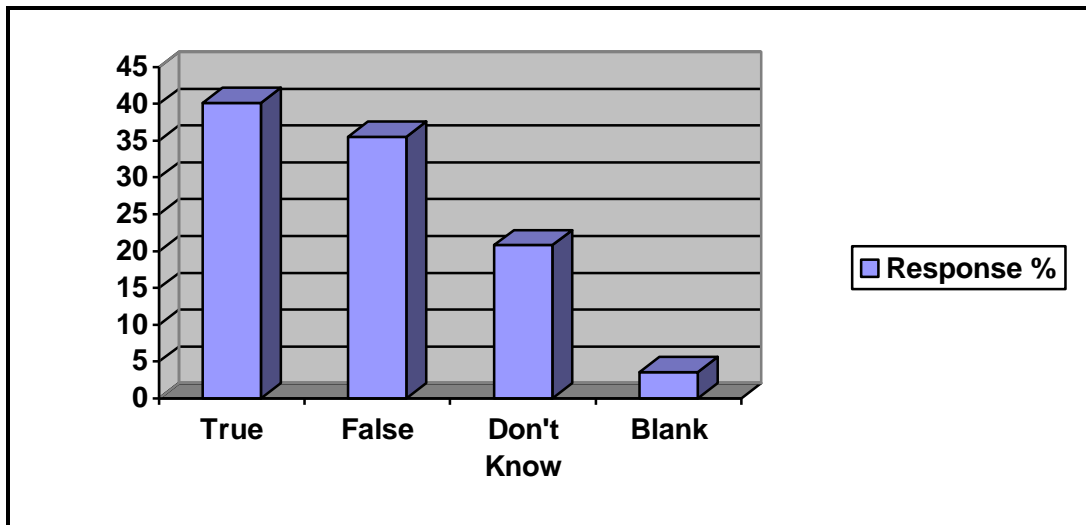


Figure 30 The money paid to a pension fund is deductible

Examining the effect of the level of education on this knowledge it was observed that the comprehension increased from those with “Some Secondary” education (32%) to those with “Grade 12” (38%) to those with “Higher” education (46%). These increases are at the expense of the “Don’t Know” category which decreased from 30 percent to 13 percent over the same range. The effect that level of education has on this knowledge is 14.2 percent according to the correlation coefficient which is probably 99 percent accurate and confirmed by the chi squared calculation that this finding could only have happened by chance in 1.2 percent of cases.

The majority of working respondents knew that money paid in to a pension fund was deductible and answered accordingly, but in the “Student” category the largest percentage (35%) answered “False” or “Don’t Know” (35%). The chi squared calculation indicates that there is a 100 percent probability that this finding is not by chance which the

correlation indicates that 21 percent of the knowledge about pension funds is due to the occupation of the respondent.

With respect to the Province in which a person resides, the Limpopo and Free State responses were different to those of the other provinces. In most of the provinces “True” was the largest category, “False” the second largest and “Don’t Know” the smallest even though for KwaZulu-Natal this last category was larger at 25 percent. The correlation indicates that 13.6 percent of the knowledge about pension funding is due to the province in which the respondent resides. These findings probably occurred only 1.2 percent by chance (Chi Squared).

In the income ranges below R 8 000 p.a. there was an even distribution of answers within categories, but above this range there was a distinct trend towards the “True” response. The correlation indicates that 25.1 percent of the knowledge about pension fund deductions is due to the income of the person. The likelihood of that this is by chance is only 1.3 percent.

7.11 RETIREMENT ANNUITY FUND DEDUCTIONS

The knowledge about retirement deductions was examined by the statement “Money paid into a retirement fund is not subtracted from tax”. Section 3.12 above lays out the allowable amount deducted from gross income as a contribution towards a retirement fund. This varies with the circumstances of the individual taxpayer, but money is deductible. The correct response to this question is thus “False”.

Table 31 Money paid into a retirement fund is not deductible

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	165	31.2	32.4	32.4
	False	179	33.8	35.1	67.5
	Don't Know	166	31.4	32.5	100.0
	Total	510	96.4	100.0	
Missing	Blank	19	3.6		
Total		529	100.0		

Figure 31 and Table 31 indicate that the respondents to this statement were almost equally divided amongst the three categories. This made the response to this statement an excellent separator of knowledge about taxation.

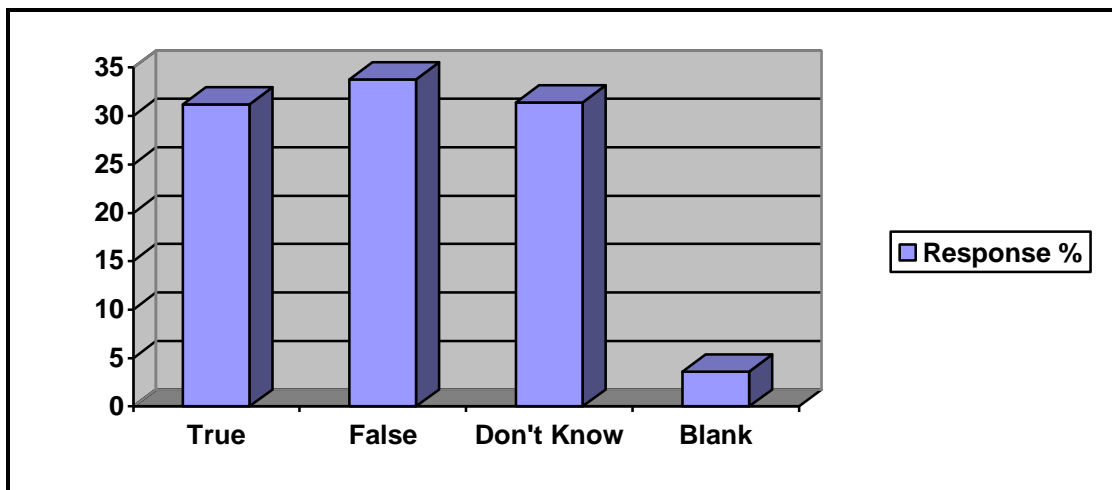


Figure 31 Money paid into a retirement fund is not deductible

On further examination, the graphs and tables drawn by the SPSS statistical package and the cross tabulation done, it was observed that the number of males who had this answer correct (38%) was greater than the number of females (32%). Also the percentage of females who answered that they “Don’t Know” (38%) were larger than the percentage of males (26%). The contribution made by gender to responses to this statement about pension funds is 11.4 percent but

the calculation indicates that this is only 95 percent certain. The chi squared indicates that this result only has a 1.5 percent chance of being randomly determined.

The graphs plotting age against this statement indicates that below the age of 30 years more people answered correctly compared to those above 30 years of age where more people answered incorrectly. The correlation calculation indicates that there is none. This could probably be because it changes at one point and is similar above and below this critical age. The chi squared calculation indicates that this phenomenon observed was possibly only 0.7 percent determined by chance.

Level of education is the cause of 9.7 percent of the differences in responses in a negative direction. In other words as the education level increases the knowledge about the deductibility of contributions to a retirement decreases. Those who answered "False" in the category of "some secondary" education was 24 percent. The percentage rose to 32 percent for the "False" response for the "Grade 12" educational level, and then to 43 percent for "Higher" education level while the "Don't Know" category fell over the same range from 39 percent to 21 percent. The observation was 99.7 percent probable according to the Chi squared calculation.

The answer to this question is "False" and the working respondents registered this as their largest percentage response. The students on the other hand "True" in 29 percent of cases and their largest category of responses was "Don't Know" at 48 percent. The correlation indicates that 11.8 percent of the difference in responses can be attributed to the occupation of the respondent. The certainty that this result is not due to chance is 100 percent according to the chii squared calculation.

In Gauteng the ratio of responses of “True” to “False” to “Don’t know” was 41: 34:25 while in KwaZulu-Natal the ratio was reversed at 29:34:35 indicating that province does influence this knowledge. There is no direct correlation as the provinces are not listed in any order. However the possibility that this observation occurred by chance is 6.7 percent.

When examining the Monthly Income of respondents it was found that those who earned below R2 000 income per month had their largest response as “Don’t Know” while in the categories above R6 000 per month this response was the lowest. The “False” responses were the opposite. The correlation for monthly income with the knowledge about deductions for retirement fund contributions was 13.4 percent with a 1.8 percent possibility of this being by chance.

7.12 DEDUCTION OF MEDICAL EXPENSES

As medical expenses are deductible from income subject to certain limitations the correct response to the statement “Medical expenses are deductible from income” was considered to be “True”. Section 3.13 lays out the deductibility of medical expenses in detail.

Table 32 Medical expenses are deductible from Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	330	62.4	64.2	64.2
	False	98	18.5	19.1	83.3
	Don't Know	86	16.3	16.7	100.0
	Total	514	97.2	100.0	
Missing	Blank	15	2.8		
Total		529	100.0		

The respondents who chose “True” as their answer amounted to 62.4 percent of the sample. This left 18.5 percent who answered “False”

and 16.3 percent who did not know. The SPSS graphs and cross tabulations examined indicated that more males (67%) answered this question correctly than females (61%). Females (20%) answered “Don’t Know” compared to 12 percent of males who answered in this manner. Inferential statistics did not confirm this observation from the primary data as being significant.

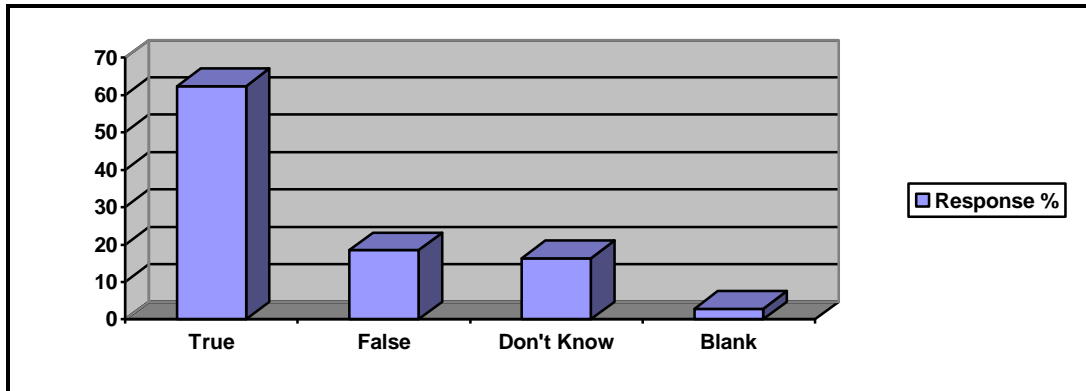


Figure 32 Medical expenses are deductible from Income

As far as the Level of Education is concerned there was a distinct decrease in the percentage of respondents answering “True” from 68 percent through 66 percent to 61 percent over the range of “Some Secondary”, to “Grade 12”, to “Higher”. The reverse happened for the “False” responses where the percentage went from seven to 15 and then to 25 percent. For those who respond “Don’t Know” the figures dropped from 24 percent through 18 percent to 12 percent over the same range. Inferential statistics did not indicate any firm relationship.

With respect to Occupation, although all categories had the “True” answer as the largest response, the students (26%) indicated “Don’t Know” which was higher than the other categories. The correlation indicated is 10.2 percent at a 95 percent certainty level. The chi squared indicated that there is only a 0.2 percent chance that this differed from the population.

When examining the Provinces the graphs plotting these two variables indicated some consistency among most of the provinces, however KwaZulu-Natal (20.6%) and Limpopo (37%) indicated a larger percentage of people who “Don’t Know” relative to other provinces like Gauteng (12%). There is a correlation of 9.5 percent of this knowledge with the province of the respondent but it was only at the 95 percent level of significance and the chi squared did not confirm this observation.

For the Monthly Income the “True” response was the largest in all income ranges but there was a swing from “Don’t Know” being second largest category of responses for the under R1 000 p.a. level of income to “False” being second largest response above this level of income. The correlation indicated that 11.4 percent of the knowledge about deductibility of medical expenses can be attributed to the level of income of the respondent. However the chi squared calculation does not indicate that this was not by chance.

7.13 TAXATION ON A COMPANY CAR

Over the period of the study the amount taxable on a company car increased. The law concerning this is laid out in section 3.14, but at no time during the study has a company car had no taxation levied on it. The statement in the questionnaire was “A company car is taxable”.

Table 33 A company car is taxable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	297	56.1	58.3	58.3
	False	90	17.0	17.7	76.0
	Don't Know	122	23.1	24.0	100.0
	Total	509	96.2	100.0	
Missing	Blank	20	3.8		
Total		529	100.0		

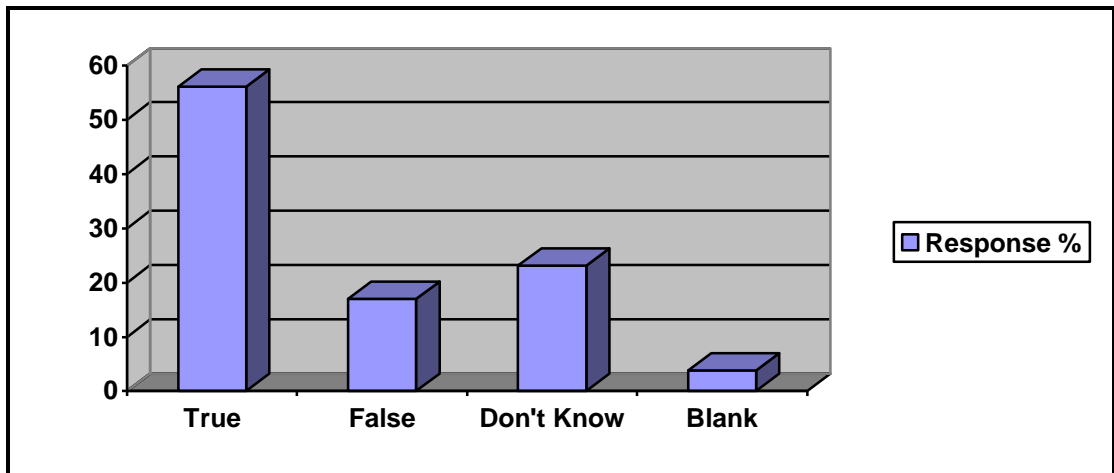


Figure 33 A company car is taxable

The largest category of responses from the sample was those who answered “True” to the statement that a company car is taxable (56.1%). These respondents were correct, and were followed by the category of respondents who answered “Don’t know” to the statement (23.1%).

Breaking down these responses further it was found that females were less correct in answering this (55%) compared to their male counterparts (61%). Also more females (28%) answered that they “Don’t Know” compared to males (20%). Inferential statistics did not confirm any relationship between these two responses.

A surprising number of younger respondents (under 30 years of age) indicated that they did not know the answer to this question, resulting in a smaller number answering the question correctly. A 20 percent correlation at the 99 percent level of confidence indicates that one fifth of these responses were determined by the respondent’s age. The chi squared indicates that there is a less than 1 percent likelihood that this observation happened by chance.

As far as Race is concerned a larger percentage of Whites (69%) knew that a company car was taxable compared to Black Africans (48%) while twice the number of Black Africans (33%) compared to Whites (15%) indicated that they did not know the answer. As the category race was not ranked in any manner there was no correlation. However, the chi squared judged the observation to be 99.9 percent probable.

Primary analysis of the effect of Home Language did not present any trends because there was no ranking in home language, but calculation of the correlation indicated that there is a 17.8 percent effect on the responses caused by Home Language at the 99 percent probability level with a 0.0 percent chi squared indication that it may have been by chance.

There was a distinct increase in the proportion of respondents who answered "True" over the range "Some Secondary" (42%) to "Grade 12" (54%) to "Higher" (71%) with respect to understanding that a company car is taxed. This is mirrored by a reciprocal decrease in the "False" and "Don't Know" categories over the same range. The correlation indicated that the knowledge about taxation of company cars is caused in 24.6 percent of cases by the level of education of the person. The chance of this being by accident is less than 0.1 percent.

In the cross tabulation against Occupation, the majority overwhelmingly responded "True". In a number of professional categories the "Don't Know" response was the second largest, but 36 percent of the students chose this response, making it almost as large as the response of those who got the item correct. Inferential statistics indicated with 100 percent certainty that the knowledge about taxation of company cars is due to Occupational categories in 31.2 of cases.

The cross tabulations indicate that as one moves out from the city the percentage of people who answered "True" to this question drops from 70 percent to 44 percent in the rural villages, farms, and urban townships. The "Don't Know" category is also larger in the urban townships and urban suburbs. The correlation for this relationship is 13.6 percent and the Chi squared is 0.5 percent.

As Provinces were coded in the order in which they appeared in the census reports (Statistics South Africa 2001:38) the graphs and cross tabulations for these two variables indicated that there were marked differences between the distributions in different provinces. In Gauteng 65 percent of the respondents answered "True". In the Western Cape the same answer had a score of 84 percent, while in Limpopo the response was 26 percent and in KwaZulu-Natal only 50 percent answered "True". The "Don't Know" responses showed the opposite trend. No correlation is thus evident until the provinces are ranked and reexamined. The chi squared indicates that the relationship observed could only have had a 0.2 percent chance that it was not because of a relationship between the two variables.

The SPSS plotted graph comparing these two constructs indicates a shift from the lower income groups where equal numbers responded to the three options of "True", "False" and "Don't Know". However as the monthly income increases the shift in predominance is towards the "True" category. The result is a 30 percent correlation with a zero probability that this could have occurred by chance.

7.14 DEDUCTION OF INCOME TAX

Every company is duty bound to deduct tax from an employee. The theory covering this section is dealt with in section 3.15 and the statement placed in the questionnaire to determine how much a

person knew about this was “The company you work for deducts your tax”.

Table 34 The company you work for deducts your tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	413	78.1	80.7	80.7
	False	49	9.3	9.6	90.2
	Don't Know	50	9.5	9.8	100.0
	Total	512	96.8	100.0	
Missing	Blank	17	3.2		
Total		529	100.0		

From the respondents, 78.1 percent answered this statement correctly. Equal percentages (9%) indicated they thought the statement was false or did not know the answer.

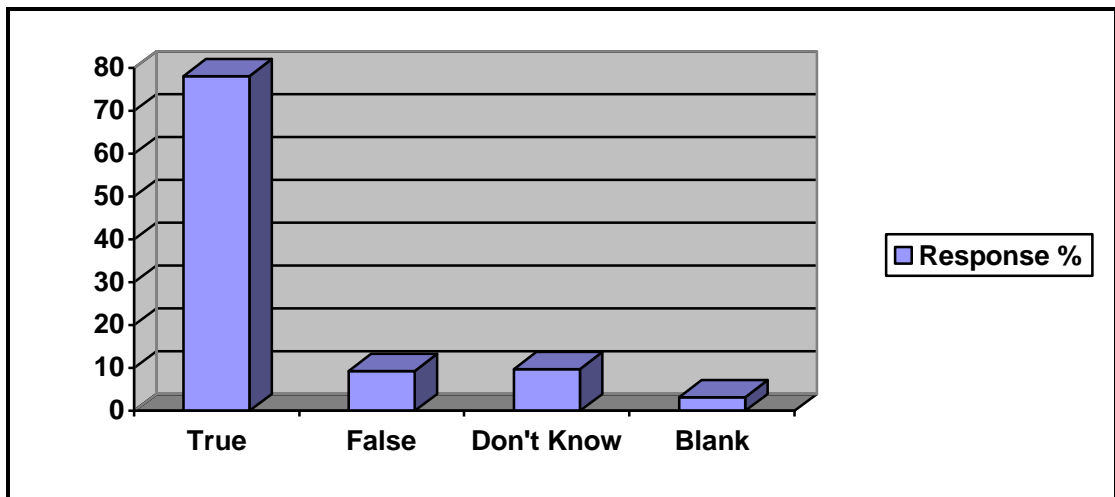


Figure 34 The company you work for deducts your tax

The primary analysis using graphs and cross tabulation tables indicates that below the age of 20, 18 percent of the respondents answered this question incorrectly and 18 percent did not know. Above this age these percentages decreased to 10 percent or less of those in these categories. The correlation between age and knowledge about deduction of taxation is 16.6 percent. This

observation had a less than 1 percent likelihood of occurring by chance.

Although Race did not show any obvious trends in the primary analysis of graphs and tables there is a correlation of 12.2 percent with reference to the manner in which respondents answered this question. This had a likelihood of 97.8 percent of not occurring by chance.

Similarly Home Language also had a 17 percent effect on this knowledge of who deducts income tax from your salary with and almost 100 percent certainty that it was not by chance, but this was not identified in the primary analysis.

Over the educational range that contained the majority of respondents there was a steady increase in the percentages of those who answered "True" at the expense of the other categories. Those who had "Some Secondary" had 62 percent answer correctly, those with "Grade 12" had 80 percent answered correctly and those who had "Higher" had 90 percent respond correctly. The correlation was 25.3 percent with an almost zero percent chance that this could have occurred by accident.

All categories of worker knew that this statement was "True" and responded appropriately. Only among the students did 18 percent answered incorrectly and 21 percent did not know. The correlation between occupation and knowledge about who deducts income tax was 47 percent with an almost 100 percent certainty that this was not by chance.

The access to telephonic communication had a 13.5 percent contribution to the knowledge of who deducted income tax, with a 3.3

percent likelihood of being by chance, and the urban/rural location determined 9.2 percent of the response to the statement about income tax deduction.

The graph and table constructed to examine the effect of province indicate that the “True” response was the largest in all provinces, but the “Don’t Know” category varies for provinces, being 28 percent in Limpopo, 11 percent in KwaZulu-Natal and 6 percent in Gauteng. The “False” responses follow an opposite trend. The province a respondent came from determined 16.9 percent of the effect of this response with a 1.8 percent chance of this being accidental.

All income categories above R1 000 per month answered “True” to this statement but those who earned below this monthly income had at least 19 percent who answered “False” or “Don’t Know”. The monthly income of a respondent determined 22.1 percent of the responses to this statement and is almost 100 percent sure that this did not happen by chance.

7.15 SUBMISSION OF TAX RETURNS

Until 1 March 2010 only those who paid PAYE as mentioned in 3.16 had to submit a return. The data for this research was collected before this date so the response to the statement “All people have to submit a tax return every year” is “False”.

The overall percentage who responded correctly was 35.5 percent. The majority did not know or answered the statement incorrectly (63%). This could be due to the annual advertising by the South African Revenue Services that people should register for taxation.

Table 35 All people have to submit a tax return every year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	275	52.0	53.4	53.4
	False	188	35.5	36.5	89.9
	Don't Know	52	9.8	10.1	100.0
	Total	515	97.4	100.0	
Missing	Blank	14	2.6		
Total		529	100.0		

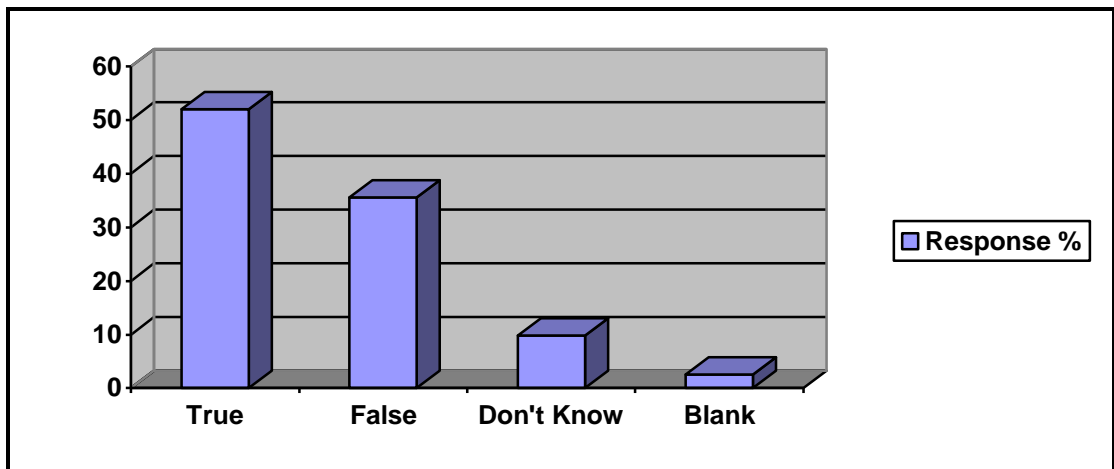


Figure 35 All people have to submit a tax return every year

Examining the graphs and the cross tabulations produced by SPSS it was discovered that there was a steady decrease from 61 percent of respondents who answered “True” in the 15 to 19 year age group to 42 percent in the 25 to 29 year age group and then a further decline as the age increases. There was no significant correlation for this observation but the Chi squared did indicate that there was a less than 1 percent probability that this observation was by chance.

The cross tabulation for Race indicated that 46 percent of Whites answered “True” while 57 percent of Black Africans answered “True”. The reverse happened with the answer “False” which is the correct answer with 46 percent of Whites being correct compared to 28

percent Black Africans. The next largest group was Indian or Asian who answered "True" for 55 percent, and False for 35 percent. As race is not ranked, no correlation was indicated. The chi square however showed that these observations were likely to be by chance in one case in 200.

The only obvious trend in responses with regard to level of education, to this question showed up in the "Don't Know" category where the percentage fell from 20 percent, through nine percent to four percent over the range "Some Secondary" to "Higher". Inferential analysis indicated a correlation of 16.1 percent with education with an almost 100 percent certainty as depicted in the chi squared calculation.

With regard to the occupation of respondents it was interesting that only clerks (60 percent) knew that not all people had to submit tax returns. Those who were worst informed were students (26%) followed by professionals (38%). The others lay somewhere in between. The correlation indicates that 10.6 of the responses were because of the occupation of the respondent with a 0.0 percent likelihood of this being by chance.

The cross tabulation between Province and the statement showed a definite difference between the provinces, especially in the "Don't Know" responses. The less developed provinces like Limpopo (29%) Mpumalanga (12%) Eastern Cape (14%) had higher scores than the more developed provinces like Gauteng (3%) and Western Cape (5%). The province is responsible for 16.4 percent of the difference in response, which is accepted because of only a 0.4 percent possibility of it being by chance.

Although Monthly Income showed a correlation of 9.8 percent with knowledge about tax returns, other analysis did not confirm it.

7.16 PENALTIES FOR TAX EVASION

Tax avoidance is legal but tax evasion is illegal (See section 3.17). The answer to the statement, “If your try to evade tax you can be fined”, is “True”. The penalty for evading tax is either a jail sentence or a fine.

Table 36 If you try to evade tax you can be fined

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	434	82.0	84.9	84.9
	False	32	6.0	6.3	91.2
	Don't Know	45	8.5	8.8	100.0
	Total	511	96.6	100.0	
Missing	Blank	18	3.4		
Total		529	100.0		

The overall results from analyzing this statement indicate that most people in the sample (82%) know that there is a fine for evading taxation while 8.5 percent indicated that they did not know.

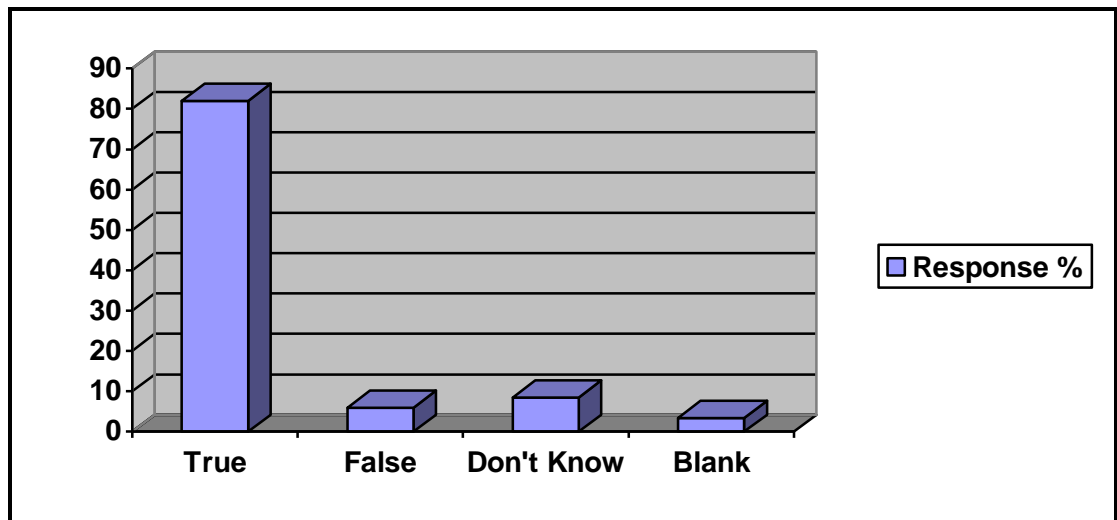


Figure 36 If you try to evade tax you can be fined

The graphs and cross tabulations indicated that with respect to Race, fewer Black Africans answered this question correctly (78%) while the other groups scored higher; whites (92%), Indian or Asian (85%) and Coloureds (89%) giving a correlation of 17.0 percent between race and knowledge of the consequence of tax evasion, this result being only 0.2 percent unlikely (chi squared calculation).

With respect to Age the Primary analysis did not present any obvious relationship but the correlation calculation indicated a relationship of 12.0 percent between age and an understanding of the consequences of evading tax. The chance of this being by accident was only 0.2 percent.

With regards to the level of education there was a distinct increase in the percentage that answered "True" over the range "Some Secondary" to "Higher". This went from 71 percent through 85 to 94 percent. There were concomitant falls in the other two categories over this range. There is a correlation of 26.2 percent indicating that as the level of education increased there was a greater awareness of the fact that tax evasion leads to sanction. These results are almost 100 percent probable.

As for the occupation of the respondents, the students were the only ones who had a "False" response (10%) and a large "Don't Know" response (17%). The other categories were all smaller than this. The correlations indicate that 20.3 percent of the difference in response was because of the occupation of the respondents. This result was probably only by chance in 2.4 percent of cases.

The only difference that can be determined from the graph concerning the effect of province on the response, is that Limpopo (27%), KwaZulu-Natal (11%) and Eastern Cape (14%) had larger responses

in the "Don't Know" category than the other provinces. The relationship indicated by the correlation is that 15.1 percent of the differences in response were due to the province in which the respondent lived, with only a 1.5 percent likelihood that this was by chance.

Most respondents who earned over R 1 000 per month answered "True" about this statement, those who earned under R1 000 per month, where 21 percent more likely not to answer "True". The correlation between these two variables indicates that 12.9 percent of the response is due to the monthly income of the person. The likelihood of this relationship being true is 96.1 percent.

Some other correlations that were not found when examining the graphs and tables were home language which has a 17.9 percent on the responses, as well as two surrogates for affluence which were Energy source used (9.7%) and Telephone facilities available to the respondent (9.3%). These results were all probably at least at a 95 percent probability level.

7.17 INCOME TAX THRESHOLDS

The statement that respondents had to make a judgment on was, "A person who earns below R 50 000 per year pays no tax". All people under the age of 65 years would have to pay no tax at this annual income. The appropriate answer for this statement was "False". The theory behind this section is covered in section 3.18.

Table 37 A person who earns below R50 000 per year pays no tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	189	35.7	37.1	37.1
	False	219	41.4	42.9	80.0
	Don't Know	102	19.3	20.0	100.0
	Total	510	96.4	100.0	
Missing	Blank	19	3.6		
Total		529	100.0		

The overall results indicate that 41.4 percent of the sample indicated this correctly while 35.7 percent were incorrect. The “Don’t know” category was 19.3 percent.

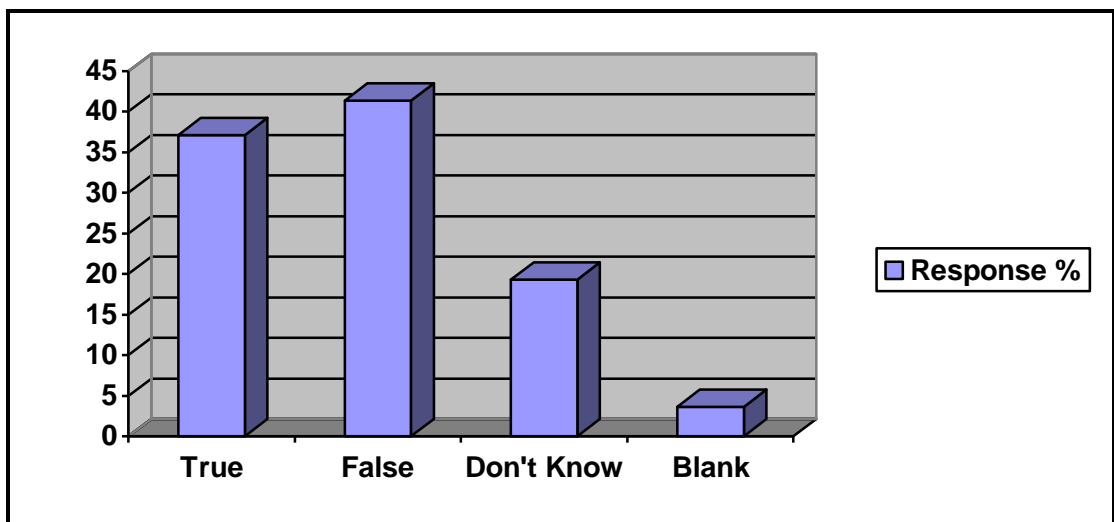


Figure 37 A person who earns below R50 000 per year pays no tax

More extensive examination of the subsections of the data through graphs and cross tabulations indicated that more males (41%) had this answer correct than females (34%) with a 99.9 percent certainty (Chi squared).

The number of respondents up to the age of 29 years who responded “False” to this statement was larger than the number who answered “True”. Above this age there was a swing in the opposite direction.

Age is responsible for 11.0 percent of the change in the responses to this statement, with 99.5 percent certainty.

The cross tabulation for race for this statement indicates that the Coloured group scored the highest on this question (48%) followed by the Whites with 44 percent, then the Indian or Asian group (39%) and lastly the Black African group with 29 percent. Inferential statistics does not indicate a significant relationship between these two variables.

Afrikaans speakers were the only group where the majority answered this question correctly (52%). All other groups tended to answer, "False" as their largest response. There is a 99.9 percent certainty that this result was not by chance neither was the 9.4 correlation.

With respect to the level of education, over the range "Some Secondary" through "Grade 12/Std. 10" to "Higher" the percentage of those that answered "True" increased from 23 percent through 32 percent to 49 percent. The "Higher" education category indicated the "True" response as the most acceptable while the two below had "False" as the most common response. The correlation indicates that 21.9 percent of the change in response is due to the level of education that the person has. This is almost 100 percent certain according to the chi squared calculation.

The majority of the workers in the different occupations answered this correctly but the students (54%) and the unemployed (56%) had "False" as their answer, which is wrong. This was followed by the "Don't Know" Category in both these groups. There was a 99 percent certainty that 23.6 percent of the variation in the responses was due to the occupation of the respondent.

There was an 11.8 percent correlation between the energy source used and the knowledge of the threshold for tax payment but this was not observed in the primary analysis and the chi squared calculations indicated a 5 percent chance that this may have been by chance. As the energy source was originally put in to the questionnaire as a surrogate for affluence this should possibly be examined in more detail in a future study.

There are definite differences between provinces as indicated by the cross tabulation and graphs. The ratios for Gauteng for the responses “True”, “False” and “Don’t Know” were 47: 39:14. For KwaZulu-Natal it was 32:46:22. For Limpopo the results were 17:51:31. The chi squared indicates a 98 percent certainty that 14.1 percent of the response can be attributed to the province a person lives in.

When analyzing monthly income it was found that the respondents fell into two distinct groups. There were those who earned below R7 000 per month who predominantly answered “False” while the larger group answered “True” for those who earned more than R7 000 per month. The indication is that 16.6 percent of the responses were due to the monthly income of the respondents (valid at the 0.4 percent level according to the chi squared calculation).

7.18 PROVISIONAL TAX PAYERS

Provisional tax is paid by people who have non-employment remuneration. Section 3.19 above covers the theory behind this question. Each one of these people has to register for tax. The statement, “People who run their own businesses must register for tax”, is therefore “True”.

Table 38 People who run their own business must register for tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	True	459	86.8	88.6	88.6
	False	32	6.0	6.2	94.8
	Don't Know	27	5.1	5.2	100.0
	Total	518	97.9	100.0	
Missing	Blank	11	2.1		
Total		529	100.0		

Figure 38 and Table 38 indicate that the majority (86.8%) of the sample choose the correct answer. Those who indicated “False” and “Don’t Know” are 6.2 percent and 5.2 percent respectively.

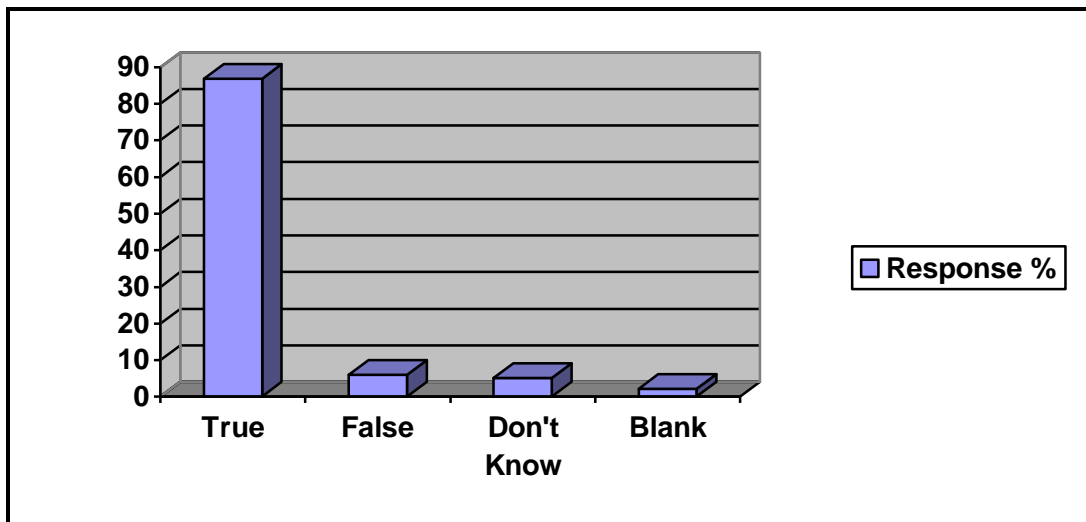


Figure 38 People who run their own business must register for tax

The graphs and cross tabulations indicated that with regard to the level of education, if we leave out the category “Completed Primary” as the size is too small, there is a steady progression as one goes up the educational level from 55 percent through 81, then to 84, to 88 and then 91 percent of the respondents answering “True”. The graphs indicated a very strong relationship which is borne out by the correlation which was 14.4 percent with a likelihood of 3 percent that these findings were by chance.

Findings which did not materialize in the primary analysis are indicated by the inferential methods of analysis. Although no confirmation by the chi squared calculations there could be a 15.9 percent effect on knowledge of people who own their own businesses having to register for income tax by the age of the respondent, a 20 percent effect by the occupation of the respondent, and a 13.7 percent by the monthly income of the individual.

7.19 IMPORTANT FINDINGS: PRIMARY ANALYSIS OF KNOWLEDGE OF INCOME TAX

Many of the responses to these knowledge statements indicated that the sample knew quite a bit about taxation. Six of the statements had scores of over 70 percent answering correctly. Another 5 had scores in excess of 50 percent. This means that of the 17 questions, 11 had good results.

There were two questions where the number of respondents giving the correct answer was lower than the number giving the wrong answer. These were statement B4 which dealt with careful planning to avoid tax, where only 21 percent answered correctly, and statement B14 (35.5%) which dealt with all persons having to make a tax return. The implications for revenue collection are that time and effort should be spent on creating awareness of tax planning as well as criteria for tax returns having to be filed.

Taking the number of methods that indicate a significant relationship from the above (maximum of 17) and calculating the average for each biographical factor (maximum of 3), a ranking of importance was constructed.

The conclusion from this analysis is presented in summary form in Appendix E, but they indicate that the knowledge about taxation is influenced by the following biographical characteristics:

The most important biographical factor with respect to knowledge about income tax is the level of education. Of the statements considered to determine the knowledge about income taxation, 14 of them had a relationship with the level of education with the average for level of education being 2.50 out of a possible 3. Most categories, like the knowledge about interest being taxable had a negative correlation with the level of education, whereas others like taxation on dividends, those who indicated they did not know decreased as the level of education increased but the correlation was still negative (Table 56).

The second highest biographical factor that indicates the knowledge about income tax was occupation. In 15 of the statements there was a relationship but the average score out of 3 was 2.40. Overall as the sophistication of the employment increased, so did the knowledge of tax matters. This can be seen in the column marked A6 in Table 56.

This was followed by the province the person stays in. In the examination of 15 cases there was a relationship with an average score of 2.26. In general those provinces where there is a higher degree of development, like Gauteng and the Western Cape, there is a greater knowledge of taxation than in the more 'rural' provinces like Limpopo and Mpumalanga. Further analysis will refine these observations.

Fourthly was the age of the respondents. In 12 statements there was a relationship with an average score of 2.25. From the results it would seem that there was a negative correlation with age. Older people tended not to know as much as their younger counterparts.

Monthly Income had a relationship in 14 categories and an average score of 2.21. As income increases less is known about income tax according to the study. The correlations in Table 56 indicate that all correlations are negative although not all are significant or reliable.

Race came sixth with an average score of 2.18 and a relationship in 11 categories. Without further analysis a tentative comment on race is that the white population would be inclined to know less than other race groups about income tax as indicated in the correlations.

Gender was seventh on the list with an average score of 1.75 in 8 categories. There are certain categories in which gender does not affect the knowledge about income tax but there are others where males are inclined to be knowledgeable than their female counterparts.

Energy source (1.67) Urban/Rural Location (1.28) and Telephone facilities (1.13) were the lowest scorers when it came affecting knowledge about Income tax.

7.20 CONCLUSION

The level of education, the occupation of a person, the province in which they are situated and their age tend to be the most important biographical factors which determine the knowledge that people in South Africa have of income tax. The usefulness of this knowledge would be beneficial in the planning of educational efforts to broaden

tax compliance in South Africa, allowing investment to be made where the returns would be maximized.

In this chapter the relationships between knowledge of the respondents about Income Tax and the Biographical details was examined. In the following chapter attitudes towards Income Tax will be analysed to determine the relationships with biographical detail.

CHAPTER 8

ANALYSIS OF ATTITUDE TOWARDS INCOME TAX

8.1 INTRODUCTION

As the previous chapter examined the knowledge that respondents had towards income tax, the following sections provide an analysis of the Likert scale responses that members of the sample gave to the value statements presented in the questionnaire, as well as the effect that the biographical attributes have on the responses. Each statement in the questionnaire was examined independently.

Graphical representation of these responses will be emphasized as the visual presentation is more powerful. Tables are also presented.

8.1.1 Descriptive Statistics to be used

The descriptive statistics calculated were the mean (central tendency); the standard deviation (the spread around the mean); the skewness (a distribution's deviation from symmetry) and the kurtosis (measure of a distributions 'peakness') (Cooper and Schindler 1998: 430).

The mean indicates where the central point is on a graph, and as there are five distinct categories the mean should be at 2.5 for it to indicate a normal distribution curve.

The standard deviation indicates the dispersion of the responses around the mean. The greater the standard deviation the more dispersed the responses. A positive or right skewness of the distribution indicates that the majority of the responses fall on the left hand side, while a negative or left hand skewness indicates the opposite (Cooper and Schindler 1998:428).

8.1.2 Inferential Statistics to be used

The kurtosis is a measure of the flatness or “peakness” of a graph. A normal curve has a kurtosis of 0 while a positive result indicates a leptokurtic curve, which means the peak is higher than expected, while a negative result indicates the graph is platykurtic, meaning flat. (Schindler and Cooper 1998: 430)

In breaking down the responses into sub categories based on the biographical factors, cross tabulations and graphs were prepared using the SPSS statistical package (Version 17).

The chi squared was calculated, indicating the probability of the two variables being unrelated. A low score, indicates a greater probability of the two statements or questions being examined being related.

The correlations calculated, indicate the strength of the relationship between the two items being examined and the significance indicates the probability of this being correct. Any significance less than 5 percent is accepted as indication that there is a relationship. The results of the calculations are presented in Appendix C.

8.2 I ALWAYS TRY TO PAY MY INCOME TAX

This was the most basic of statements to judge attitude towards Income Tax, and the responses to this by members of the sample are represented in Table 39 and Figure 39. It was not surprising that the majority of the respondents agreed (21.4%) or strongly agreed (40.6%) with this statement. There were however, a few respondents who did not agree (12.7%) with this statement and 7.4 percent who left it blank.

Table 39 I always try to pay my income tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	46	8.7	9.4	9.4
	Disagree	21	4.0	4.3	13.7
	Neither Agree or Disagree	95	18.0	19.4	33.1
	Agree	113	21.4	23.1	56.1
	Strongly Agree	215	40.6	43.9	100.0
	Total	490	92.6	100.0	
Missing	Blank	39	7.4		
Total		529	100.0		

The mean for this statement is 3.88, which lies towards the right. The standard deviation is 1.28, which indicates that the bulk of the responses are not close to the mean. The skewness is -0.975, confirming that the bulk of the responses are on the right hand side. The kurtosis is -0.074 which indicates that the graph is slightly flat, confirming the larger standard deviation.

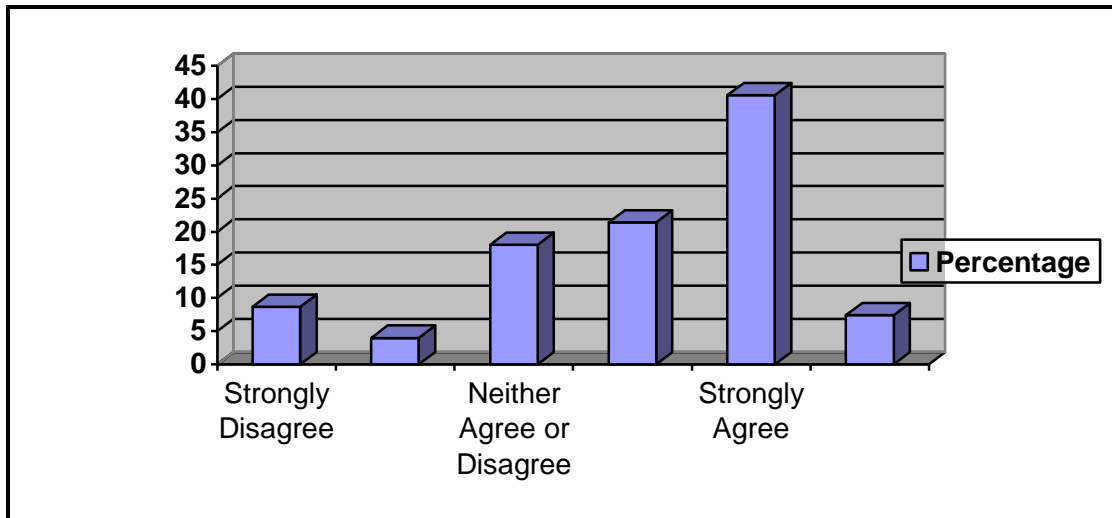


Figure 39 I always try to pay my income tax

These results indicate that the majority of respondents do try to pay their tax as the graph is skewed towards this answer. There is a small group (12.7%) who do not always try to pay their taxes.

On examination of the graphs and tables of the cross tabulation of the statement above, a number of observations were made about the distribution within the broad category.

There is a greater than five percent difference between the responses of the genders where 24.4 percent of females “Neither Agree or Disagree” compared to males (68.8%). More males (68.8%) agreed with this statement than females (63.5%) but females (27.1%) were more likely to “Agree” than males (18.8 percent) whereas males (52.0%) were more likely to “Strongly Agree” than females (36.4%). No correlation was shown but the chi squared indicated that there is only a 0.2 percent chance that these results can’t be representative of the population in general.

As the age of the respondents increased from 10 to 44 years the percentage that were neutral to this statement decreased from 50 percent to 2.1 percent while over the age range 15 years to 55 years the positive response increased from 18.8 percent to 69.5 percent. The correlation indicates that 30.4 percent of the attitude towards payment of taxes is determined by the age of the person. The chi squared indicates that this result found in the sample is had a 100 percent likelihood of being true in the population.

With reference to race, Coloured respondents (83.0%) were more likely to agree that they always tried to pay income tax than Whites (75.1%) followed by the Indian or Asian (63.0%) respondents, and the lowest were Black Africans (59.4%). The “disagree” responses to this statement were the mirror image from 20.8 percent to 6.0 percent over the same range. Race determined 18.3 percent of the variation found in the sample, while the chi squared (0.000) indicates that this is the same in the general population that race does determine the attitude towards payment of taxes.

The language group that agreed that they tried to pay their taxes was the Afrikaans group at 85.0 percent. There were varying percentages for other language groups down to the Xitsongo (41.2%) who were the group who agreed least that they tried to pay income tax. The corresponding trend was found in the “disagree” group with only five percent of the Afrikaans speakers disagreeing with the statement compared with 5.9 percent of the Sesotho group, 11.1 percent of English speakers and 12.6 percent of the Setswana. The IsiZulu group of speakers scored the highest in the disagree category. Correlation calculations indicate that 14.6 percent of the variation in the response to this statement was caused by the home language and this can be assumed to be 99.9 percent accurate according to the chi squared calculation.

The level of education indicated that there was a definite increase in the number of respondents who agreed that they tried to pay their Income tax, from 47.0 percent for those with “Some Secondary” education, to those who had Higher Education (82.2%). Those who responded “Neither Agree or Disagree” dropped from 32.3 percent to 9.7 percent over the same levels of education. However, although the correlation indicates a correlation of 25 percent this is not indicated as being significant in this research, either due to the sample size or the fact that the graph indicates that there is one dominant group who answered “Strongly Agree” and thus do not attempt to avoid income tax, but there is also a group which are neutral, meaning that it does not affect them, and a slightly smaller group who “Strongly Disagree” and thus imply that they do try not to pay their income tax. There are thus three types of responses to this statement. The chi squared indicates that there is a less than one chance in a thousand that these results may not reflect the characteristics of the population.

Those who were in occupations which required higher order skills were inclined to “Strongly Agree” that they paid their income tax, like professionals (65.4%), legislators, senior officials and managers (62.8%) and clerks (50.7%) while service workers, shop and market sales workers responded in 25 percent of cases in this manner. Students on the other hand had 44.5 percent answering “Neither Agree or Disagree”. The correlation of 39.8 percent indicates that almost 2 in 5 respondents were affected by their occupation in answering this statement. The Chi squared indicates that this finding can be generalized to the population with 99.9 percent certainty.

People who were located in the city (11.2%) disagreed with the statement presented compared with 19.7 percent who lived in rural villages and rural townships (23.7%). On the other hand those who lived in cities agreed with the statement in 69.9 percent of the responses compared to 46.6 percent from rural villages. Those who lived in rural towns agreed with this statement 77.7 percent of the time. Interestingly, those who lived in rural villages (33.3%) chose to answer “Neither Agree or Disagree” 33.3 percent of the time compared to people in rural towns who chose this option only 11.1 percent of the time, indicating that they were neutral to this statement. No correlation was found in the calculations and the certainty of this occurring by chance was slightly less than 5 percent according to the chi squared calculations.

People who had both a telephone in their dwelling and a cellular phone indicated that they agreed that they tried to pay their income tax 70.1 percent of the time, compared to those who had a cell-phone only (63.9%). As this category (owning a land line and a cellphone) was taken as an indication of affluence it can be implied that affluence leads to a greater tendency to pay income tax. This is not confirmed by chi squared although the correlation calculated was 13 percent.

There are some very interesting conclusions that can be drawn from this cross tabulation of this statement with the province in which the respondent resides. The extremes are that 30 percent of respondents in Limpopo who disagreed that they tried to pay income tax compared with 5.8 percent in the Western Cape and 4.5 percent in the Free State. On the other side of the table the Western Cape (88.6%) and Free State (86.3%) respondents scored highest with respondents in Limpopo province indicating that 34.8 percent agreed with this statement. The correlation is 10.6 percent and this is significant only at the 95 percent level with chi squared chance of 1,2 percent that this happening was at random.

As far as monthly income is concerned, the table for the responses to this statement shows distinct patterns. Those who “Strongly Agree” increased from 13.6 percent at the R1 001 to 2 000 level to 68.1 percent at the R20 001 to 25 000 level. A reverse trend is evident for those who answered “Neither Agree or Disagree”, from 44.0 percent for those earning less than R1 000 to 8.6 percent at the level of R6 001 to 7000 after which it remains at these low levels. There is a definite trend indicating that as income increases so does the tendency to pay income tax. The correlation for this is 40.3 percent and the possibility that this was by chance is 0.00 percent as calculated by the chi squared.

8.3 ALL PEOPLE SHOULD PAY THE SAME PERCENTAGE OF THEIR INCOME TO TAX

This statement attempted to examine if people feel that others should be paying more towards the support of the government. Those who earn less could feel that they should not contribute as much as the “rich”, and then there were those who may feel that the “poor” should contribute as much per Rand earned as they did.

As expected, the responses to this statement fell in to two categories. Figure 40 indicates that 47 percent of the respondents disagreed with this statement, but there was a group of 35 percent who agreed with this statement.

Table 40 All people should pay the same percentage of their income to tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	140	26.5	28.3	28.3
	Disagree	110	20.8	22.2	50.5
	Neither Agree or Disagree	57	10.8	11.5	62.0
	Agree	70	13.2	14.1	76.2
	Strongly Agree	118	22.3	23.8	100.0
	Total	495	93.6	100.0	
Missing	Blank	34	6.4		
Total		529	100.0		

The mean for this statement was 2.83 and the standard deviation 1.557. The skewness value was 0.213 and the kurtosis was -1.495. This indicated that the responses are more widely spread around a central mean in a slightly positively skewed distribution which is slightly platykurtic (flat).

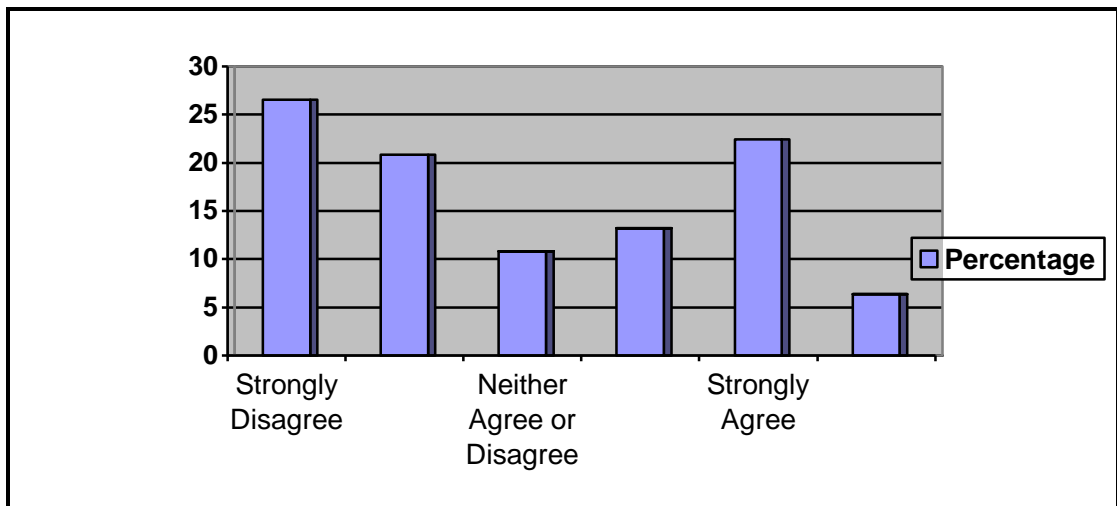


Figure 40 All people should pay the same percentage of their income to tax

The graph emphasises the bimodal nature of the distribution better than the descriptive statistics does. The overall result was that there were two groups of respondents, those who believed that all people should pay the same percentage of their income as taxation (35.5%) and those who agreed with a differential tax burden (47%) by indicating that all people should not pay the same percentage of their income to tax.

Further analysis through cross tabulations and graphs indicated that the difference between males and female was that males were more likely to “Strongly Agree” (27.7%) with the fact that “All people should pay the same percentage of their income to tax”, than females (19.7%).

There are quite large variances in the answers of the different language groups. SiSwati speakers (64.3%) and English speakers (65.8%) felt strongest that all people should not pay the same percentage of their income to tax. On the other side of the table the Afrikaans (48.2%) and the Sepedi speakers (50.1%) agreed that the same percentage of tax should be applied to all people, while the English (34.4%), Setswana (33.3 %) and the IsiXhosa (32.7%) were the respondents who disagree most with this statement.

Those who disagreed with this statement tended to fall into three distinct location groupings. City (47.8%) and urban suburb (47.3%) dwellers had similar responses. Those who lived in urban townships (54.3%) and rural towns (53.2%) were similar while those who lived in rural villages disagreed in 75 percent of their responses.

There were no correlations between the responses to this statement and any of the biographical factors.

8.4 WHENEVER I CAN I TRY TO AVOID TAX

A person who does not feel that the government is spending their tax efficiently is more likely to be inclined to avoid tax. The explanation for this is covered in the section 4.5 on tax morality where some of the research done to date is also presented.

Table 41 and Figure 41 indicate that there were two groups of respondents to this statement, and possibly a third. Future analysis will indicate if these are the same people who answered similarly in section 8.3. There is one difference here, and that is that there was a large group who were either indifferent or did not wish to answer the question. This 21.7 percent answered “Neither agree or disagree”. Those who strongly disagreed with the statement made up 34.4 percent of the respondents placing 49.4 percent in the category who would not try to avoid tax.

Table 41 Whenever I can I try to avoid tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	182	34.4	36.9	36.9
	Disagree	79	14.9	16.0	52.9
	Neither Agree or Disagree	115	21.7	23.3	76.3
	Agree	50	9.5	10.1	86.4
	Strongly Agree	67	12.7	13.6	100.0
	Total	493	93.2	100.0	
Missing	Blank	36	6.8		
Total		529	100.0		

The mean for this set of results is 2.47, which places it on the left of the mid-point. The skewness of 2.47 confirms this positive trend placing the graph on the left. The standard deviation is 1.418, indicating that there is quite a spread and the kurtosis of -1.048 confirms this by indicating that the graph is relatively flat.

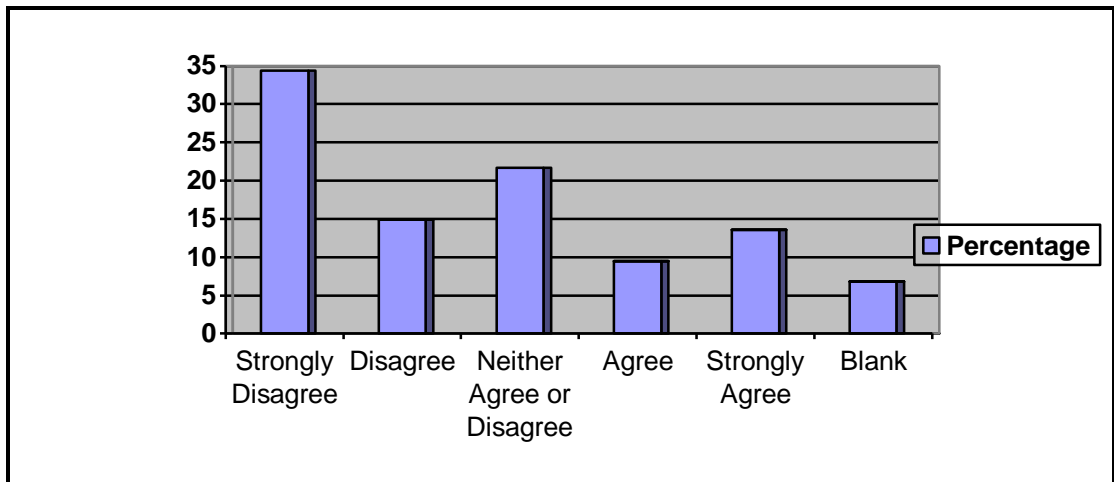


Figure 41 Whenever I can I try to avoid tax

There was a group of respondents (22.2%) who try to avoid tax and a group (21.7%) who were indifferent to this statement.

Males (26.6%) were more likely to agree with this statement than females (20.9%) but more females (55.5%) disagreed with this statement than males (49.7%). These primary observations were not confirmed through inferential statistics.

As age increases from ten years to 55 years the number of those who answered “Strongly Disagree” rose from 43.4 percent to 65 percent, while over the same range those who “Neither Agree or Disagree” fell from 47.8 percent to 13.0 percent. Correlations indicate that 14.5 percent of the responses can be attributed to the age of the person with a 96.8 percent certainty.

With respect to the occupation of the respondents, legislators, senior officials and managers (32.5%) “Strongly Disagreed”, less than clerks (52.0%) with 34.7 percent of students remaining neutral.

There were definite differences between provincial responses in all five categories but graphically they did not produce any conclusive

trend. The correlation of 9.5 percent is not supported by any other calculations. If the provinces were arranged in some other order a different result may be forthcoming.

The monthly income table was rather difficult to interpret as there were a number of definite themes within the responses. The percentage of respondents who “Strongly Disagreed” rose from 35.8 percent for zero income, to 62.5 percent at the R7 001 to R8 000 level after which it decreases steadily to R35 000. For those who agreed with this statement there were distinct income groups who did not agree with this statement at all, while others had responses of up to 42.0 percent who agreed (R3 001 – 4 000). A correlation of 11.5 percent was indicated but only at a 96 percent acceptance level. The chi squared indicated the chance of this occurring by chance is less than 0,1 percent.

8.5 TAX GOES TO THE RULING PARTY TO DISTRIBUTE

This question examined the attitude of the respondents to the ability of the ruling party to provide services.

Table 42 Tax goes to the ruling party to distribute

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	94	17.8	18.8	18.8
	Disagree	67	12.7	13.4	32.3
	Neither Agree or Disagree	153	28.9	30.7	62.9
	Agree	92	17.4	18.4	81.4
	Strongly Agree	93	17.6	18.6	100.0
	Total	499	94.3	100.0	
Missing	Blank	30	5.7		
Total		529	100.0		

The results displayed in Figure 42 and Table 42 indicate that almost 30 percent of the sample “Strongly disagreed or disagreed” that the tax goes to the ruling party and thus possibly see the ruling party and the state as unrelated. Those who agreed made up 35 percent of the respondents while those who disagree in some measure were 30 percent of the respondents.

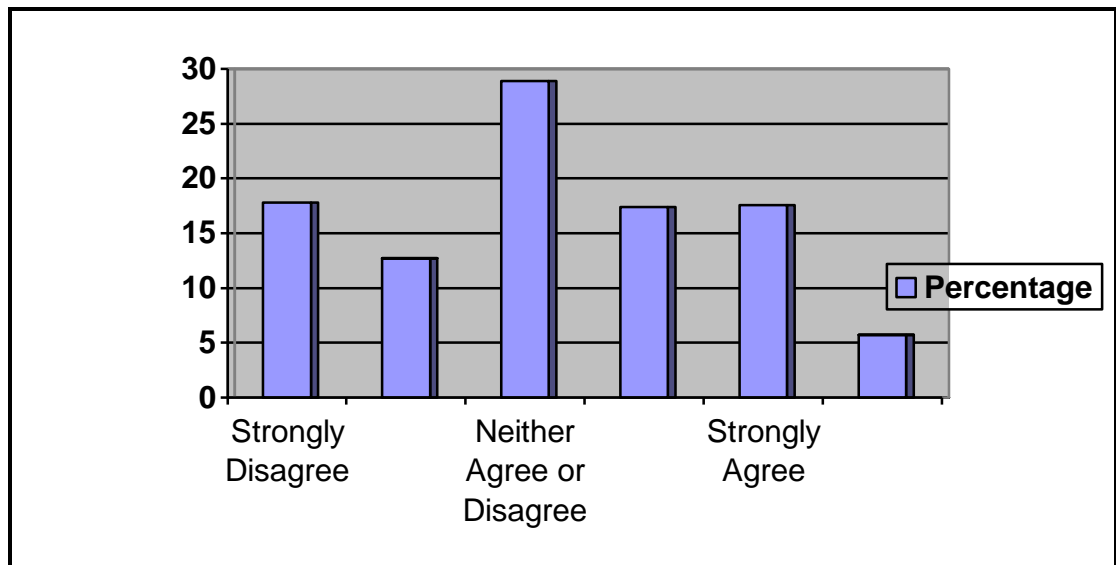


Figure 42 Tax goes to the ruling party to distribute

From the above it would seem that there are three distinct groupings of responses. The mean for this data is 3.05, placing it on the right of the central point. The standard deviation is 1.349, indicating that the spread is larger than a “normal” curve. The skewness is -0.089 which means that the graph is slightly negatively skewed i.e. towards the right. The kurtosis is -1.078, which indicates by its negative sign that the curve is flat rather than peaked, reinforcing the spread alluded to above. The spread is thus not “normal” in the statistical sense.

Within this framework it was determined that females (34.7%) were more likely to be neutral to this statement than males (26.8%) while males (37.7%) were more likely to disagree with this statement than females (27.1%) especially in the “Strongly Disagree” category where

the ratio is 27.7 to 14.1 in favour of males. The correlation indicates that 10 percent of the variability in response was because of gender but there is a 5 percent probability that this result was by chance.

A 13.3 percent relationship between the responses to this statement and age is captured in the fact that over the range of 15 years to 44 years, the percentage of respondents who “Strongly Disagree” rose from 16.8 percent to 37.5 percent and dropped from 39.1 percent to 20.5 percent for those who “Neither Agree or Disagree”. The chi squared indicates that there is only a 1.2 percent chance that this occurred accidentally. This implies that as age increases the respondents see the ruling party as having control over the income tax gathered.

As the educational level of respondents decreased the percentage who felt that tax went to the ruling party increased from 33.5 percent for those with “Higher Education” to 43.5 percent for those with “Some Secondary”. This change was more marked for those who disagreed, from 23.4 percent for those with “Some Secondary” to 38.6 percent for those with higher qualifications. This change in response rate is correlated 15.1 percent with the level of education but the chi squared does not support this finding with any certainty.

With respect to the occupation of the respondent the responses to this statement did not seem to follow a definite pattern but ranged from clerks (53.6%) who disagreed with this statement to professionals (29.6%) and students (17.4%). Technical and associate professionals (35.9%) and professionals (33.3%) scored highest in the “Neither Agree or Disagree” category while the unemployed (46.4%) and students (43.3%) were the highest scorers in the groups that agreed. The correlation was 17.9 percent between how respondents reacted and their occupation, with at least 99.9 percent certainty.

Those living in rural towns (42.2%) disagreed with this statement compared to those on farms (11.1%), while those who agreed that tax did go to the ruling party were those living on farms (55.5%), in rural villages (43.8%) and urban townships (41.5%). No correlation was evident but the chi squared did indicate that the chance that these observations were by chance was only 2.1 percent.

With reference to the province in which a respondent resided, those who showed any disagreement with this statement were Gauteng (20.2%), the Western Cape (25.0%) and KwaZulu-Natal (18.6%) who answered "Strongly Disagree".

There was a trend in the wage brackets from those who disagreed with the statement, which rose from 21.2 percent for those who earned no income, to 55.0 percent for those who earn up to R6 000. Those who agree fell over the range R0 to 6 000 from 50.4 percent to 10.0 percent. This indicates that as income rises it has a 10.7 percent effect on the respondent to disagree with this statement.

8.6 PEOPLE SHOULD KEEP RECORDS SO THEIR TAXES ARE ACCURATE

It is both prudent and a legal requirement that people keep records of their financial transactions which are considered for taxation purposes. These include capital gains tax which is paid on the sale of a capital asset (Huxham and Haupt 2008:693), which is not dealt with in this study, and also for retirement planning purposes where excesses paid are claimable on retirement (Huxham and Haupt 2008:551)

Table 43 People should keep records so their taxes are accurate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	15	2.8	3.0	3.0
	Disagree	20	3.8	4.0	7.1
	Neither Agree or Disagree	52	9.8	10.5	17.5
	Agree	133	25.1	26.8	44.4
	Strongly Agree	276	52.2	55.6	100.0
	Total	496	93.8	100.0	
Missing	Blank	33	6.2		
Total		529	100.0		

Responses to this statement showed that the majority (77.3%) agreed with this statement. A group of 9.8 percent was neutral to this statement while 6.2 percent decided not to answer it.

The mean for this question is 4.28, indicating that it lies to the extreme right. The standard deviation is 1.009, indicating a smaller dispersion than the other questions discussed above. The skewness is -1.531 indicating an extreme negative graph or left skewness. The kurtosis is 1.896, which indicates a great "peakness" or leptokurtic shape around the mean.

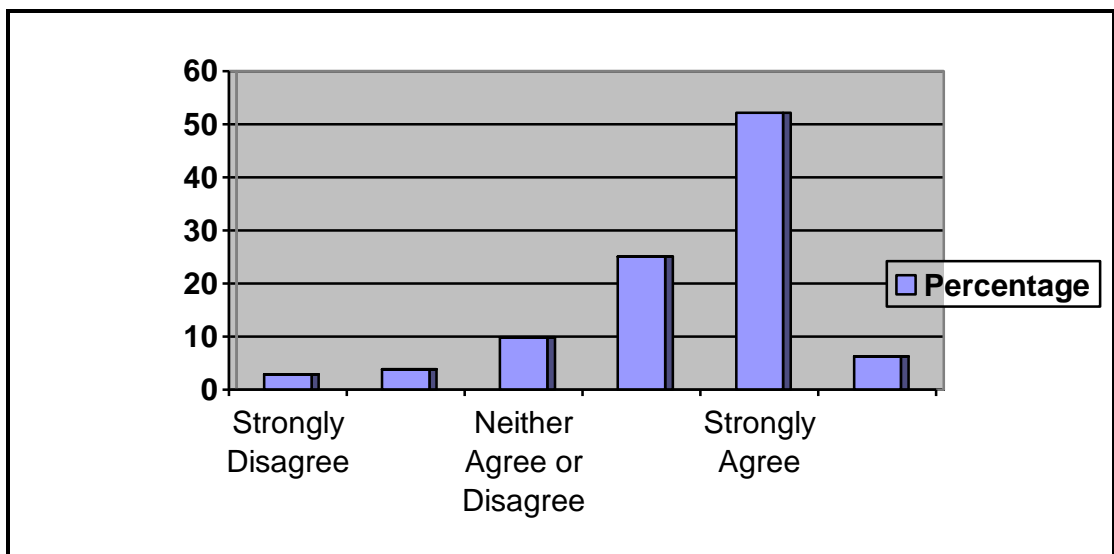


Figure 43 People should keep records so their taxes are accurate

The conclusions reached from these results is that the majority of the respondents (77%) believed one should keep records for taxation purposes but within these categories the cross tabulations showed that more males (6.2%) “Disagree” with this statement than females (1.9%) while females (30.3%) were more likely to “Agree” than males (23.0%) and males (58.4%) were more likely to “Strongly Agree” than females (52.9%). Inferential statistics did not support these observations.

Age had a 15.5 percent correlation effect on the decisions with respect to this statement. The percentage of those who agreed with this statement rose from 65.1 percent for the 10 to 14 year group to 100 percent for the 65 to 59 age group. The chance that this finding that age does affect people keeping records is accidental is only 0.8 percent.

More Whites (87.6%), Indian and Asians (84.2%), and Coloureds (80.6%) believed that records should be kept for tax purposes, than Black Africans (77.8%). Race correlates 11.3 percent with the response of the respondents on the ‘keeping of records by taxpayers’.

On examining home language, although the table indicated percentages that range between 33.3 percent for Xitsongo speakers, agreeing with the statement, to Afrikaans (60.4%) and English (59.1%) speakers agreeing, there was no observable trend in the graphs and tables. The correlation coefficient however is 0.105 between home language and the attitude towards keeping records for tax purposes. The chi squared indicates that this result could have been by chance.

The respondents with higher education (88.3%) agreed that people should keep records compared to those with secondary education (68.1%). This view was reversed for those who disagreed and who

were neutral to the statement. Level of education has a 10.7 percent effect on people's attitudes towards keeping records for tax purposes, but the chi squared does not indicate that this is certain at a 95 percent level.

Respondents in the higher skilled occupations like legislators, senior officials and managers scored highest on this response in the "Agree" category, while this decreased with the level of skills to service workers, shop and market sales workers who agreed 41.4 percent of the time with this statement. Students scored 46.4 percent in this category. There is only a 0.6 percent chance that this correlation of 24.2 percent with occupation was by accident.

In the province of Gauteng, 86 percent of respondents agreed with this comment compared with the lowest response of Limpopo (52.0%). Fourteen percent of respondents in the Eastern Cape disagreed with this statement compared with 5.6 percent in the Western Cape and Gauteng (5.8%). Inferential statistics indicates that 9.2 percent of the variation on the response to this statement was due to the province a person stayed in. The chi squared calculation does not allow for this result to be generalized to the population.

There were distinct patterns in the responses to this statement in the various income categories. The groups that agreed with more than 90 percent of responses were those in the R1001 to R4 000 and R5000 to R30 000 categories. This left those who earned less than R1 000, those earning between R3 000 and R6 000, and those earning more than R30 000 who responded with 70 percent agreement. There are corresponding groups where there were no responses in the "Disagree" columns. The correlation with monthly income in the sample was 15.2 percent. However inferential statistics do not indicate that this is certainly the case in the population at large.

8.7 PEOPLE SHOULD KEEP A BANK ACCOUNT FOR TAX PURPOSES

Banks are often seen as agents for the South African Revenue Service as they collect taxes on behalf of SARS (Jones 2008 section 2.4). This statement divided the sample into two distinct groups. This bimodal representation has the peaks in the “Neither agree nor disagree” category in the center or neutral category (29.3%) and 24.4 percent in the “Strongly Agree” agree category with the agree category making this up to 52 percent of respondents agreeing.

Table 44 People should keep a bank account for tax purposes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	51	9.6	10.3	10.3
	Disagree	71	13.4	14.3	24.6
	Neither Agree or Disagree	155	29.3	31.3	55.8
	Agree	89	16.8	17.9	73.8
	Strongly Agree	129	24.4	26.0	100.
	Total	496	93.8	100.0	
Missing	Blank	33	6.2		
Total		529	100.0		

Table 44 indicates that 6.2 percent of the respondents left this blank. There were 23 percent of the respondents that felt that people should not keep a bank account for tax purposes. The mean is 3.35, which places it on the right of the graph. The standard deviation is 1.286, which indicates a spread of the responses. The skewness is -.230 which indicates a left skewed, or the majority of the responses on the right of the curve. The kurtosis is -0.952, indicating that the curve is rather flat.

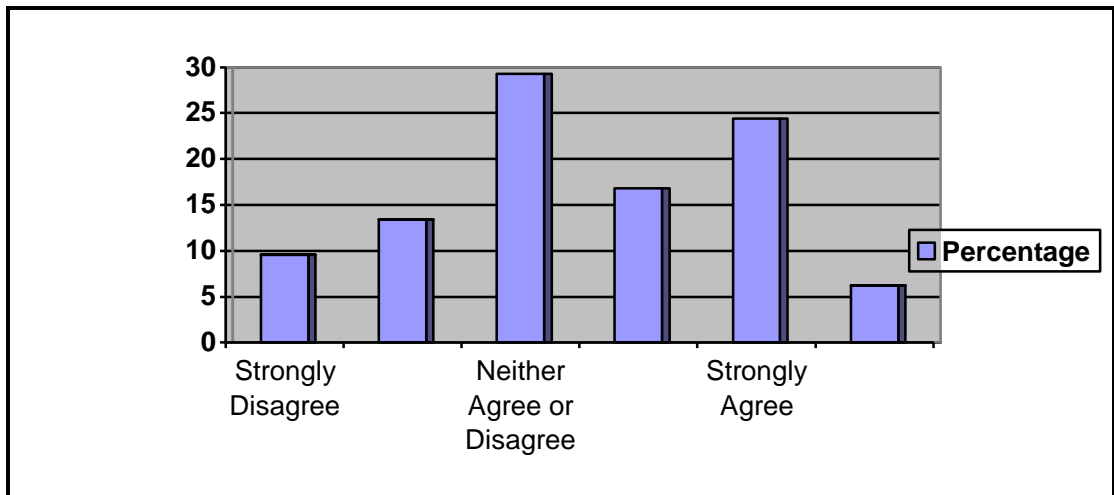


Figure 44 People should keep a bank account for tax purposes

The implication of these results is that the majority of respondents felt that a bank account should be kept for tax purposes (41.2%) while the largest single group were neutral (29.3%) and those who felt a bank account should not be kept was 23 percent.

The chi squared calculations indicated that all of the findings below could have been by chance, but using cross tabulation tables and graphs the statement was plotted against biographical details of the sample.

It was found that Coloureds (29.1%) and Whites (28.2%) did not feel that a bank account should be kept for tax purposes compared with Black Africans (22.6%) and Indian or Asians (21.6%). Also larger percentages of Coloureds (51.6%) and Indian or Asians (51.0%) agreed with this statement compared to Black Africans (41.8%) and Whites (40.8%).

There was an interesting phenomenon with respect to the number of rooms a respondent uses, in the responses to this statement by those who agreed. Those who lived in four rooms (51.3%) and those who lived in six rooms (56.5%) were the majority respondents. Those who

lived in one room (23.4%), and those who lived in 10 rooms (25.7%) were the smallest responses. As the number of rooms could represent the affluence of the respondent the 10.5 percent correlation, although not confirmed by the chi squared calculation, yet coupled with a 11.5 percent correlation with the type of energy source used, also a representative of affluence, is worth mentioning.

8.8 PEOPLE IN THE CITY SHOULD PAY MORE TAX

The question about people in the city paying more tax was based on the perception of some that those in the city are wealthier and also receive the larger share of the services.

There are others who see the grants given to the unemployed and teenage mothers in the rural areas as an affront to the taxes that they pay in the urban areas.

Table 45 People in the city should pay more tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	182	34.4	36.5	36.5
	Disagree	105	19.8	21.1	57.6
	Neither Agree or Disagree	102	19.3	20.5	78.1
	Agree	52	9.8	10.4	88.6
	Strongly Agree	57	10.8	11.4	100.0
	Total	498	94.1	100.0	
Missing	Blank	31	5.9		
Total		529	100.0		

The results of this statement indicate that it too is bi-modal, having two distinct types of categories. The “Strongly agree” and “Agree” categories are much larger than the others (34.3% and 19.8% respectively). There is on the other hand 10.8 percent who “Strongly disagree” with this statement.

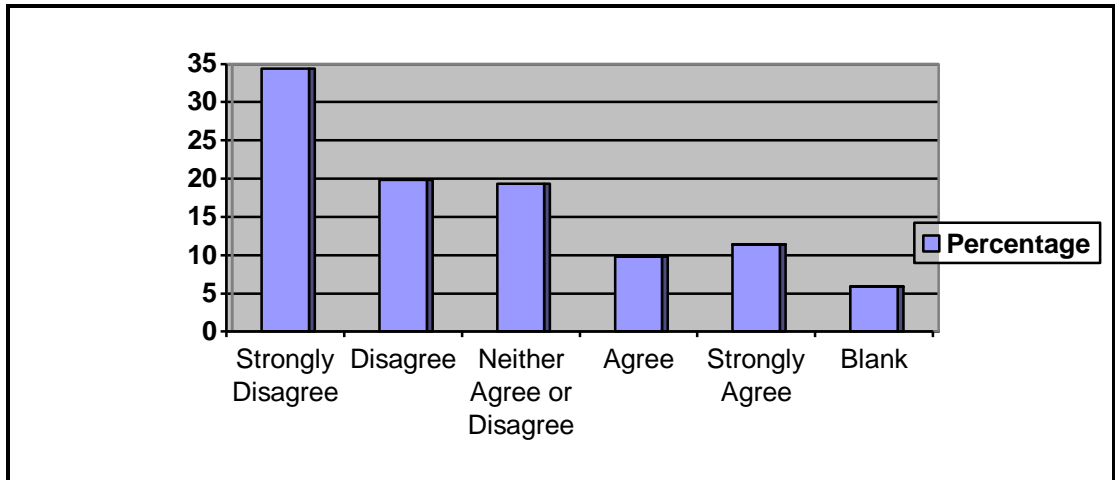


Figure 45 People in the city should pay more tax

The mean is 2.39, indicating that it falls in the “Disagree” region of the graph. A standard deviation of 1.367 indicates that the graph has a distinctively larger spread. The skewness of 0.597 makes the graph positively or right skewed which places it in the “Disagree” region while the kurtosis of -0.868 indicates its flatness compared to a normal curve.

From this we can conclude that the majority (54%) of the respondents did not feel that people who live in the city should pay more taxation. A group of 19 percent is indifferent to this answer while 9.8 percent and 10.8 percent “Agree” and “Strongly agree” respectively that those in the city should contribute more tax. Almost six percent of respondents did not express their opinion on this statement.

The primary analysis indicates that the only trend with respect to age in the responses to this statement was the decrease in number of those who “Neither Agree or Disagree” i.e. those that are neutral, from 25.4 percent at the pre-19 year old level to 6.1 percent at the 40 to 44 year age category. No correlation between age and this statement exists.

The ratio of responses between races towards this statement was very similar to the age distribution, excepting Coloureds who tended towards the extreme with 47.6 percent stating that they “Strongly Disagree” with the statement and 30 percent “Agree” or “Strongly Agree”.

In examining the graphs and cross tabulations for occupation, although the responses to this statement varied more than five percent between respondents, there was no obvious pattern with legislators, senior officials and managers (51.1%) scoring higher in the “Strongly Agree” category than professionals (33.3%). The inferential analysis however indicates that there is a correlation of 16 percent, implying that the occupation of a respondent does influence their attitude towards a differential in tax payments for urban dwellers. The likelihood of these observations being by chance would be 3.2 percent.

The location of a respondent has a 10.6 percent effect on the response according to the correlation. There was a distinct pattern evident when examining the respondents who agreed with this comment. The responses went from 18.1 percent in the city to 20.6 percent in the urban suburbs, 22.2 percent in urban townships, to 28.8 percent in the rural towns and 37.6 percent in the rural villages. Those who disagreed with the statement were mostly in the urban suburbs (60.5%) and the urban townships (60.5%).

Respondents who lived in the provinces of Limpopo (29.6%), Western Cape (33.5%) and the Eastern Cape (30.0%) agreed with this statement. Those provinces in which there was disagreement were: Gauteng (62.2%) and Western Cape (60.8%). The Western Cape being an anomaly in that it has both extremes. The chi squared indicated that these results were only 1.1 percent improbable.

8.9 THE PREVIOUSLY DISADVANTAGED SHOULD PAY LESS TAX

Apartheid, mentioned in section 3.20 above, left the South African population polarised between those who were advantaged and those who were disadvantaged through selective discrimination. This question probed the effect of this system on the attitudes of people towards the payment of tax.

Table 46 The previously disadvantaged should pay less tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	147	27.8	29.5	29.5
	Disagree	89	16.8	17.9	47.4
	Neither Agree or Disagree	96	18.1	19.3	66.7
	Agree	73	13.8	14.7	81.3
	Strongly Agree	93	17.6	18.7	100.0
	Total	498	94.1	100.0	
Missing	Blank	31	5.9		
Total		529	100.0		

The results in Figure 46 and Table 46 indicate that the extremes of “strongly agree” and “strongly disagree” emphasise the two extremes who believed that those who were previously disadvantaged actually gained much more than they admit to, and should now pay for this. The others, believing that they were actually disadvantaged financially as well as politically, felt that those who were advantaged should bear a greater portion of the tax burden. There are 44 percent of the respondents who disagreed that the previously disadvantaged should pay less tax while 31.4 percent felt that the previously disadvantaged should pay less tax. The group that was neutral to this statement made up 18.1 percent of the respondents.

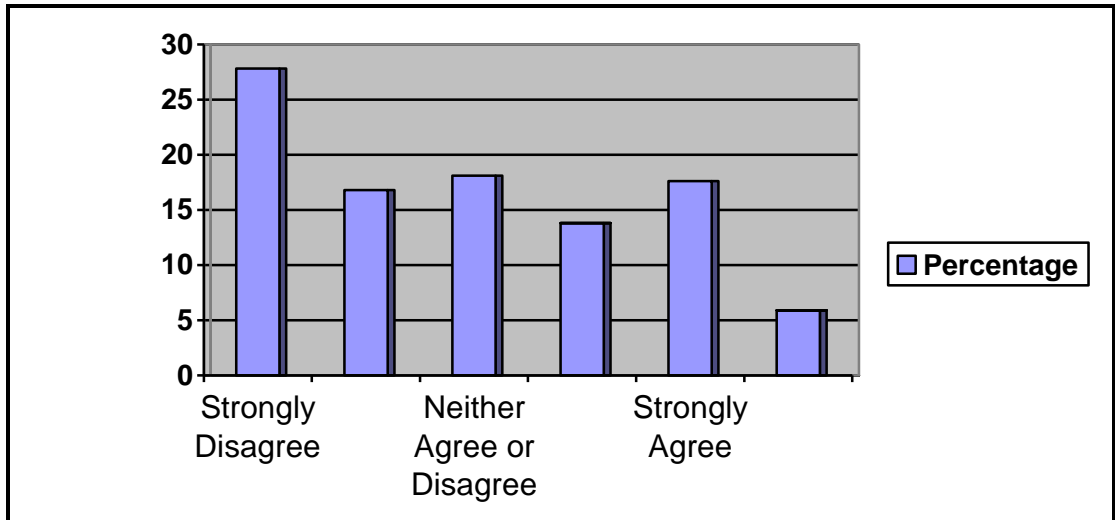


Figure 46 The previously disadvantaged should pay less tax

The mean is 2.75, the standard deviation is 1.482, the skewness is 0.233 and the kurtosis is -1.342. These descriptive statistics imply that the central point is in the “Neither agree nor disagree” category and the results are quite widely spread around this point in a near normal distribution. However the graph is platykurtic or flattened, implying that it is well distributed.

The descriptive statistics above do not correctly describe the distribution. From the graph (Figure 46) it is evident that the sample chose the two extremes of the situation with the slightly larger group believing that the previously disadvantaged should not pay less tax while a slightly smaller group believed that this group should pay less tax.

Males (52.2%) disagreed with this statement more than females (42.4%), whereas females (22.1%) were more likely to be neutral to this statement by responding “Neither Agree or Disagree” than males (16.7%). Males thus feel more strongly that the previously disadvantaged should not pay less income tax.

With respect to race the responses to this statement were noticeably spread with 67.4 percent of Whites agreeing. Of the Indian or Asian group 44.5 percent disagreed while 35.6 percent agreed. The Coloured responses were equally split around 42 percent while Black Africans (43.5%) agreed with this statement and only 32.6 percent disagreed. There is correlation of 32.6 percent between the race of the person and the response to this statement. Black people are far more inclined to feel that the previously disadvantaged should pay less tax. This observation is 0.0 percent likely to be by chance according to the chi squared calculation.

Home language – There was a clear divide in the response to this statement. The English (55.6%) and Afrikaans (56.8%) were very much against the previously disadvantaged paying less tax. The IsiXhosa (51.2%) and Sepedi (64.2%) were very much in favour of the previously disadvantaged contributing less income tax. The others all fall in between with the IsiZulu being uniformly distributed. As languages are not ranked in any order other than alphabetical no correlation shows up but with further examination a correlation would be evident. The chi squared result is 0.000 when comparing responses to this statement with home language indicating the results reflect the population proportions.

The number of respondents who “Strongly Agree” with this statement increased with educational level from 22.3 percent for those with “Some secondary” education, to 33.5 percent for those with “Higher education”. Those who agreed in general increased from 41.1 percent to 47.4 percent over the same range. This is counteracted by those who “Neither Agree or Disagree” which dropped from 24.7.1 percent to 19.1 percent over the same range. The correlation indicates that 17.5 percent of the variation in response is due to the level of education of the respondent with those who are less

educated feeling that the previously disadvantaged should pay less tax.

There are two distinct patterns that developed with respect to location of the respondent. Those in the city responded 26.2 percent of the time that they agreed with the statement that the previously disadvantaged should pay less tax, urban suburbs (29.9%), urban townships (41.9%), rural towns (52.2%) and rural villages (56.3%). The inverse occurred in those who "Neither Agree or Disagree" from the city (18.6%) to Rural village (6.2 percent). Those who disagreed seem to fall into the following categories; city (55.2%); urban suburbs (46.5%) and urban township (40.7%); rural town (34.1%); rural village (37.2%) and lastly farms (77.7%). These results perfectly represent the population according to the chi squared calculation and hold up the fact that 13.7 percent of the variation in this response is due to the location of the respondent.

Telephone facilities represent the affluence of the respondent in this study. Those who had a telephone in their dwelling and a cell-phone were inclined to agree with this statement 31.6 percent of the time and disagree 51.1 percent. On the other hand those who had only a cell-phone agreed with this statement 36.6 percent of the time and disagreed 41.9 percent of the time. The 10.3 percent of the variation in the response to this statement can be attributed the affluence of the respondent as assessed by the telephone facilities they have access to.

Although there was great variation between responses at the different monthly income levels there was no obvious pattern observed in the primary analysis. However those who disagreed most with this statement were those in the R5 001 to R6 000 range (60%) and the R20 001 to R25 000 range (72.7%). The others varied from 63.2

percent (R30 000 – R35 000) down to 23.3 percent at the R5001 to R6 000 income level. Those who earned less than R1 000 per month were neutral to this statement 29.5 percent of the time while those who agreed jumped all over the place from 15 percent (R5001 to R6 000) to 61.5 percent (R2 001 to R3 000). The correlation between the response to this statement and monthly income is given as 9.4 percent but the chance that this was by accident is too large. The significance is also only at the 95 percent level.

8.10 I GET VALUE FOR THE MONEY I AM TAXED

The statement which deals with “value for money” was examined in this section. This issue has also been dealt with in Section 3.5 on tax morality.

Table 47 I get value for the money I am taxed

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	151	28.5	30.6	30.6
	Disagree	88	16.6	17.8	48.4
	Neither Agree or Disagree	165	31.2	33.4	81.8
	Agree	53	10.0	10.7	92.5
	Strongly Agree	37	7.0	7.5	100.0
	Total	494	93.4	100.0	
Missing	Blank	35	6.6		
Total		529	100.0		

Two distinct groups are represented in Figure 47. The one is a group that indicated that they strongly disagree with the statement that they get value for their tax. There is a slightly larger group that indicates that they neither agreed nor disagreed with the statement. In total this makes up 45.1 percent of the respondents.

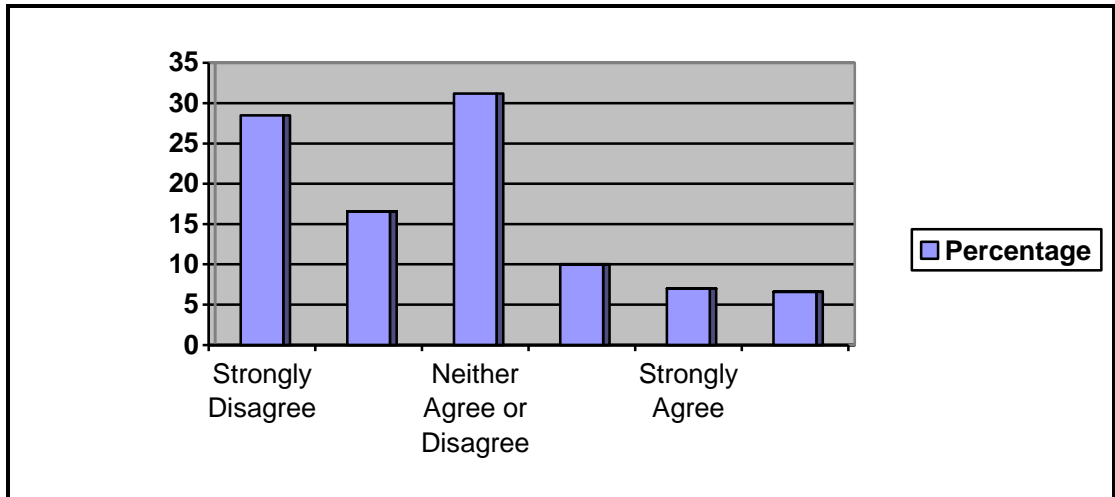


Figure 47 I get value for the money I am taxed

The largest group was those who were neutral to this statement (32.1%). The smallest groups are those who agreed and strongly agreed with the statement (17%). This means that the largest group was not willing to discuss their feelings about the value they get for their taxes or they avoided the decision by being ambivalent towards the statement.

The mean for this statement is 2.47, the standard deviation is 1.236, the skewness is 0,356 and the kurtosis is -0.790. These statistics confirm the bias towards the “disagree” or left hand side of the distribution.

The overall dissatisfaction of the sample is evident with regard to getting value for their tax as 48 percent, almost half do not feel that they get value for the money they are taxed.

Females (39.1%) were more neutral to this statement than males (27.7%). Males (53.1%) disagreed with this statement more than females (44.8%). The chi squared indicates that these results probably do not reflect the population 4.8 percent of the time.

There are three trends in the responses to this statement with respect to age. Those who disagreed increased steadily from the 10 to 14 year category (17.3%) to 70.5 percent in the 55 to 59 year category. With age people feel that they are getting less value for the income tax they pay. Over a similar range of ages those who were neutral to the statement i.e. “Neither Agree or Disagree” dropped from 56.5 percent to 23.5 percent. Those who “Strongly Agree” were the smallest percentage (8.0%) at the 35 to 39 year age group and then rose in both directions to 26.1 percent and 30.7 percent at the younger and older age levels respectively. It would seem that as one gets older one is less satisfied with the value one gets from the income tax one pays. The correlation between these two factors is 15.0 percent with a 0.5 percent chance that this could have been by chance.

The black African (23.6%) group was the group that felt they got most value for their tax, followed by the Indian or Asian (18.8%) group, then Whites (13.0%) and finally Coloureds (6.7%). Whites (55.9%) were the group that mostly disagreed, followed by Coloureds (53.9%), Indian and Asians (48.5%) and lastly the Black African group (41.1%). Seventeen percent of the variation in the responses is caused by the race of the respondent and the results probably reflect the population’s feelings with 99.9 percent accuracy.

The Sepedi (78.6%), the Afrikaans (58.0%), the SiSwati (57.2%) and the English (51.8%) mostly felt that they did not get value for the income tax that they paid. The English (14.3%) and Afrikaans (14.8%) were almost 20 percent lower than the Setswana (35.7%) in agreeing with this statement. It is informative that of the English 33.8 percent were neutral to this statement. Amongst the IsiXhosa it was 35.9 percent, and for the IsiZulu 47.0 percent. Home language determines 17.7 percent of the feelings about getting value for the income tax you

pay. There was no possibility that this results could have been by chance according to the chi squared calculation.

With regards to the level of education, those who agreed that they got value for the money they were taxed increased from the respondents with some secondary education (30.5%) to those with higher education (57.2%). Over the same categories the percentages of those who “Neither Agree or Disagree” dropped from 42.3 percent to 27.9 percent and those who disagreed, from 23.5 percent to 14.8 percent. This reflects a correlation of 12.8 percent ($r = -0.128$; significant at the 1% level)

In the responses to this statement 30.8 percent of professionals answered “Strongly Disagree” as did 15.9 percent of students, 46.5 percent of legislators, senior officials and managers, 46.1 percent of technical and associate professionals and 44.9 percent of clerks responded with higher levels of agreement in this category. The occupation of the respondents determines 22.2 percent of the response given with a 0.2 percent probability of being by chance.

Those who disagreed with this statement tended to indicate two trends with respect to location. In the urban environment there was an increase in disagreement with the statement from the urban township (40.8%) to the urban suburbs (46.7%) to the City (54.7%). In the rural precincts this went from rural town (44.2%) to rural village (50.0%) to farm (55.5%). The effect that location had on the responses was 12 percent and only 1.8percent of being by chance.

Those respondents from Mpumalanga (31.4%), North West (30.7%) and Eastern Cape (29.3%) agreed that they got more value for the money they were taxed. Those who disagree most were from the Western Cape (68.5%), Gauteng (55.3%) and the Free State (54.0%).

In KwaZulu-Natal there were 42.8 percent of these respondents who “Neither Agree or Disagree”. A correlation of 11.6 percent indicates the effect of Province on how people feel about the value of they get from the tax they pay. This result is 99 percent certain.

Monthly income correlates with getting value for the tax paid to the extent of 14 percent. Although those who disagreed with this statement showed some variance there were two distinct groups. The first was from R2 001 to R35 000+. These responses were all above 50 percent, and range to 65 percent. Those who earned below R2 000 were in the 30 percent bracket. There were also wide differences among those who answered “Neither Agree or Disagree”, as with those who agreed with the statement.

8.11 INCOME TAX IS UNFAIR

The statement which says that “Income tax is unfair” is examined in the following section.

Table 48 Income tax is unfair

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	79	14.9	16.0	16.0
	Disagree	106	20.0	21.4	37.4
	Neither Agree or Disagree	142	26.8	28.7	66.1
	Agree	68	12.9	13.7	79.8
	Strongly Agree	100	18.9	20.2	100.0
	Total	495	93.6	100.0	
Missing	Blank	34	6.4		
	Total	529	100.0		

There are two distinct groups of respondents to this statement. The first group, (34.9%) believed that income tax is not unfair. There is a second group (31.8%) that felt that income tax was unfair, but the largest single group is the uncommitted in the middle at 26.8 percent.

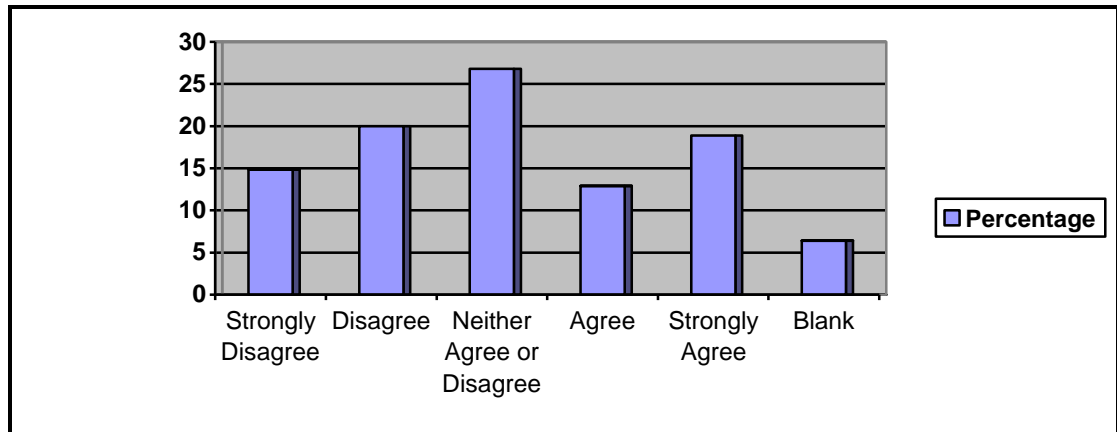


Figure 48 Income tax is unfair

The mean is 3.01 placing it in the center of the graph. The standard deviation is 1.342 indicating that the data is quite dispersed around the mean. The skewness is 0.091 which indicates that is quite close to a normal distribution (0.0), while the kurtosis is -1.103, making the graph flat.

Overall it seems that the largest group were the uncommitted, the next largest group were those who disagreed that income tax is unfair and those who strongly agreed that income tax is unfair.

More females (40.0%) disagreed with this statement than males (33.6%), but males (33.2%) were more neutral than females (25.4%) to this statement. Gender does not show any variance in the response when it comes to agreeing with the statement and no correlation is evident from the calculations.

As age increased from the 10 to 14 year group (22.7%) progressively more respondents agreed with the statement that tax was unfair up to 40.8 percent at the 40 to 44 year group. The effect that age has on these responses is a correlation of 9.2 percent significant at the 5% level.

The effect that the home language had indicated that those who agreed that income tax was unfair ranged from the Sesotho speakers (58.7%) to the Sepedi (21.4%) while those who felt it was not unfair ranged from the Sepedi (50.0%), IsiZulu (46.0%) and the Setswana (46.7%) to the Sesotho (11.7%). Home language has a 9.4 percent influence on the feeling towards the fairness on income tax.

The most extreme provinces were the Eastern Cape where 50 percent of the respondents agreed that income tax was unfair and 30 percent disagreed. At the other extreme was the Northern Cape with 69.2 percent disagreeing and feeling that income tax is not unfair and 22.4 percent feeling that it was unfair.

The chi squared calculations indicate that none of the above observations are certain at a more than 95 percent level of certainty.

8.12 I NEED TO KNOW MORE ABOUT INCOME TAX

This statement refers to the need to know more about Income tax which may have been prompted by their responses to the previous questions and statements. It should thus be interpreted with circumspection.

Table 49 I need to know more about income tax

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	26	4.9	5.2	5.2
	Disagree	22	4.2	4.4	9.7
	Neither Agree or Disagree	87	16.4	17.5	27.2
	Agree	121	22.9	24.3	51.5
	Strongly Agree	241	45.6	48.5	100.0
	Total	497	94.0	100.0	
Missing	Blank	32	6.0		
Total		529	100.0		

Table 49 and Figure 49 indicate that the largest percentage of the sample (68.5%) “Agree” or “Strongly agree” that they needed to know more about income tax. There is a very small percentage (9.1%) who felt that they did not need to know more about income tax.

The mean for this data is 4.06, putting it in the “agree” category. The standard deviation is 1.342, indicating quite a spread of the data. The skewness (-1.151) indicates that it is negatively skewed, i.e. all on the right hand side.

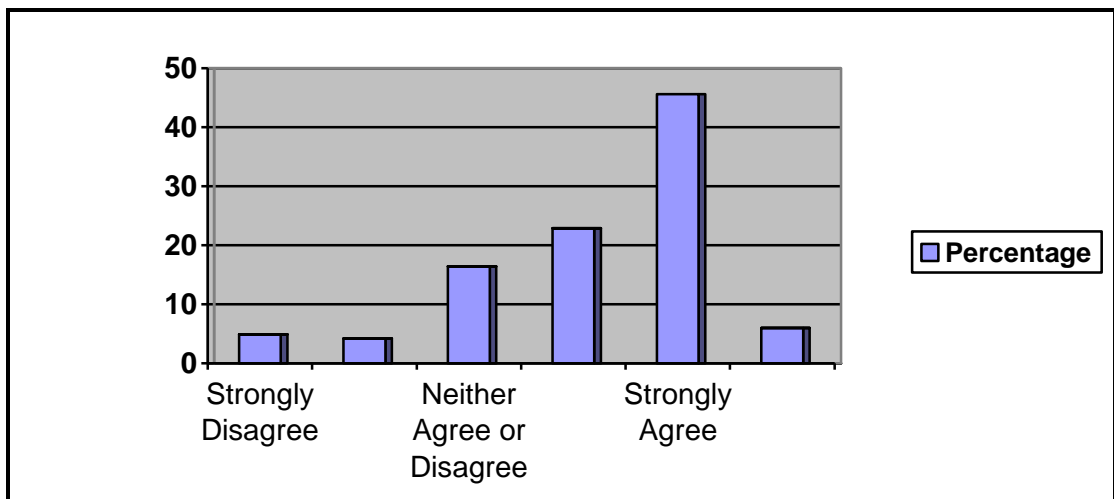


Figure 49 I need to know more about income tax

The graph emphasises the need of respondents to know more about income tax.

Within this broad observation it was found that more females (76.5%) felt they needed to know more about income tax than males (68.8%) did.

Although all race groups agreed they needed to know more about income tax, it was in an increasing order of Whites (66.7%), Indians or Asian (72.2%), Coloureds (75.1%) and Black African (77.6%) who felt they needed to know more about income tax. Race was the reason for difference in 11.3 percent of responses.

The analysis of occupation was seen most clearly in the graphical presentation where the score for the top four categories of employment increased over the responses from "Strongly Disagree" to "Strongly Agree". The students and the unemployed on the other hand had the largest group in the category "Neither Agree or Disagree" which gave their graph a normal distribution. Occupation is responsible for 11.9 percent of the variation in response.

The chi squared calculations do not indicate that the above can be accepted as being 95 percent probable.

8.13 IMPORTANT FINDINGS FROM ANALYSIS OF ATTITUDES TOWARDS INCOME TAX

The examinations of the statements that dealt with the attitudes that South Africans have towards income tax have led to the following summarized conclusions.

The majority of people (67%) indicated that they did try to pay their taxes while 13.7 percent did not.

There was a group (37.9%) who felt that all citizens should pay the same percentage of their income to taxation.

The percentage of respondents who tried to avoid taxation is 23.7 percent and those who did not try to avoid taxation are 52.9 percent.

There were two groups of people who felt that all citizens should pay the same percentage of their income to tax. There were those who agreed (37.9%) with this and those who disagreed (50.5%).

When it comes to commenting on tax going to the ruling party, the largest response was the neutral response. The percentage who agreed was 37 percent and those who disagreed were 32.2 percent.

With regards to keeping records so their taxes were accurate, the vast majority (82.4 percent) of the respondents agreed that records should be kept. Keeping a bank account for tax purposes had 31.3 percent of the respondents being neutral, 43.9 percent agreeing that a bank account should be maintained and only 24.6 percent disagreeing.

To the statement posed on whether people in the city should pay more tax, the majority (57.6%) of the respondents did not agree, however 20.6 percent did agree that those in the city should pay more tax.

Having the previously disadvantaged pay less tax resulted in 19.3 percent being neutral to this statement while 48.1 percent of respondents felt that the previously disadvantaged in South Africa should not pay less tax. However a group of 33.4 percent felt that the previously disadvantaged should pay less tax.

In South Africa 48.4 percent of the population felt that they did not get value for the money they are taxed. Only 18.2 percent felt that they

got value for the money they were taxed. The neutral respondents were 33.4 percent. When asked if income tax was unfair, there was an interesting split in responses, those who felt it was unfair made up 33.9 percent of the respondents while those who felt it was not unfair were 34.9 percent of the respondents, and those who were neutral were 26.8 percent of the sample.

Concerning knowing more about income tax the majority of the respondents (72.8 percent) indicated that they did need to know more about taxation.

In appendix F a summary, indicating all the methods that showed a relationship between the biographical factors and the attitude statements is presents. Taking the number of times each biographical factor is indicated in having a significant correlation in the list and dividing it by the number of times it occurs, an average is achieved, with a maximum of 3, so as to rank the importance of the various biographical factors in determination of attitude towards income tax.

From this it was ascertained that the most significant biographical factors that determine the attitude of people towards income tax are Age and Occupation. Both of these occur in 7 of the 11 cases and both have an average of 2.71

The next two biographical factors that affect attitudes towards income tax are the Location (urban/rural) and the Monthly Income of the person. Both of these appeared in 6 of the 11 categories and their averages are 2.33.

The fifth is that of Race, which, although it appears in 7 categories it has an average score of 2.29 which is lower than the two factors

mentioned above. The sixth biographical factor is that of Home Language which in 7 categories has an average score of 2.14. The seventh biographical factor is that of the Province in which the person resides. A significant relationship was indicated in 8 categories with an average of 2.13.

The level of education comes in at position 8 with 5 occurrences and an average score of 2.0. The other categories either had too few correlations or an average below 2. These are number of rooms they live in (1 occurrence), Access to telephones (1.25 average), Energy source used (1.0 average) and interestingly Gender which although there was a relationship indicated in 9 cases the average was only 1.44.

It can thus be reported that from this study the most important factors that affect the attitude of people towards income tax are Age, Occupation, Location and Monthly Income.

8.14 CONCLUSION

In the previous chapter the analysis was presented which covered the knowledge that respondents had about income tax. This was further examined in terms of the biographical factors of the study.

In this chapter the analysis was presented which covered the attitudes that respondents had towards income tax, further splitting the responses according to the biographical. The results were summarized based on the itemized findings in Appendix F.

The next chapter will explore the relationships between the knowledge that people have about income tax and their attitudes towards income tax.

CHAPTER 9
ANALYSIS OF THE RELATIONSHIP BETWEEN ATTITUDE TOWARDS
INCOME TAX, AND THE KNOWLEDGE THAT RESPONDENTS HAVE
ABOUT INCOME TAX

9.1 INTRODUCTION

Chapter 7 detailed the relationship between the biographical details of the sample and the knowledge that they had of income tax. Chapter 8 examined the relationship between the biographical details of the sample and the attitudes that they displayed towards income tax.

In this section the questions about the knowledge that respondents have about Income Tax, and their attitudes towards taxation are summarised from the large amounts of data prepared. Only the salient points are emphasised.

The analysis is presented in the order the knowledge questions are presented and those attitude statements that show a relationship are summarised under the heading.

9.2 USE OF INCOME TAX

Using cross tabulation tables and graphs the knowledge statements "Income tax is paid to contribute to the running of the country" was plotted against attitude statements. No differences were found in the table between responses in any of the categories.

The only correlation found was against the statement "People in the city should pay more taxes" (10.7%) and "I get value for the money I am taxed (10.7%) but this was not confirmed by any other observation.

9.3 DISTRIBUTION OF PAYMENT OF INCOME TAX

The question that attitudes are plotted against was "All people who have income must pay tax". There were no correlations found, except one which was small, between any of the attitudinal statements and this knowledge which were significant.

In examining the tabular and graphical presentation representing the statement "I always try to pay my income tax", both sides of the table had categories that showed a difference. The number of respondents who answered that they disagreed and answered "True" (16.0%) was greater than the number who answered "False" (11.3%); and the number who "Strongly Agreed" and answered "True" (40%) was smaller than those who answered " False" (46.1%). This small difference observed, according to the chi squared calculation, indicates that there is only a 0.4percent chance that this was accidental.

Not even in the tables and graphs could a relationship between the statement "All people should pay the same percentage of their income to tax", be determined.

When comparing the statement "Whenever I can I try to avoid tax", the table indicated that there was a difference of at least five percent between those who answered "True" (56.7%) and those who answered "False" (50.9%) in the disagree category. This was offset by a corresponding, but even smaller difference in those who answered "Neither Agree or Disagree". The chi squared indicates that this result had a probability of occurring by chance of only 4.4 percent. No correlation was found.

The idea that “Tax goes to the ruling party to distribute” had no relationships with any of the knowledge questions.

For the statement “People should keep records so their taxes are accurate”, the table and graph indicated that the difference in these responses was on the agree side, where more people answered “True” (29.6%) and agreed than answered “False” (23.0%). Of those who answered “True”, 50.2 percent strongly agree, and of those who answered “False” 50.2 percent did not agree – the reverse order.

For the statement “People should keep records so their taxes are accurate” and “People should keep a bank account for tax purposes” there were no relationships.

For the statement “The previously disadvantaged should pay less tax” there was a difference on both sides of this table where those who disagreed and answered “True” (44.6%) was smaller than those who answered “False” (51.1%). Those who agreed with the statement and answered “True” (35.4%) exceeded those who answered “False” (28.7%). This small difference was probably 95 percent certain according to the chi squared calculation.

The cross tabulation for the statement “Income tax is unfair” indicated two differences. The first was in those who disagree with the statement. The number who answered “True” (41.1%) was higher than the number who responded “False” (34.2%). Those who answered “False” (31.9%) in the “Neither Agree or Disagree” were more than those who answered “True” (25.6%).

For the statement “I need to know more about Income Tax” the only difference of more than five percent was between those respondents who answered “True” (28.1 percent) and those who answered “False” (20.4 percent). This result could only be 1.6 percent by chance.

9.4 RATES OF INCOME TAX

Using cross tabulation tables and graphs, the knowledge statement “All people pay the same percentage of their salary as tax” was plotted against the attitude statements. This resulted in only two observations.

The first and only observation triangulated by all the methods used was to the statement “All people should pay the same percentage of their income to tax”. Every category of responses in this table showed a difference between “True” and “False” responses. Those who disagreed and answered “False” (59.1%) showed the largest difference from those who answered “True” (20.0%). The correlation shows that 11.3 percent of the response was attributable to the knowledge that the respondent had. The Chi squared was 0.0 percent indicating that the findings are certain.

One other possible relationship was between the attitudinal statement, “The previously disadvantaged should pay less tax”. There was only one difference between those who responded “True” (9.2%) and those who answered “False” (15.0%) in this table and that was for those who answered “Agree”. There was no verification of this finding.

9.5 TAX AVOIDANCE AND EVASION

The knowledge statement “Through careful planning tax can be avoided” was examined against the various attitude statements using cross tabulation tables and graphs. The following was found.

People who indicated that they always try to pay their income tax were more likely to answer “True” (13.8%) than “False” (6.8%) when it came to their knowledge about avoiding income tax. The probability of this occurring by chance was 3.8 percent.

Those respondents who disagreed that they would try to avoid paying tax were more likely (60.9%) to know that income tax can be avoided than those who did not know (42.9%) Those respondents who agreed that they would attempt to avoid paying income tax and knew about tax avoidance answered “True” (38.9%) and were more than those who answered “False” (16.1%). These findings are 0.0 percent likely of not being by chance according to the chi squared result.

Tax goes to the ruling party to distribute – The responses to these two statements showed differences in the “Strongly Disagree” categories (“True”, 17.1% and “False” 23.1%), in the “Neither Agree or Disagree” category (“True”, 23.3% and “False” 26.1%); and in the “Strongly Agree” Category (“True”, 23.4% and “False” 17.1%). These findings that people feel that “Tax goes to the ruling party to distribute” had only a 0.2 percent chance of being by chance.

The statements that “People should keep records so their taxes are accurate” showed only one weak difference in responses where those who “Strongly Agreed” had the “False” (62%) response exceeding the “True” (55%) responses by more than a 5 percent difference . This observation is 99.9 percent possible according to the chi squared.

With a 0.2 percent chance of being by accident the result of the statement “The previously disadvantaged should pay less tax” indicated only one difference. This was in the “Strongly Disagree” category where the number who answered “True” (26.3%) was smaller than the number who answered “False” (35.2%).

A correlation of 12.3 between the statement that “I get value for the money I am taxed” and “through careful planning tax can be avoided” indicates that 12.3 percent of the respondents who know that they can avoid income tax feel that they get value for their money taxed.

With respect to people feeling that “Income Tax is unfair”, only the two extremes of “Strongly Agree” and “Strongly Disagree” had differences of more than five percent. For the former the “True” to “False” ratio was 7.3:19.0 percent (or 1: 2.6) while for the latter this ratio was 29.1: 19.7 percent (or 1: 0.68). Knowledge that respondents had about tax avoidance and evasion resulted in 10.6 percent of the response about fairness of income tax. These results could only have been by chance is 0.7 percent

9.6 REGISTRATION OF A TAXPAYER

The comprehension of the registration of a taxpayers was examined through the statement “All people have to register for tax even if they do not work”. This knowledge affected the following attitudes.

There was a very weak difference in the cross tabulation for the “Strongly Agree” category of those who felt they always try to pay their tax, between those who answered “True” (58.8%) and those who answered “False” (42.2%). The correlation between these two was only 9.1 percent and could have been by chance as the significant level is only 95%.

There were two differences that showed up in the table comparing knowledge of registration of taxpayers and respondents indicating that they kept records so their taxes were accurate. In the “Disagree” category the “True” (0%) response was less than the “False” (5.2%) response. In the “Agree” category those who indicated “True” (30.4%) were more than those who answered “False” (24.7%). The correlation indicates that those who answered that people should keep records so their taxes are accurate were affected 9.8 percent of the time by their knowledge of who should register for tax. These results could only have been by chance in 1.8 percent of cases.

Those who understood the registration requirements of taxpayers, when examined against the attitude that “People in the city should pay more tax” showed reverse trends over the range of “Strongly Agree”, “Neither Agree or Disagree” and “Strongly Agree”. For those who answered “True” this ratio in percentage was 20.3: 23.2: 27.5, (1: 1.1: 1.4) while for the “False” responses the ratio was 41.9: 17.2: 9.0. (1: 0.4: 0.2) The chi squared indicates that the possibility of these results happening by chance is 0.0 percent.

The attitude that the previously disadvantaged should pay less tax was affected in 10.2 percent of cases by the knowledge that respondents had of who should register for tax. In the response category “Strongly Disagree”, the “True” (41.2%) cell was larger than the “False” (29.1%) cell. In the “Neither Agree or Disagree”, the “True” (13.2%) responses were more than the “False” (19.9%) responses. Also the “Agree” category had the “True” (7.4%) responses less than the “False” (15.8%) responses.

The attitude that “I get value for the money I am taxed” was affected by the knowledge about who should register as a tax payer in 12.6 percent of cases. The difference between cells in this table was in

excess of ten percent in two instances. Where respondents indicated that they “Strongly Disagree”, the “True” (46.3%) responses exceeded the “False” (29.7%) responses. In the “Neither Agree or Disagree” category the “True” (19.4%) and “False” (32.4%) differed. There is also five percent difference in the “Agree” column where “True” (6.0%) was less than the “False” (11.2%) responses. These results are 0.0 percent improbable according to the chi squared calculation.

9.7 INCOME TAX ON INTEREST

Those who knew that interest was taxable also had the following responses.

Although there was no correlation with respondents who “always try and pay my income tax”, those who answered “Strongly Disagree” were split between “True” (11.4%) and “False” (5.3%). Those who agreed were split between “True” (65.3%) and “False” (41.4%). In the “Neither Agree or Disagree” Category the responses were, “True” (18.1%), “False” (16.4%) and “Don’t Know” (27.5%). These observations could only have occurred by chance in 2.2 percent of cases.

There is a correlation of 10.3 percent between those who knew that interest was taxable and the feeling that “the previously disadvantaged should pay less tax. The primary analysis of the graphs and tables indicated that those who agreed answered “True” (28.1%) and “False” (34.9%), those who disagreed answered “True” (52.6%) and “False” (46.7%). The chi square indicates that these results could only have been by chance in 0.4 percent of cases.

The responses to the knowledge about tax on interest and getting value for the money taxed, varied in the “Neither Agree or Disagree”

column where those answering “True” (25.2%) were fewer than those who answered “False” (33.5%) which in turn was less than those who “Don’t Know” (5.4%). The respondents who agreed and answered “True” (22.0%) were more than those who answered “False” (12.5%). The chance that these results happened by chance is 01.1 percent.

The effect of knowledge about interest being taxed affected the attitude towards income tax being unfair indicated that in four of the five columns in the table there was a greater than five percent difference in responses. The agree columns had “False” (42.7%) responses more than the “True” (36.0%) responses. In the “Neither Agree or Disagree” column the respondents that answered “Don’t Know” (36.2%) were more than the “False” (24.3%) and the “True” (28.5%). In the “Agree” column the “True” (16.4%) responses exceeded the “False” (10.5%) responses. No correlation was indicated by the calculation but these results may not have represented the population with only a 0.8 percent chance.

The effect of knowing about tax on interest did not correlate with the need to know more about income tax, not did the chi squared indicate that these results would not have been by chance. The responses to this question were “True” (7.9%) and “False” (13.3%) for those who disagreed and “True” (75.6%) and “False” (69.5%) for those who answered in the agree columns.

9.8 TAXATION ON DIVIDENDS

There are three correlations of attitudinal statements with the knowledge of taxation of dividends.

The first of these is a 19.8 percent effect on the attitude towards payment of tax. The difference between respondents concerning

dividends is at least ten percent. Those who answered that they disagreed and answered “True” (20.3%) and “False” (9.6%) was offset by those who agreed who answered “True” (77.4%) and “False” (53.6%). The neutral responses also had “True” (13.0%) less than the “False” (26.1%) response. These results have a 0.0 percent chance of being by chance.

There is no correlation with knowledge of taxation of dividends and the statement “Whenever I can I try to avoid tax” however the table shows a weak difference in that those who answered “Neither Agree or Disagree”, and “False” (25.0%) exceeded those who answered “True” (18.8%).

The attitude that tax goes to the ruling party to distribute indicated that the difference in responses was not between the “True” and “False” responses but rather the “Don’t Know “ column where those who “Neither Agree or Disagree” and answered “Don’t Know” (40.1%) was a larger number than those who answered “True” (26.1%) and “False” (25.0%). The inverse was shown in the “Disagree” and “Agree” columns. These results were 98.5 percent probable according to the chi squared calculations although no correlation was demonstrated.

The second correlation indicated that 13.2 percent of the responses to the statement “People should keep records so their taxes are accurate” were due to the knowledge of taxation on dividends. The three differences indicated on the table were those who “Strongly Agree” where the “True” (63,1%) responses exceeded the “False” (48.6%) responses; “Agree” where the “True” (23.0%) was smaller than the “False” (34.7%) responses, and the “Neither Agree or Disagree” responses where there was an increase from “True” (6.9%) to “False” (12.5%) to “Don’t Know” (16.0%). These results could only have been by chance in 2.0 percent of cases.

There was a distinct difference between the responses on either end of the table comparing knowledge of taxation on dividends and the feeling that the previously disadvantaged should pay less tax. The respondents who disagreed and answered “True” (52.1%) were more in number than those who answered “False” (39.8%). On the “agree” side those who answered “True” (29.3%) were fewer than those who answered “False” (43.8%). Although there was no correlation the chi squared calculation indicates that the possibility that these results were by chance was 1.5 percent.

The third correlation, 15.5 percent relates the knowledge about taxation of dividends to the feeling that one got value for the money taxed. Four of the five response categories had a difference of more than five percent and the last was just short of this limit previously set. The category of respondents who disagreed and answered “True” (57.4%) was bigger than the category who answered “False” (39.7%). The group that answered that they “Neither Agree or Disagree” increased over the range “True” (26.3%); “False” (34.2%) and “Don’t Know” (46.7%). The probability that these results were by chance was 0.0 percent.

9.9 UNIFORM ALLOWANCES

There was only one correlation with knowledge about the tax exemption of uniform allowances. This was the tendency to always pay income tax. The relationship was 10.3 percent. Chi squared does not indicate that this finding was probably not by chance. There was no difference between answers in the columns indicating those who disagree. The difference came in those who “Neither Agree or Disagree” where the percentage increased from “True” (15.8%) through “False” (18.1%) to “Don’t Know” (25.8%). For those who “Agree”, the “True” respondents (23.2%) were more in number than

the “False” (27.3%) respondents. For the same range those who “Strongly Agree”, went from “True” (49.5%) to “False” (42.7%).

The only important difference shown in comparing this knowledge with a feeling that all people should pay the same percentage of their income to tax was the number who agreed increased from “True” (45.3%) through “False” (51.7%) to “Don’t Know” (52.4%).

The only small difference on the table comparing knowledge about uniform allowances and admitting that they try to avoid tax, was the “Agree” columns where those who answered “True” were (27.3%) compared to those who answered “False” (22.1%).

The only difference that showed up on the table comparing the feeling that tax goes to the ruling party was in the group who “Strongly Disagree”. The “True” (15.5%) responses were less than the “False” (22.9%) responses. There was only a 0.5 percent chance that this was accidental.

There was a difference of ten percent in those who were neutral to the statement that a bank account should be kept for tax purposes (“True”; 23.7%; “False”; 33.5%) while those who agreed and answered “True” (21.6%) were more than those who answered “False” (16.1%). Further analysis did not show any other relationships.

Those who disagreed with the statement that “People in the city should pay more tax” and answered “False” (63.1 percent) were more numerous than those who answered “True” (55.2%). On the “Agree” side those who answered “True” (26.0%) were more numerous than those who answered “False” (16.9%). These findings were not substantiated.

The difference in this table plotting the statement “The previously disadvantaged should pay less tax” was on the agree side. Those who “Agree” answered “True” (10.3%) were fewer than those who answered “False” (16.2%) while those who responded “Strongly Agree” were split between “True (27.8%) and “False” (14.0%).

There was only one cell that had a difference of more than five percent when knowledge of a uniform allowance was plotted against the statement “I get value for the money I am taxed” and this was the “Disagree” column where those who answered “True” (22.7%) were more than those who answered “False” (17.4%).

9.10 PENSION FUND DEDUCTIONS

The knowledge about pension fund deductions had a correlation with only one attitudinal statement. This was 13.3 percent with the statement that “I always try to pay my income tax”. Here both the “Agree” and “Strongly Agree” had differences in the response percentages. Those who “Agree” had the “True” (19.9%) responses fewer than the “False” (28.5%) responses while the “Strongly Agree” column had the “True” (50.7%) responses more than the “False” (41.3%) responses. These results could only have been by chance in 0.4 percent of cases.

Although the Chi squared indicates that the relationship between “Whenever I can I try to avoid tax” is 99.5 percent certain, no relationship could be determined in the other forms of analysis.

The relationship between knowledge about pension fund deductions and the attitude that tax goes to the ruling party to distribute indicated that besides the obvious tendency of those who “Neither Agree or Disagree” and the “Don’t Know” rows to be large, there was only one

small difference in responses. In the “Agree” column the respondents who answered “True” (15.8%) were fewer than the “False” (23.6%) respondents. The chance that this was by accident was 1.6 percent.

There was only a 0.7 percent chance that the observations between knowledge of pension fund deductions and the attitude that “People in the city should pay more tax” in the findings that there was a difference in those who “Strongly Agree” between the respondents who said “True” (14.9%) and those who said “False” (9.6%). Also in the “Strongly Disagree” column between respondents who said “True” (32.2%) and those who said “False” (43.8%) as well as in the “Disagree” column between the respondents who marked “True” (26.7%) and those who marked “False” (19.0%).

9.11 RETIREMENT ANNUITY FUND DEDUCTIONS

The knowledge statement examined in this section was “Money paid into a retirement fund is not deductible”. The relationships that were found were as follows.

With the attitude statement “I always try to pay my income tax” responses in both the “Agree” and “Strongly Agree” columns were greater than the “False” response and, when combined, the respondents that agreed with the statement had responded “False” (77.8%) more times than those who answered “True” (65.3%). Those who were neutral to the attitude statement also showed a difference i.e. “True” (20.3%) and “False” (12.4%) while those who “Don’t Know” make up 26.7 percent of those who did not know. These observations are only likely to have been by chance in 1.1 percent of cases.

In the table which compared those who felt that all people should pay the same percentage of their income to tax, and who answered “True” had 48.4 percent who “Strongly Disagreed” and 20.3 percent who agreed. Those who answered “False” for the same categories were 54.7 percent and 11.8 percent respectively. Inferential statistics did not confirm any of these observations.

Those who disagreed that tax goes to the ruling party to distribute had 30.5 percent answering “True” and 42.3 percent answering “False” compared to those who agreed, having 44.8 percent answering “True” and 34.7 percent answering “False”. This was due to the differences in the columns reflecting “Strongly Agree” or “Disagree”. Also 46.0 percent of those who “Neither Agree or Disagree” indicated they “Don’t Know”. These observations had a 0.0 percent chance of being unlikely.

When comparisons with the suggestion that people should keep a bank account for tax purposes, besides there being small differences in the categories of responses where “Don’t Know” was the answer in the “Neither Agree or Disagree” category (35.8%) and the “Strongly Agree” category (30.2%), the only difference that showed up in the “Strongly Agree” category was those who answered “True” (27.9%) and those who answered “False” (19.4%).

The only observation found when comparing the statement indicating that the previously disadvantaged should pay less tax those who “Strongly Agree” answered “True” (20.0%) and “False” (11.9%), while those who “Disagreed” answered “True (13.5%) and “False” (20.1%).

On examining the need to know more about income tax, there was almost no difference in responses in the respondents who disagreed with this statement, but those who agreed had 65.89 percent answer

“True” and 7.6 percent answer “False”. This was offset by those who “Neither Agreed or Disagreed” where those who answered “True” (23.0%) exceeded those who answered “False” (14.7%) but these observations were not confirmed.

An unsubstantiated correlation found that 12.2 percent of the response in the feeling that people in the city should pay more taxes was caused by an understanding of retirement annuity fund deductions.

9.12 DEDUCTION OF MEDICAL EXPENSES

Three attitude statements have correlations with the knowledge of deductibility of medical expenses, and one demonstrates a weaker relationship.

There is a 9.3 percent correlation between knowledge of medical aid deductions and an acknowledgement of payment of income tax, those who indicated they either “Agree” or “Strongly Agree” with this statement answered “True” in 68.7 percent of the cases and “False” in 76.8 percent of the cases. This was offset by those who were neutral, where the “True” (18.6%) responses were more than the “False” (11.6%) responses. These results are 0.0 percent attributable to chance.

On the other side of the coin, the knowledge of the deduction of medical costs has an effect of 11.4 percent on the tendency of respondents to avoid tax. Those respondents who disagreed answered “True” (57.9%) more than those who answered “False: (51.1%) or “Don’t Know” (38.0%). This was counterbalanced by the responses of those who agreed with “True” (20.5%) being fewer than those who answered “False” (27.7%) and “Don’t Know” (31.6%). These observations could have happened only 1.8 percent by chance.

The attitude statement that did show an uncorrelated result at the 5 percent difference level, was that of "People should keep records so their taxes are accurate". Although the only difference was on the "Agree" side of the graph those who responded "True" (83.3%) were fewer than those who answered "False" (88.5%). The chi squared indicates this observation is probably 97.9 percent valid.

Those persons who knew that medical expenses were deductible were also inclined to respond 13.4 percent of the time to the statement that "People in the city should pay more tax". The respondents who "Strongly Disagree", those who "Disagree" and those who "Strongly Agree" varied as follows. For those who answered "True" the percentages were; 41.3; 20.8; and 9.6, (or 1: 0.5: 0.23) compared to those who answered "False" (34.0; 26.8; and 15.4) (or 1: 0.79: 0.45). The probability that these results were by chance was 0.9 percent.

9.13 TAXATION ON A COMPANY CAR

Using cross tabulation tables and graphs the knowledge statements were plotted against attitude statements. This resulted in the following observations.

There is a remarkable 33.0 percent relationship (correlation) between the knowledge of taxation on company car and people who always try to pay their income tax. These results could only be by chance in 0.0 percent of cases. All five columns in the cross tabulation table indicated a difference with the "True" to "False" ratio in percentages for those who "Disagree" being 6.4:14.8 (or 1: 2.3) ; for the "Neither Agree or Disagree" category it was 12.1:27.1 (or 1 : 2.23), and those who "Agree" it was 79.5:56.8 (or 1: 0.7).

The relationship in the data between knowledge about a company car and the feeling that all people should pay the same percentage of their income to tax is not significant (correlation), although the “Strongly Agree” column showed a 6.7 percent difference (26.0 to 20.1%) there was a reversal in the “Disagree” columns where those who answered “True” decreased from 33.1 percent to 18.9 percent while over the same range, those who answered “False” went from 21.1 percent to 25.0 percent. The chi squared also does not indicate that the results definitely reflect the population.

The chi squared however does indicate that the relationship between knowledge of a company car and trying to avoid tax is possibly only 0.1 percent by chance. In the “Strongly Disagree” column those who answered “True” (43.8%) dropped to 27.7 percent for those who answered “False”. Those who “Neither Agree or Disagree” increased from 16.7 percent to 31.3 percent over the same range.

There is a 9.8 percent correlation between the knowledge about tax on a company car and the feeling that “Tax goes to the ruling party to distribute”. The ratio of “True” to “False” responses in the table was the following for the “Strongly Disagree” column; 24.4: 17.6 percent (or 1: 0.72), and for the “Agree” column; 16.6:43.5 percent (or 1: 2.62). The chance that these results were not reflective of the relationship in the general population is 0.8 percent.

A correlation between the knowledge of tax on a company car and keeping records so their taxes are accurate is 11.9 percent. – There was only one large difference in this table, the respondents who “Agree” or “Strongly Agree” answered in the following way - “True” (86.6%) and “False” (72.3%). Chi squared indicates that there is only a 4.7 percent chance that this observation may not reflect the population.

The comment on “The previously disadvantaged should pay less tax” is influenced 16.1 percent by the knowledge that a person has of taxation on a company car. The “True”: “False” ratio in percentages was the following for this table: “Disagree” (53.0:40.0) (or 1: 0.75); “Neither Agree or Disagree” (17.3:24.7) (or 1: 1.42); and Agree (29.7:35.2) (or 1: 1.18). These results reflect the population in 99.7percent of cases according to the chi squared.

The comment “I get value for the money I am taxed is influenced 9.8 percent by the knowledge that people have about taxation n company cars (99.9 percent certainty). In the “Agree” column the “True” (16.7%) responses were fewer than the “False” (28.9%) responses and in the “Strongly Disagree” column the “True” (37.4%) were more than the “False” (22.9%) responses.

9.14 DEDUCTION OF INCOME TAX

The following paragraphs deal with the knowledge collected under the statement “The company you work for deducts your tax from your pay”. Using cross tabulation tables and graphs this knowledge statements was plotted against attitude statements. This resulted in the following observations.

There is a 24.4 percent effect on the willingness to pay Income Tax. In the “Disagree” columns, “True” (7.7%) was answered less often than “False” (13.6%). In the “Neither Agree or Disagree” column, “True” was answered 15.9 percent of the time and “False” 31.8 percent. In the “Strongly Agree” column, “True” was answered 47.8 percent of the time and “False” 27.3 percent. These findings reflect the situation in the population completely according to the chi squared calculation.

Knowledge of who deduct income tax influences tax avoidance in 11 percent of cases. The table indicates the “Strongly Disagree” answers were; “True” (40.1%) and “False” (25.0%). In the “Neither Agree or Disagree” column the responses were “True” (19.9%) and “False” (40.9%). The certainty is 98.8 percent that knowledge of income tax deduction does affect a tendency to avoid tax.

There is no correlation to indicate that knowledge of tax deduction affects the attitude of people towards equating the government with the ruling party. However, in all categories there was at least a five percent difference between those who answered “True” and “False”. On the “Disagree” side the amounts were 33.5 percent and 26.1 percent while on the “Agree” side the figures were 37.1 percent and 65.1 percent. These findings could only have happened by chance in 1.7 percent of observed cases.

Those people who know that income tax is deducted are 19.8 percent more likely to keep records so their taxes are accurate. – The table indicated rather large differences. Those who “Disagree” answered “True” (5.7%), less that “False” (30.4%). The “Agree” side was not as large as those who answered “True” (59.9%) was larger than those who answered “False” (67.3%). There is no chance that these observations were arbitrary according to the chi squared calculation.

Those people who knew that income tax is deducted by their employers were 9 percent more likely to feel that people in the city should pay more tax. There was a five percent difference between responses in all of the columns except “Strongly Agree”. The “True to “False” ratio in percentages for each of the other columns was: “Strongly Disagree (39.0: 26.7) (or 1: 0.68); “Disagree” (23.3: 13.3) (or 1: 0.57); “Neither Agree or Disagree” (17.2: 33.3)(or 1: 1.93) and

“Agree” (9.6: 17.8) (or 1: 1.85). There is a 3.3 percent chance that these observations are by chance.

It was only the two extremes that showed a difference in response on the graph and in the table when examining the feeling that people get value for the money they are taxed. In the “Strongly Disagree” column the “True” (30.9%) responses were more than the “False” (15.2%) responses. In the “Strongly Agree” the “True” responses (5.3 percent) were less than the “False” (15.2%) responses. This observation is confirmed in a correlation of 22.5 percent between the two variables. People who know that their income tax is deducted by their employers are 22.5 percent more likely to feel that they get value for the money they are taxed with no chance that this observation may have been by chance.

9.15 SUBMISSION OF TAX RETURNS

There were no correlations that were evident when examining the statement “All people have to submit returns every year” but using the cross tabulation tables and the graphs there were some indications.

A slight difference was seen between “True” and “False” responses on the “Agree” side of the table where the totals for those who always try to pay their income tax was examined. This observation is 99 percent reflective of the situation in the general population.

Although the chi squared showed a 1.1 percent degree of uncertainty against the statement “People should keep records so their taxes are accurate”, only the “Strongly Agree” column had a difference between “True” (52.5%) and “False” (65.4%).

Those who disagreed with the statement “People in the city should pay more tax” answered “True” (53.4%), less than those who answered “False” (44.0%), and those who agreed answered “True” (15.1%) more often than those who answered “False” (7.6%). This observation is 98.9 percent to be reflective of the general population. When examining the statement. “The previously disadvantaged should pay less tax” there was only a difference in responses in the “Strongly Disagree” and the “Neither Agree or Disagree” columns. The “True” responses were 27.8 percent and 21.6 percent respectively and the “False” responses were 37.2 percent and 14.8 percent. These observations would only have been by chance in 0.8percent of cases.

9.16 PENALTIES FOR TAX EVASION

Plotting the knowledge statement “If you try to evade tax you can be fined” produced cross tabulation tables and graphs which produced the following results.

There is a 25.3 percent correlation between this knowledge and admission that one always try to pay income tax. The table indicated that only the extremes showed a greater than 5 percent difference in response. In the “Strongly Disagree” column the “True” (7.4%) responses were less than the “False” (25.8%) responses while in the “Strongly Agree” column the “True” (47.4%) responses were more than the “False (32.3%) responses. These results are indicated by the chi squared as being 0.0 percent possible by chance.

The feeling that all people should pay the same percentage of their income to tax indicated in the table for these statements had four of the five columns with a more than five percent difference between responses. The “True” to “False response were – “Strongly Agree” (24.4: 29.0) (or 1: 1.18); “Agree” (14.1: 6.5) (or 1: 0.46); “Neither

Agree or Disagree” (10.0: 25.6) (or 1: 2.56) and “Disagree” (22.7: 16.1) (or 1: 0.71). This shows that the relationship is not linear, which is confirmed by the lack of correlation. There is also no certainty in this finding as calculated by the chi squared.

Almost sixteen percent (15.9) of people who know that there is a penalty for tax evasion are inclined to try to avoid tax whenever they can. The responses to these statements had differences in the four columns on either side of the neutral centre. In total the respondents who “Disagree” answered “True” 55.9 percent of the time and “False” 46.6 percent of the time. Those who answered that they “Agree” were, “True” (22.5%) and “False” (30.0%). The likelihood of these results being true of the population is 99.9 percent.

When examining the relationship between knowledge about penalties for non-payment of tax and the attitude that tax goes to the ruling party to distribute, the differences in the analysis table were at the extremes, in the “Strongly Disagree” where the “True” (21.4%) responses exceeded the “False (6.3%) responses and in the “Strongly Agree” column the “True” (18.9%) were less than “False” (25.5%) responses. No correlation was evident in the calculations but the chi squared indicated that there was only a 1.9 percent chance that this did not truly reflect the distribution in the general population.

People who felt that they should keep records so their taxes are accurate had a 23.9 percent correlation with those who knew that penalties were imposed for tax evasion. The graphs and tables showed that in the neutral centre the “False” (25.0%) response exceeded the “True” (7.8%) response and in the “Agree” column the “True” (27.3%) category was greater than the “False” (18.8%) category. In the “Strongly Agree” column the “True” (59.3%) was

greater than the “False” (46.9%). The chance that these do not reflect the general population is 0.0 percent.

There was no correlation between the feeling that people in the city should pay more tax and the knowledge about penalties for tax evasion. Small differences in responses were noticed in all the columns but the only difference of more than 5 percent being in the “Strongly Agree” column where the “True” (11.2%) respondents were half of what the “False” (22.6%) respondents were. These results are implausible in only 2.6 percent of occurrences according to the chi squared.

The knowledge of sanction for tax evasion has no correlation with the attitude that “the previously disadvantaged should pay less tax”. Only the “Strongly Disagree” and the “Neither Agree or Disagree” columns showed a difference in response. In the former the “True” (32.4%) was greater than the “False” (25.8%) response. In the latter these percentages were 17.6 percent and 25.8 percent respectively. These findings are 99.9 percent representative of the general populations characteristics according to the chi squared.

An 11.9 percent relationship (correlation) exists between knowledge about penalties for tax noncompliance and getting value for the money taxed. There was a definite trend in this graph. Those who agreed answered as follows: “True” (16.4%) and “False” (35.6%). The reverse happened in those who “Disagree” category where the percentages were “True” (32.5%) and “False” (25.8%). This relationship could only have been by chance in 0.4 percent of cases in the general population.

9.17 INCOME TAX THRESHOLDS

Knowledge about income tax thresholds was assessed in the statement "A person who earns below R 50 000 per year pays no tax". Using cross tabulation tables and graphs the knowledge statements were plotted against attitude statements. This resulted in the following observations.

People who knew about tax thresholds were 13.6 percent more likely to always try to pay their income tax. The graphs and tables show that there was a very good indication that these two statements are related because the "True" to "False" responses were as follows: "Strongly Disagree" (6.0: 11.9) (or 1: 1.98); "Neither Agree or Disagree" (14.3: 21.4) (or 1: 1.496) and "Strongly Agree" (51.6: 39.3) (or 1: 0.76). The chi squared however does not confirm a less than 5 percent chance that these findings may be 95 percent certain.

Respondents who try to avoid tax do not know about thresholds. The only observation to be made here is the intensity of the disagreement. Those who "Strongly Disagree" answered as follows: "True" (44.0%) and "False" (30.7%) while those who "Agreed" answered "True" (12.6%) and "False" (20.0%).

There was only a small inclining that knowledge of tax thresholds determined the attitude that "Tax goes to the ruling party to distribute". Those who disagreed responded in the "True" (36.4%) category more than the "False" (29.3%) respondents while those who agreed with the statement answered "True" (34.2%) and "False" (42.3%).

Knowledge of thresholds for taxation had a 13.0 percent correlation with the tendency to keep records so their taxes are accurate. It was only those who agreed with this statement that showed a difference.

The “True” (53.2%) respondents were marginally more than the “False” (52.2%) respondents. The offset of this was a 10.5 percent difference in favour of the “False” respondents of 9.5 percent. These results are only implausible in 3.3 percent of cases.

Although 13 percent of respondents felt that records should be kept only 9.1 percent who knew of tax thresholds felt that a bank account should be kept for tax purposes. The table indicated that both the respondents who agreed and those that disagreed were different. For those who “Disagree”, the number of “True” (30.8%) respondents exceeded the “False” (21.2%) respondents. Those who agreed were “True” (22.2%) and “False” (29.1%). There is no indication that this observation is more than 95 percent certain (Chi Squared).

Those who have knowledge of tax thresholds tend to be 15.5 percent more inclined to believe that people in the city should pay more tax. This is confirmed by the primary analysis which indicates that those who disagreed and indicated “True” (65.4%) were more than those who answered “False” (56.8%). Those who agreed were “True” (15.9%) and “False” (25.0%). There is only a 0.2 percent chance that this finding does not represent the general population.

There was no conclusive evidence that those who felt that “The previously disadvantaged should pay more tax” was affected by knowledge about tax thresholds. The only column that had a difference in responses was the “Strongly Disagree” column. Here the “True” (36.2%) were more than the “False” (23.8%) responses.

There was no other evidence that those who felt “I get value for the money I am taxed” was affected by this knowledge other than in the table those who disagreed, answered “True” (54.4%), more than

“False” (43.1 percent). Those who agreed answered “True” (14.7%), less than those who replied “False” (21.1%).

When plotting against the statement “Income tax is unfair” the only that was in this table was those who agreed answered “True” (17.6%) and “False” (11.7%) while those who answered “Strongly Agree” had 17.6 percent answer “True” and 22.8 percent answer “False”.

9.18 PROVISIONAL TAX PAYERS

Examining the attitude of those who know about provisional tax payers resulted in only two relationships.

When looking at the results of the statement “I always try to pay my income tax” the table and graph showed a distinct difference in responses. Those who disagreed answered “True” (8.2%) and “False” (20.7%) while those who agreed answered “True” (69.7%) and “False” (51.7%). This observation has a 0.9percent chance of being by chance.

Looking at the results of the statement “Whenever I can I try to avoid tax” The table had a spread of those who agreed answer “True” (56.2%) more than those who answered “False” (30.0%). Those who disagreed answered “True” (22.6%), less than those who answered “False” (36.7%). These results are less than one percent likely to be by chance (0.7%).

Those who know about provisional tax registration for those who own their own business results in 17.4 percent of the respondents trying to pay their income tax and 13.8 percent trying to avoid it.

9.19 IMPORTANT FINDINGS OF SECONDARY ANALYSIS OF KNOWLEDGE OF INCOME TAX AND ATTITUDES TOWARDS INCOME TAX

The results of the analysis above are summarized in point form in Appendix G. The significant relationships indicated in the list can lead to two rankings of insightful conclusions. These are dealt with simultaneously. The one ranked the attitudes according to the number of relationships there were (with a maximum possible score of 17) and the other according to the average score of the times a significant relationship was found (with a maximum of 3).

The attitudinal statement that had the most number of occurrences was the statement about always paying income tax. Fifteen of the attitude statements had some form of relationship between this and the knowledge that people had about income tax. However the average score for this statement was 2.40, second in rank order. It implies that most people indicate that they try to pay their income tax but the strength is not the highest.

The most important statement according to the average ranking (2.44) is the attitude that people should keep records for income tax purposes. However this relationship showed up in only 9 incidences. This indicates that there are certain groups that feel this is very important but not all groups.

Ranked third on the average score (2.20) is the statement that the respondent gets value for the income tax they pay. This relationship showed up in 10 occurrences.

In nine comparisons there was a relationship between the knowledge of income tax and the attitude that the taxation goes to the ruling party to distribute. The average score for this was 2.11

When asked whether people in the cities should pay more income tax, there were ten knowledge statements which had some form of relationship with this. The average score was 2.00.

When asked if they try to avoid income tax if they can, there were ten knowledge questions that had some form of relation with this attitude. The average was 1.91.

At an average of 1.83, but only in 6 cases, was there a relationship between what subject knew about income tax and a feeling that all people should pay the same percentage of their income to tax.

The only other attitude that should be mentioned is the fact that in 12 situations respondents felt that there should be some recognition made for taxation of the previously disadvantaged. This had an average score of 1.75

There were 4 cases where there was a relationship between the facts that people felt that income tax is unfair. Also 4 cases where they thought that a bank account should be kept for income tax purposes and lastly, only 3 situations in which respondents felt that they need to know more about income tax.

9.21 CONCLUSION

In this chapter the relationships between “Attitudes towards Income Tax” and the “Knowledge that respondent have about Income Tax”, were examined. It has indicated that a majority of people always try to pay their income tax, people should keep records for income tax purposes, and they get value for the money they are taxed.

There is a feeling that income tax goes to the ruling party in South Arica for distribution rather than the government and a number of people do try to avoid income tax. A number of people believe that people who live in cities should pay more towards income tax and the previously disadvantaged should have some form of relief from income tax.

There is also a group of people who believe that income tax should be paid at the same rate by all people.

In the next chapter the results are presented in order to answer the hypotheses and research questions that were posed in Chapter 1. The problems experienced will be examined and further study will be proposed.

CHAPTER 10

CONCLUSION AND RECOMENDATIONS

10.1 INTRODUCTION

In this chapter the final results are presented so as to answer the hypotheses and research questions that were posed in Chapter 1. The problems experienced in carrying out the study will be examined and further research will be proposed. A summary of the conclusions will finalise the enquiry.

10.2 SUB-HYPOTHESES OF THIS STUDY WITH REGARD TO KNOWLEDGE OF INCOME TAX

The conclusions pertaining to the sub-hypotheses of this study which are stated on page 13 in section 1.6.2, resulting from the enquiry into the knowledge that respondents have of the Income Tax Act will be accepted or rejected in the following sections by looking at the summarized findings of the study. The characteristics are mentioned in decreasing order of significance with the number of analytical methods indicating this relationship in brackets after the comment.

In the examination of the knowledge section there were 17 possible questions with three possible methods of indicating a relationship, giving a possible aggregate score of 51. The bracketed figures are added and any aggregate score of 24 or more will be taken as a score to accept the hypothesis. The tables for this data are in Appendix B where the chi squared values are presented and Appendix C where the correlations are presented.

10.2.1 The relationship between gender and knowledge of the Income Tax Act ($H_{01.1}$ and $H_{a1.1}$)

When it comes to knowledge about income tax, gender does affect the knowledge in the following ways in South Africa:

- More females (79%) knew who should register for income tax than males (67%) (3 methods of analysis indicating a relationship);
- Females (32%) are inclined to know less about the effects of retirement funding on income tax than males (38%) (3 methods of analysis indicating a relationship);
- Males (27%) are inclined to know more about Tax planning than females (18%) (2 methods of analysis indicating this relationship);
- Females (34%) knew less about tax thresholds than males (41%) (2 methods of analysis verifying this relationship);
- Males (48%) knew more than females (41%) about how interest is taxed (1 method indicating this relationship);
- As far as the deduction of pension contributions is concerned, more males (46%) knew about this topic than females (38%) (1 method of analysis indicating this relationship);
- With respect to the effects of medical expenses, Males (67%) knew more than females (61%) (Only 1 method of analysis indicated this);
- Sixty one percent of males knew about the income tax effects of a company car compared to females (55%) (1 method of analysis indicating this relationship).

The aggregate score (The sum of all the figures in brackets above) is 14, which is below the cutoff point of 24 set. This means that the hypothesis that gender does affect the knowledge of the Income Tax Act is not accepted, even though gender does affect the knowledge of aspects about income tax, with males generally knowing more about

all items examined, except one, i.e. who should register for income tax, like who should register for income tax and the effects of retirement funding.

The alternative hypothesis is thus accepted and the null hypothesis is rejected i.e. that gender does not affect the knowledge that South Africans have of income tax.

A number of studies have found that women are more likely to pay taxes but make no mention of gender affecting knowledge on Income Tax (Tittle 1980; Torgler and Schneider 2006:20).

10.2.2 The relationship between age and knowledge of the Income Tax Act ($H_{o1.2}$ and $H_{a1.2}$)

Examining the effect that age has on the knowledge that respondents have about income tax resulted in the following observations:

- Concerning Tax thresholds, more persons below the age of 29 years were inclined to know less about tax thresholds than those who knew. Above the age of 29 years more people knew about tax thresholds than those who did not. (All 3 methods of analysis indicated this);
- Below the age of 18 years, 18 percent of respondents did not know that an employer deducts income tax and a similar amount indicated that they did not know. Above this age these figures are both 10 percent (3 methods confirm this finding);
- As age increases the knowledge about income tax effects of a company car increases. Below the age of 19 years there is an unusually large group of respondents who answered that they just did not know (All 3 methods of analysis confirm this finding);

- Below the age of 19 years only 27 percent of respondents knew that pension fund contributions are deducted from income while above this age 50 percent knew this fact.(All 3 methods of analysis concurred with this finding);
- The knowledge about taxability of dividends increases constantly from 42 percent at the 19 year level to 73 percent at the 50-54 year level and 81 percent at the 60 – 64 year level (All 3 methods of analysis indicating the same result);
- A relationship between taxability of interest from a bank account and age is not continuous but tends to be higher between the ages of 30 and 50 years (49%) and then drops again to 40 percent.(Only inferential statistics indicate that there is a relationship between these two variables in 2 calculations);
- Forty one percent of people in the 25 – 29 year group know about the deductibility of payments to a retirement fund. This drops steadily as age increases to fall below 20 percent above the age of 50. (2 methods verify this finding);
- The consequences of tax evasion show no direct relationship but fall below the 61 percent level of those in the 15 – 19 year age group in all other groups (only the inferential calculations indicated that there was a relationship 2);
- Respondents in the age group 15 – 19 years had a 61 percent knowledge of submission of tax returns. This dropped off to 42 percent in the 25 – 29 year age group and then steadily declined with an increase in age. (2 methods confirmed this finding);
- A negative correlation indicates that as age increased, the knowledge of avoidance of income tax through tax planning decreased (2 methods conformed this);
- No direct relationship was found between age and registration for income tax for business owners in two of the three methods of analysis used (Only 1 method of analysis indicated a relationship);

- Only one inferential statistic indicated a relationship between age and registration for income tax (1).

The aggregate total for this section is 27, which is above 24. The hypothesis is thus accepted that age does affect the knowledge that South Africans have of income tax with the general trend being that as age increases, more is known about income tax.

Research quoted in the literature review indicates that being older has a positive on tax morality but nothing is said about knowledge of Income Tax and age (Torgler and Schneider 2006).

10.2.3 The relationship between race and knowledge of the Income Tax Act ($H_{o1.3}$ and $H_{a1.3}$)

Race, being of significance in South Africa, was found to affect the knowledge about income tax in the following manners:

- Black African and Coloured people indicated 63 percent of the time that all people had to pay tax while 50 percent of Indians or Asians and 38 percent of Whites indicated this as true. (3 methods concurred);
- Knowledge about tax planning was expressed less by Black Africans (17%) than by Whites (24%) (All 3 methods confirming this observation);
- Fewer Black Africans and Indians or Asians (10%) felt that registration for income tax was necessary compared to Coloureds and Whites (22% and 21%) (3 methods gave the same observation);
- Black Africans (78%) were less inclined to know that fines were levied for tax evasion than Whites (92%), Indian or Asians (85%)

and Coloureds (89%) (All three methods of analysis confirm this (3));

- More Whites (38%) thought that interest from a bank is not taxable while only 33 percent of Black Africans felt that interest from a bank is not taxable (2 methods indicated this relationship);
- Examining taxation on a company car showed that a smaller percentage of Black Africans (48%) knew about this than Whites (69%) (2 methods indicated this relationship);
- The only observation about deduction of tax by the employer that stands out is that Black Africans (14%) do not know that the employer deducts income tax. All other groups are aware of this fact (2 methods confirm this finding);
- More Black Africans (57%) felt that an annual submission of a tax return was necessary compared to Whites (46%) (2 methods of analysis gave this result);
- Coloureds (48%) were the racial group that knew about tax thresholds, followed by Whites (44%), Indians or Asians (39%) and those who knew the least were Black Africans (29%) (2 methods confirmed this);
- The results indicated that Whites are slightly less knowledgeable than Black Africans, while Coloureds and Indians or Asians are most aware of the percentage of their salaries that people have to pay to tax (1 method indicates this);
- Taxation of company uniforms showed no obvious relationship with race (1 method only indicated a possible relationship)

The hypothesis is accepted that race does affect the knowledge that South Africans have of income tax because the aggregate score for this section is 24. The general trend that is indicated is that Black Africans are inclined to know least about income tax and Whites know

more with Coloureds and Indian or Asians falling between these extremes.

The only research done in this sector was done by Cummings, Martinez-Vazquez, McKenzie and Torgler in 2205 which found that compliance rates varied between Botswana and South Africa.

10.2.4 The relationship between home language and knowledge of the Income Tax Act ($H_{o1.4}$ and $H_{a1.4}$)

When it comes to knowledge about income tax, home language affected knowledge in the following manner:

- When examining the knowledge about income tax being levied on interest earned this study found that the Xitsonga speakers were the least knowledgeable about this topic, followed by the IsiZulu speakers who registered that they did not know. Most other language groups understood the concept of income tax being levied on interest earned from a bank account (3 methods of analysis confirmed this observation);
- The Afrikaans speakers (52%) knew the most about tax thresholds, while all the other language speakers had less knowledge about this especially the English (62%) and IsiZulu (62%) speakers had this wrong or indicated they did not know (3 methods of analysis showed this result);
- A negative correlation between home language and the payment of Income tax by all people with income is indicated as 14.3 percent. This is not observed in the primary analysis(2 methods of analysis confirm this observation);
- The IsiZulu speakers indicated that they did not know about taxation on dividends while other language groups had at least 50 percent who knew (2 methods of analysis gave this result);

- The registration of people for income tax purposes is affected by home language in 9 percent of cases, but primary analysis did not indicate which home language (2 methods of analysis confirmed this observation);
- Concerning knowledge about the tax levied on a company car no particular trend was found except that IsiZulu and English speakers had the largest groups who did not know this (38% and 20 % respectively) (2 methods of analysis concurred with this finding);
- A 17 percent correlation between home language and knowledge about the employer deducting income tax was found but specific indication was offered by primary analysis (2 methods concurred with this finding);
- Only the Chi squared calculation indicates that Home language affects the knowledge about the use made of tax to run the country (1 method only);
- Although a 12 percent correlation with knowledge about Planning being able to avoid income tax, it is not confirmed by any other method of analysis (Only 1 method of analysis indicates this relationship);
- The cost of a company uniform was understood by all language groups excepting the English speakers who had almost 30 percent indicate openly that they did not know (Only 1 method of analysis indicated this relationship);
- Knowledge about the submission of a tax return showed no trend (1 method only indicated some possible relationship);
- Knowledge about the deductibility of medical expenses showed no trend in the primary analysis to confirm the any effect that home language may have on this topic (Only 1 method of analysis reported this result);
- Knowledge of fines for evading tax had no observable trend (1 method of analysis indicated a possible relationship).

The aggregate score for this section is 22, below the 24 put forward as the standard. The alternate hypothesis is thus accepted i.e. that home language does not affect the knowledge that South Africans have of income tax although there is a trend that indicates that Afrikaans speakers know more about Income Tax with English and IsiZulu speakers usually filling the lowest spot with respect to knowledge about income tax.

With respect to language, Swindler found in 1986 that language has an effect on the willingness to pay tax but does not indicate whether this is due to knowledge of income tax.

10.2.5 The relationship between level of education and knowledge of the Income Tax Act ($H_{o1.5}$ and $H_{a1.5}$)

The level of education affected the knowledge about income tax in the following manners:

- With an increase in level of education the percentage of respondents who knew about interest being taxable dropped from 41 per cent to 18 percent over the range (3 methods of analysis confirmed this finding);
- As the level of education increased the percentage of respondents indicating that they did not know about dividends being taxable fell from 45 per cent to 22 percent (All 3 method of analysis indicated this);
- Over the range of educational qualifications examined the knowledge about contributions to pension funds being deductible rose from 32 per cent for those with some secondary education to 46 per cent for those with higher education (3 methods of analysis confirmed this);
- Knowledge about contributions to retirement funds being

deductible is negatively correlated to level of education. As the level of education increases the knowledge about contributions to retirement funds decreases (3 methods of analysis confirm this);

- As level of education increases, knowledge about tax being paid on a company car increases (42% to 71%) (3 methods of analysis confer);
- Over the range from some secondary education (62%) to higher education (90%) the knowledge about the employers deduction of income tax increases (3 methods of analysis showed this result);
- As education increases, the number of respondents who indicated that they knew nothing about the submission of income tax returns, decreased from 20 percent to 16 percent (All 3 methods of analysis used showed this trend);
- Regarding knowledge about fines for evading income tax, as educational levels increase over the range examined the knowledge of this topic increased from 71 percent to 94 percent (All 3 methods of analysis indicated the same result);
- As educational level increased the knowledge of tax thresholds also increased from 23 percent to 49 percent over the range from “some education” to “higher education” (3 methods of analysis gave the same results);
- Knowledge about business owners having to register for income tax increased with level of education from 55 percent from those with some secondary education to 91 percent for those with higher education (3 methods of analysis indicated the same result);
- Knowledge about planning being able to avoid income tax does not show any direct observable trends in the primary analysis but the correlation and chi squared indicate that there is a relationship (2 methods concur with these findings);
- The knowledge of who should register for income tax rose from 9 per cent for persons with some primary education to 18 percent for

those with higher education (2 methods of analysis delivered this finding);

- Knowledge of the deduction of medical expenses for income tax purposes shows a negative relationship from 66 percent to 61 percent over the secondary schooling phase and then an increase towards higher education (2 methods of analysis indicate this trend);
- As the level of education increased so the knowledge of the people who have income having to pay tax decreased from 88 percent to 50 percent (1 method only presented this result);
- Level of education did not show a relationship with the proportion of income tax paid by different people in the primary analysis (Only 1 other method of analysis indicated there may be a relationship).

The hypothesis is accepted i.e. that level of education does affect the knowledge that South Africans have of income tax because the aggregate score for the section is 38. The general trend indicates that as the level of education increases the knowledge of income tax increases.

Tittle in 1980 found that the level of knowledge of taxation did have an effect on the attitude towards paying income tax but did not go as far as to determine if the level of education had an effect on the knowledge of Income Tax.

10.2.6 The relationship between occupation and knowledge of the Income Tax Act ($H_{o1.6}$ and $H_{a1.6}$)

The occupational categories are hierarchical in the study. When it comes to knowledge about income tax, the occupation of the respondents indicated the following:

- The only occupational group that knew that there was an annual submission of income tax returns was clerks. Students (26%) knew the least followed by professional workers (38%) (all three methods of analysis agree);
- Students again were the category that knew least about fines for trying to evade income tax (the 3 methods agreed);
- The category “student” was the group who knew least about the taxation of interest. (3 methods indicate the same result);
- Students (39%) did not know about the deduction of income tax by the employer for income tax purposes. (3 methods of analysis all gave the same result);
- When asked how much they know about the deduction of contributions to a pension fund, students (70%) either did not know or answered incorrectly while most working respondents knew the answer (3 methods of analysis gave the same results);
- As for the results above, students(77%) did not know about deductions of contributions to a retirement funds compared to their working counterparts (3 methods of analysis give the same result);
- Occupation has the highest effect on knowledge of income tax on dividends with students (45%) being the largest group who indicated they did not know while all the other categories had some knowledge of this fact (3 methods of analysis give the same result);
- Knowledge about the deduction of medical expenses was understood by most categories but not students (3 methods agree);
- Once again the students did not know about tax on a company car, while most working groups did (3 methods of analysis agreed);
- Although a correlation of 18.5 percent was calculated between occupation and knowledge of registration for income tax purposes, the primary analysis did not show this (2 methods only produced these results);

- Although primary analysis indicates no obvious relationship between occupation and knowledge of income tax being used to run the country, the correlation and chi squared indicate that there is a relationship (the 2 methods of analysis concur);
- Knowledge about income tax thresholds was universal amongst the employed but the students (54%) and the unemployed(56%) knew least about income tax thresholds (2 methods of analysis agreed with this result);
- No primary evidence is observable between tax planning being used to avoid income tax and occupation (only 1 analytical method indicated there may be a relationship);
- There was no perceivable relationship between occupation and knowledge of the percentage of salary paid towards income tax (only chi squared indicated that there may be a relationship1);
- There was no obvious relationship between occupation and knowledge that business owners have to register for income tax (only 1 method produced this result).

The hypothesis is accepted that occupation does affect the knowledge that South Africans have of income tax as the aggregate score is 36. The higher up the occupational ladder a respondent is the more they tend to know about income tax, with students knowing the least.

10.2.7 The relationship between location and knowledge of the Income Tax Act ($H_{o1.7}$ and $H_{a1.7}$)

When it comes to knowledge about income tax, the urban/rural location does affect knowledge of the following ways:

- As one moves away from the city the knowledge that people have about tax on a company car decreases from 70 percent to 44 percent in rural villages (all 3 methods of analysis indicate this

trend);

The relations observed below are not confirmed by any other method of analysis and especially not the graphs and tables drawn in the primary analysis:

- Knowledge of income tax being used to run the country (1 method);
- Knowledge that there is no taxation on a company uniform (1 method);
- Knowledge of the fact that the employers deducts income tax (1 method);
- The fact that people must register for income tax purposes (1 method);
- There are fines for trying to evade income tax (1 method);
- The knowledge that business owners having to register for income tax purposes (1 method of analysis).

The alternate hypothesis is accepted, that is that location does not affect the knowledge that South Africans have of income tax as the aggregate score is 9. This implies that that there is no significant effect of the urban/rural location on the knowledge that respondents have about income tax.

10.2.8 The relationship between province and knowledge of the Income Tax Act ($H_{01.8}$ and $H_{a1.8}$)

The effect that a province has on knowledge about income tax is affected in the following ways:

- Twenty-eight percent of respondents in Limpopo did not know that income tax is deducted by the employer, compared to 6 percent in Gauteng (All 3 methods confirm this finding);

- Knowledge of income tax thresholds was demonstrated more in Gauteng (47%) than in KwaZulu-Natal (32% and Limpopo (17%) (3 methods indicate the same result);
- The respondents in Limpopo (27%), KwaZulu-Natal (11%) and the Eastern Cape (14%) indicated that they did not know that one can be fined for evading income tax, while the respondents in Gauteng (3%) indicated that they did not know (3 methods support this finding);
- The number of respondents, who did not know that there is an annual income tax return was higher in the less developed provinces like Limpopo (29%), than in developed provinces like Gauteng (3%) (3 methods confirm this result);
- Observing the responses of the knowledge about taxation of interest, the majority of respondents in Limpopo did not know this, while in KwaZulu-Natal 30 percent did not know the fact, while other provinces had more people knowing this than did not know (3 methods indicate this relationship);
- The Limpopo respondents had little knowledge about taxation of dividends, followed by Gauteng, Kwazulu-Natal and the Eastern Cape. All other provinces were more knowledgeable (3 methods agree);
- The respondents in KwaZulu-Natal, Limpopo province and the Free State had the largest groups that did not know about deduction of pension fund contributions. Although all provinces had a majority who knew this fact the Eastern Cape and Mpumalanga indicated the highest proportion who did (All 3 methods agreed on this);
- Knowledge of deductions of contributions to a retirement fund vary from Gauteng, where the emphasis is placed on knowing this, while in KwaZulu-Natal this is the smallest response (2 methods give this result);

- The Province correlates with the knowledge about income tax being used to run the country and is confirmed by the chi squared but is not evident in the graphical and tabular presentations (2 methods concur)
- With respect to knowledge about registration for income tax purposes the graphs and tables indicate no trend even though the correlation indicates a 16.5 percent relationship (2 methods concur);
- Not knowing that medical expenses are deductible varies from developed provinces like Gauteng where 12 percent don't know about this, to KwaZulu-Natal (20.6%) and Limpopo (37%) (2 methods give the same result);
- In developed provinces like Western Cape (84%) and Gauteng (65%) there is a good knowledge of tax on a company cars, but in less developed and rural provinces the knowledge is smaller (Limpopo 26%) (2 methods produced this result);
- With respect to knowledge about planning being used to avoid income tax there is no obvious trend (1 method indicates a relationship);
- Knowledge about taxation on the cost of a company uniform did not have any identifiable relationship (1 method only);
- Knowledge of the percentage of salary paid to income tax was only indicated by the chi squared calculation (1 method only).

The hypothesis is accepted that the province the person lives in does affect the knowledge that South Africans have of income tax as the aggregate score for this section is 34. The provinces which tend to be less "developed" (with respect to infrastructure and LSM or Living Standard Measures) like Limpopo, KwaZulu-Natal, tend to have respondents who know less about income tax. Provinces like the Eastern Cape and the Orange Free State tend to have some gaps

while more “developed” provinces have respondents who demonstrate a greater knowledge of income tax.

10.2.9 The relationship between income and knowledge of the Income Tax Act (H_{o1.9} and H_{a1.9})

When it comes to knowledge about Income Tax, income does affect knowledge of the following:

- Concerning knowledge about income tax thresholds, those earning below R 7 000 per month are more inclined not to know this fact while those above this income are more inclined to know this fact. (3 methods give the same result);
- People who earn less than R 1 000 per month are 21 percent more likely not to know the fact that fines are levied for evading tax, than those who earn more per month (3 methods concur);
- Knowledge about the deduction of income tax by the employer was unknown by 19 percent of person who earn less than R 1 000 per month. As salary rises 22 percent of the change in knowledge about income tax deduction is caused by salary increase (3 methods concur);
- As income rises it was found that knowledge about taxation on dividends decreased (all 3 methods confirmed this);
- Below R 8 000 per month income, similar numbers knew and did not know about deductions of pension fund contributions from income tax but above this income group the trend was towards an understanding of this fact (3 methods indicate this);
- Knowledge about the deduction of medical expenses from income tax is affected positively by an increase in monthly income (11%) (3 methods confirm this);
- At lower salary scales the knowledge about tax on a company car is split equally between those who know and those who don't

know, while as the monthly income rises this moves towards the a predominance of those who know (3 methods confirm this finding);

- Knowledge of planning being used to avoid income tax is not known (30 - 40%) by persons who earn less than R 3 000 whereas most person earning more than this per month do know this fact especially those who earn between R 3000 and R 5000 and those who earn between R 20 000 and R25 000 per month.(2 methods indicate this relationship);
- People who earned below R 1 000 per month were most inclined not to know that interest is taxed (33%) while this was the least used option amongst all other income categories (2 methods indicated a relationship);
- Respondents who earned below R 2 000 per month (44%) did not know that retirement fund contributions can be deducted from income tax. This decreases as income rises. (2 methods indicate this trend);
- Knowledge about submission of annual income tax returns is affected in 9.8 percent of cases by an increase in monthly income (Only 1 method of analysis indicates this);
- No trend is indicated in the primary analysis between knowledge of registration for income tax purposes (only the correlation indicates a relationship i.e.1);
- The correlation calculation indicates that 13.7 percent of variation in knowing that owners of a business have to register for income tax is dependent on the respondents income, but this is not confirmed by other analysis (Only 1 method supports this finding);
- The category of respondents who knew the least about the percentage of salary paid to income tax was students (Only 1 method confirmed a relationship).

The hypothesis is accepted i.e. that income does affect the knowledge that South Africans have of income tax as the aggregate score for this section is 31, which is above the average set to accept an hypothesis. As income rises, knowledge about income tax increases.

10.3 SUB-HYPOTHESES OF THIS STUDY WITH REGARD TO ATTITUDES TO INCOME TAX

The results pertaining to the sub-hypotheses of this study resulting from the enquiry into the attitudes that respondents have towards the Income Tax Act will be accepted or rejected in the following sections by looking at the summarized findings of the study.

There are 11 questions with three possible methods (33) of proving that there is a relationship. Where the aggregate for the section is 16 or greater the hypothesis will be accepted. (Appendixes B and C detail the chi squared and correlations mentioned in this section).

10.3.1 The relationship between gender and attitude towards income tax (H_{o2.1} and H_{a2.1})

When it comes to attitude towards income tax, gender does affect attitude as depicted in the following statements:

- The attitudinal statement “Tax goes to the ruling party to distribute” indicates that females are predominantly neutral to this statement while males are spread amongst the options (3 methods confirm this finding);
- Commenting on the statement “I always try to pay my income tax” Males are inclined to use the extremes of the scales compared to females who are 10 percent more likely to be neutral to this statement (2 method of analysis confirm this finding);

- Females (39.1%) felt more neutral to the statement “I get value for the money I am taxed” than males (27.7%) Males (53.1%) felt that they did not get value for their tax whereas females (44.8%) felt the same (2 Method indicated this relationship);
- The extremes are used more by men to indicate their attitude towards the statement “All people should pay the same percentage of their income to tax”. This results in a larger percentage (13%) of females being neutral to this statement. There are definitely two groups in this result which are at the extremes (1 method only indicates a relationship);
- Asked to comment on the statement “Whenever I can I try to avoid tax” females are inclined to be more negative towards this statement 55.5% compared to males (49.7%) (1 method only indicates this relationship);
- Females (83.1%) are more likely to agree that “People should keep records so their taxes are accurate” than males (81.4%) (Only 1 method of analysis indicates this small difference);
- With respect to the statement “The previously disadvantaged should pay less tax”, males (52.2%) disagree with this statement more than females (42.2%) while females are more likely to be neutral (22.1%) (Only 1 method indicates this relationship);
- More females (40.0%) did not think that income tax is unfair compared to males (33.2%) (1 method indicated this result);
- More females (76.5%) felt they need to know more about tax than males (68.8%) (1 method indicated this result).

The alternate hypothesis is accepted i.e. that gender does not affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 13 (below the 16 set as a criteria). In general females tend to be more neutral in their attitudes towards income tax and rather less critical.

This is contrary to the findings of Tittle (1908) who indicates that gender does affect the attitude towards paying tax. Torgler and Schindler (2006) also found that women were more compliant than men to paying taxes.

10.3.2 The relationship between age and attitude towards income tax (H_{o2.2} and H_{a2.2})

This study found that Age affects the following attitudes towards income tax:

- As age increases so does the attitude towards always paying income tax (3 methods of analysis concur);
- As age increases the tendency to avoid paying income tax decreases (3 methods corroborate this finding);
- As age rises to 44 years of age the feeling that “Tax goes to the ruling party to distribute” decreases only to rise again as age increase (3 methods indicate this trend);
- At the younger age categories there is only a 65 percent agreement with the statement “People should keep records so their taxes are accurate’. This increases to 100 percent in the older age groups (3 methods of analysis indicate this);
- The feeling that “I get value for the money I am taxed” decreases as age increases from 17.3 percent who feel they do not get value for the money they are taxed to the point where 70.5 percent disagree at the 59 year level (3 methods indicate this trend);
- With reference to the statement “People in the city should pay more tax” the primary analysis indicates no trend except the decrease in the number of respondents who were neutral to this statement from 25.4 percent for the pre 19 year age group to 6.1 percent for those in the 40 – 44 year age group (2 methods indicate the trend);

- As age increases from 10 – 14 years (22.7%) to 40 – 44 years, (40.8%), the feeling that “Income tax is unfair” increases (2 methods indicate this trend).

The hypothesis is accepted that age does affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 19. This tends to be in the direction of socially acceptable ways as age increases.

Torgler and Schneider (2006) found that age did have a positive correlation with attitudes towards Tax as demonstrated through a higher Tax morality.

10.3.3 The relationship between race and attitude towards income tax (H_{o2.3} and H_{a2.3})

When it comes to attitude towards income tax, race does affect attitude towards the following statements:

- Coloured (83%) respondents were more likely to always try to pay their income tax than Whites (75.1%), Indian or Asians (63%) and Black Africans (59.4%) (3 methods of analysis show this trend);
- Sixty seven percent of Whites disagreed with the comment that “The previously disadvantaged should pay less tax” compared to Indians or Asians (44.5%), Black Africans (43.55) and Coloureds (42%) (3 methods of analysis concurred);
- Coloured (6.7%) respondents felt they got value for the money they were taxed compared to Whites (13.0%), Indians and Asians (18.8%) and Black Africans (23.6%) (3 methods indicate this trend);
- Less Black Africans (77.8%) felt that “People should keep records so their taxes are accurate” than do Coloureds (80.6%), Indian and

Asians (84.2%) and Whites (87.6%) (2 method of analysis concur on this result);

- The statement that “People in the city should pay more tax” resulted in Coloured respondents being less neutral to this statement than other race groups who mostly disagreed with this statement (2 methods indicated this trend);
- Black African (77.6%) felt they need to know more about tax compared to Coloureds (75.1%), Indians and Asians (72.2%) and Whites (66.7%) (2 methods give this result);
- Larger percentages of Coloureds (51.6%) and Indian or Asians (51.0%) felt that “People should keep a bank account for tax purposes” than did Black Africans (41.8%) and Whites (40.8%) (1 method only indicated this trend).

The hypothesis is accepted that race does affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 16. Whites and Coloureds tend to be more accepting in their attitudes towards income tax than Black Africans.

The only other study indicating that race does affect attitude towards tax was carried out by Cummings, Martinez-Vazquez and Torgler in 2005 between the South African and Botswana populations. This study however also found that this was due more to the attentiveness of the governments to listen to the people and the rate of taxation.

10.3.4 The relationship between home language and attitude towards income tax ($H_{o2.4}$ and $H_{a2.4}$)

The home language of a person affects the attitudes that were examined that people have to pay income tax in the following ways:

- The response to the statement “I always try to pay my income tax”

varies from Afrikaans speakers who indicated in 85 percent of cases that they try to pay their income tax to the Xitsonga group who indicated that only 41.2 percent try to pay their income tax (All 3 method of analysis used indicate this difference);

- More than half of the Sepedi (78.6%), Afrikaans (58.0%), SiSwati (57.2%) and the English (51.8%) speaking respondents felt they did not get value for the money they are taxed. There was no language group where more than 35% felt they got value for the money they were taxed (3 methods gave this result);
- When looking at the responses to the statement “All people should pay the same percentage of their income to tax” it was found that SiSwati speakers (64.3%) and English speakers (65.8%) disagreed with this while Sesotho speakers (64.4%), the Sepedi speakers (50.1%) and Afrikaans speakers (48.2%) were more inclined to agree with this statement (2 methods indicate this relationship);
- As there was no hierarchy in language presentation order there was no primary trend observable but when commenting on the statement “People should keep records so their taxes are accurate (2 methods indicate this trend);
- The previously disadvantaged should pay less tax” the Sepedi (64.2%), Sesotho (64.7%), English (59.1%), Setswana (56.2%) and Afrikaans speakers (60.4%) agreed with this statement while the Xitsongo (33.3%) was the group that agreed least. (2 methods concur);
- Those who thought Income tax was unfair were the Sesotho (58.7%), Setswana (46.7%), Afrikaans (40.0%), IsiXhosa (38.3%), English (33.0%), followed by the others at lower percentages (2 methods giving this result);
- Responses to the statement “Tax goes to the ruling party to distribute” showed no trends in the primary analysis (1 method indicated a relationship).

The alternate hypothesis is accepted i.e. that home language does not affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 15. No real trend is evident but on further examination using different rankings of the official languages there may be definite trends.

This is contrary to the findings of Torgler and Schneider who found that there was a difference between tax morality between Flemish and French speaking citizens in Belgium in 2006.

10.3.5 The relationship between level of education and attitude towards income tax ($H_{o2.5}$ and $H_{a2.5}$)

When it comes to attitude towards income tax, level of education affects attitudes of the following statements:

- As level of education increased those who agreed with the statement “I always try to pay my income tax” increased steadily from those with Some Secondary education (47.0%) to those who had higher education (82.2%) (2 methods indicate this trend);
- Those with some secondary education (43.5%) tend to feel that “Tax goes to the ruling party to distribute”. This decreases with educational level to 33.5 percent for those with higher education (2 concur about this trend):
- As education level increases from those with some secondary education (68.1%) the response to the statement “People should keep records so their taxes are accurate” increases towards higher education (88.3%) (2 methods indicate this relationship);
- With respect to the statement that “The previously disadvantaged should pay less tax” more people with higher education (47.4%) disagreed with this statement than respondents with some

secondary education (41.1%) (2 methods of analysis indicated this trend);

- Respondents with higher education (57.2%) disagreed more that they got value for the money they were taxed than respondents with some secondary education (30.5%) (2 methods).

The alternate hypothesis is accepted i.e. that the level of education does not affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 10.

The research encountered is silent on the effect of level of education on attitudes towards Income Tax.

10.3.6 The relationship between occupation and attitude towards income tax ($H_{o2.6}$ and $H_{a2.6}$)

When it comes to attitude towards income tax, occupation does affect knowledge of the following statements:

- Those respondents in occupations that required higher order skills (professional 65.4%) were more inclined to pay their tax than service workers (25.0%) (3 methods indicate this trend);
- The correlation indicates that 18 percent of the attitude expressed in the response to the statement that “Tax goes to the ruling party to distribute” can be attributed to the occupation of the respondent. (3 methods indicate the same trend);
- There is an increase in agreement that “People should keep records so their taxes are accurate” as one moves from Service workers (41.4%) to senior officials and managers (74.4%) (3 methods of analysis indicate the same trend);
- Legislators senior officials and managers (51.1%) disagreed more

than professional (33.3%) that “People in the city should pay more tax” (3 methods of analysis indicate a trend);

- The correlation calculated indicated that 22.2 percent of the response to the statement “I get value for the money I am taxed” can be attributed to the occupation of the respondent (3 methods give the same indication);
- Legislators, senior officials and managers (32.5%) are less inclined to try to avoid tax whenever they can, compared to clerks (52.0% and students (34.7%) (2 methods give the same result);
- In most professional categories there is an increase on the Likert scale towards the “Strongly Agree” category when responding to the statement “I need to know more about tax”, however the unemployed and students indicated that they disagreed as their second largest response (2 methods indicated this relationship).

The hypothesis is accepted that occupation does affect the attitudes that South Africans have towards income tax as the aggregate score for this section is 19. As educational level increases the attitudes that are more predominant are those which would be more socially acceptable.

The only research that confirms this is that done by Swindler in 1986, where it is stated that rituals of daily life have an effect on Tax Morality and thus attitude.

10.3.7 The relationship between location and attitude towards income tax ($H_{02.7}$ and $H_{a2.7}$)

When it comes to attitude towards income tax, location (rural/urban) does affect response to the following statements:

- The feeling that “The previously disadvantaged should pay less

tax” finds favor amongst 26.2 percent of the city dwellers, and this systematically increases to 56 percent in the farming areas (All 3 methods point to the same result);

- When asked to comment on the statement “I get value for the money I am taxed” it was found that those respondents who lived in the city agreed less (13.2%) than those who lived in rural towns (30.2%) indicating those in the rural areas are happy with government expenditure (All 3 method of analysis indicted the same result);
- There is an 11.1 percent correlation between the tendency to always try to pay income tax and location with those living in urban environs tending to be more likely to want to pay income tax (2 methods concur);
- City (46.8%) and urban suburb (47.3%) dwellers are less inclined to feel that “All people should pay the same percentage of their income to tax” than those in urban townships (54.3%), rural towns (53.2) and rural villages (75%) (2 methods give the same result);
- Moving from Urban Suburbs (33.3%) through Urban Townships (41.5%) to farms (55.5%), the agreement with the statement “Tax goes to the ruling party to distribute’ increases (2 methods concur);
- Moving from the city (18.1%) through the list there is a steady increase in agreement with the statement that “People in the city should pay more tax” to rural villages where 37.6 percent feel that people in the city should pay more income tax (2 methods agree).

The alternate hypothesis is accepted i.e. that location does not affect the attitude that South Africans have towards income tax as the aggregate score for this section is 14.

This goes against the findings of Torgler and Schneider who report in 2006 that they found that specific geographical regions do have an

effect on the attitudes towards taxation. Kasper and Streit in 1999 found that a common culture does influence the attitude towards taxation.

10.3.8 The relationship between province and attitude towards income tax ($H_{o2.8}$ and $H_{a2.8}$)

The provinces were not captured in an ordinal rank but when it comes to attitude towards income tax, province does affect attitudes towards the following statements:

- There are respondents in some provinces that indicated highly that they always try to pay their income tax. Such provinces are the Western Cape (88.6%) and the Free State (86.3%) while there were others who scored much lower like Limpopo (34.8%) and KwaZulu-Natal (60.6%) (All three (3) methods indicated that there was a relationship);
- Respondents in the Western Cape (68.5%) and Gauteng (55.3%) disagree most with the statement “I get value for the money I am taxed” while those in Eastern Cape (38.9%) and KwaZulu-Natal (38.3%) disagree the least (3 methods of analysis agree);
- A 10 percent correlation indicates that the feeling that “All people should pay the same percentage of their income to tax; is affected by the province a respondent lives in. This is confirmed by the chi squared calculation (2 methods indicate this relationship);
- In the Western Cape (80.0%) a large number of respondents disagreed with this statement while in KwaZulu-Natal (26.5%) and Gauteng (21.8%) a remarkably high percentage of respondents chose to remain neutral to the statement “Whenever I can I try to avoid tax” (2 methods concur about the findings);
- In Gauteng (30.7%), Western Cape (38.8%) and KwaZulu-Natal (32.7%) of respondents chose to remain neutral to the statement

“Tax goes to the ruling party to distribute” compared to other provinces where respondents were more willing to indicate a position (2 methods indicate this relationship);

- There is a relationship between province and the statement that “People should keep records so their taxes are accurate”. In Gauteng (86.0%) and Western Cape (85.9%) the response is high compared to Limpopo (2.0%) (2 methods of analysis indicate this relationship);
- Gauteng (62.2%) and Western Cape (60.8%) respondents disagree with the statement “People in the city should pay more tax” compared to respondents in Mpumalanga (50.0%) and the Eastern Cape (52.5%) (2 methods agree on this relationship);
- Respondents in the Eastern Cape (50.0%) feel that “Income tax is unfair” while the other provinces indicated this between 30 and 37 percent with the respondents in the North West province (22.4%) feeling most aggrieved (1 method indicated this trend).

The hypothesis is accepted that the province does affect the attitudes that South Africans have towards Income Tax as the aggregate score for this section is 17. This result may have been greater if provinces had been arranged in the data spreadsheet differently. It would seem though that there are similarities in provinces like Gauteng and the Western Cape which are inclined to be more geared towards socially acceptable responses. The other grouping tends to be in the less developed and more rural provinces where trends tend to exist.

The research to date does not deal with provinces but Cummings et al found in 2005 that the attitude of people is often dependent on the degree to which the government listens to the people. They report that the attitude also may depend on the differences in tax administration in regions.

10.3.9 The relationship between income and attitude towards income tax ($H_{o2.9}$ and $H_{a2.9}$)

When it comes to attitude towards income tax, income does affect attitudes for the following statements:

- As monthly income increases from R 0 – 1000 per month (35.0%) to R 25 000 per month (86.2%) so does the agreement with the statement “I always try to pay my income tax” (3 methods agree);
- Those who disagree with the statement “Whenever I can I try to avoid tax” increases from those who earn R 0 - 1000 (36.8%) to the point where R 8 000 is earned per month (66.2%) after which it decreases again to the R 25 001 – 30 000 (50.0%) (3 methods agree on this trend);
- Responses to the statement “Tax goes to the ruling party to distribute” those who earned below R 1 000 per month (50.4%) agreed with this statement. This falls until the R 7 001 - 8 000 per month (23.3%) after which it rises slightly, though erratically (2 methods of analysis confirm this result);
- Respondents who felt that “People should keep records so their taxes are accurate” fall into two groups, from R 1 000 – R 3 000, and R 6 000 – 35 000 per month where the agreement rate was in excess of 90 percent. The other categories, below R 1 000, and between R 3 000 and 6 000 per month where the agreement rate was in the mid seventy percent range (2 methods give this result);
- A correlation of 9.4 percent indicates that there is a relationship between income and attitudes to the statement “The previously disadvantaged should pay less tax” but primary analysis in the tables and graphs indicates high and low responses are scattered without showing a pattern (2 methods confirm this observation);
- Respondents who earn below R 2 000 per month feel that they get value for the money they are taxed as they disagree 35 percent of

the time while those above R 2 000 income per month are inclined to disagree that they get value for the money they are taxed in more than 50 percent of cases (2 methods give the same result).

The alternate hypothesis is accepted that income does not affect the attitude that South Africans have towards income tax as the aggregate score for this section is 14 however a trend is noticed that there is a change from the lower groups of earners to those who are in the middle of the range. After this the trend reverses again. This could lead to possible future investigation of the fact that income tax does not paid by the lower income earners because of the tax threshold, and the higher income earners can afford advice to avoid income tax.

Research quoted in the literature is silent as to this point

10.4 THE MAIN HYPOTHESIS OF THE RESEARCH

There were four major research questions presented on page 8 in section 1.3.2. These questions linked the knowledge that residents of South Africa had about four different taxes i.e. income tax; value added tax; estate duty and capital gains tax.

Of these only the first (Income tax) was covered in this study. It resulted in three different hypotheses which linked the following:

- Biographical details to the knowledge that people in South African had of income tax;
- Biographical details to attitudes that people in South African have towards income tax; and
- The knowledge that people in South Africa have about Income tax to their attitudes towards income tax.

These will be covered in this order in the following sections. In the hierarchy of analysis the primary and secondary analysis between every question was examined. The analysis now turns to inferential statistics to determine if as a whole (in aggregate) there is a relationship between all the biographical details and the questions or attitudinal statements examined.

10.4.1 The relationship between biographical details and knowledge of income tax (H_{o1} and H_{a1})

The point of departure for accepting or rejecting the hypothesis (H_{o1}) on page 12 that there is a relationship between the biographical details of respondents and the knowledge they have of income tax is to determine the uniformity or validity of the results of the questions posed in the questionnaire with respect to knowledge about income tax.

This has been done by calculating the correlation between the various biographical categories and the knowledge about income tax that respondents have. The percentage of significant correlations between biographical factors is 56.06 percent (Table 53 in Appendix C) meaning that 56 percent of the respondent's characteristics can be determined by another e.g. a younger person will be employed in a lower order job and will earn less money.

The validity of the knowledge questions is indicated by the percentage of significant correlations at the 95 percent level in this section as presented in Table 54 in Appendix C. This value is 82.35 percent. The meaning of this is that the manner in which a respondent answers a particular question does have an 85 percent effect on the way they answer other questions. In other words those who know about tax

avoidance have an 85 percent chance of also knowing about any other question posed about the knowledge of income tax.

Table 56 (Appendix C) indicates that the number of significant correlations between biographical details and knowledge of income tax is 39.71 percent. This is less than the above and shows that only 39.71 percent of the response to any question about knowledge of income tax can be attributed to the biographical details of the respondent. The analysis done by an independent statistician using software confirmed that these, and the following observations, were not certain and were too small to be significant.

Table 59 (in Appendix D) shows that the chi squared calculation shows a 49.5 percent relationship between biographical details and knowledge of income tax. It also indicates that in 40 percent of the cases there is a significant correlation between biographical details and knowledge of income tax. This indicates that no conclusion can be drawn by these inferential statistics as they are below the acceptable threshold of 95 percent.

Based on the above, the null hypothesis in this research is thus rejected and the alternate hypothesis is accepted, indicating that there is no relationship between the biographic details of the people in South Africa and their knowledge on income tax.

The only conclusion from the study is that the knowledge about taxation is influenced by the following biographical characteristics.

The level of education is the most important biographical factor that affects the knowledge that people have about income tax followed secondly by the occupation of the individual. This could be related to level of education but was treated as a separate factor in the analysis

and needs further investigation. Also in the literature quoted there is no reference to such a finding. It would be assumed that there may be a relationship between education and the type of occupation.

The third biographical factor is the province in which the person resides. This could also be related to the two factors mentioned above. This result has been found also in the work of Torgler and Schaltegger in 2005 who indicated that there was different tax morality in different countries. The fourth biographical factor supported by the statistics is the income of the person. Those with higher income have a greater knowledge of income tax.

The fifth biographical factor is age. Those who are older tend to know more about income tax. And the sixth biographical factor is race. As different races are found in different provinces this could be understood in terms of what has been examined above.

Gender was not a determinant of the amount of knowledge that people had of income tax. Neither was the location or the rural/urban location of the person. Home language was supported by primary analysis but not confirmed by inferential statistics.

10.4.2 The relationship between biographical details and attitude towards income tax (H_{o2} and H_{a2})

Firstly the validity of the questions covering the attitudes that people in South Africa have towards income tax needs to be examined. Table 55 in Appendix C indicates that 50.90 percent of correlations between the questions covering the attitudes are significant. This means that the response to one statement can be linked to another response in 50 percent of cases.

This section results in the acceptance or rejection of hypothesis H₀₂ on page 13. It relates biographical details to the attitudes that people in South Africa have about income tax.

Table 59 indicates that on average 29.5 percent of statements in this section are related to biographical details, while the correlation tables indicate that on average 33.6 percent of the questions indicate a correlation that is significant between biographical details and knowledge of income tax. Table 57 (Appendix C) reflects that 33.3 percent of correlations between these variables are significant.

Based on the information above this null hypothesis is rejected and the alternate hypothesis is accepted i.e. that there is no relationship between the biographical details of people in South Africa and their attitude towards income tax.

The inferential statistics calculated and the primary analysis indicated that the following individual biographical factors affect the attitudes of people towards income tax:

The two most influential biographical factors that affect attitudes towards income tax are age and occupation. This was followed in third place by the province that a person lives in. Certain provinces show different attitudes towards income tax (based on the development of the particular province).

The fourth most influential biographical factor affecting attitude towards income tax is race. Different races have different attitudes towards income tax.

Research quoted does not corroborate this to a lack of research.

The biographical factors that do not show conclusively that there is a relationship between them and attitude towards income tax are gender, home language, level of education, urban or rural location and income.

10.4.3 The relationship between knowledge of income tax and attitude towards income tax (H_{o3} and H_{a3})

The last hypothesis on page 13, deals with the relationship between the knowledge that people in South Africa have about income tax, and their attitudes towards income tax.

Table 60 in Appendix D indicates the significant relationships between these two as calculated from both sides of the relationship. At least 33.6 percent of the categories are significant as calculated by the chi square test. The correlations indicate that at least 20.1 percent of the relationships are significant.

Interpreted this means that we can only be certain in 33 percent of cases that the knowledge that a respondent has about income tax does influence their attitude towards income tax, and this influence is only 20 percent.

The third null hypothesis is therefore not accepted. It accepts that the knowledge that people in South Africa have about income tax does not affect their attitudes towards income tax.

10.4.4 Important findings

The information above gives a clear picture of the relationships between biographical details, knowledge of income tax, and attitudes towards income tax.

The research indicates that there is relationship of 40 to 49 percent between the biographical details of people in South African and the various items examined as knowledge that they have of income tax.

There is also a 29 to 33% relationship between the biographical details of people in South Africa and the various attitudes they have towards income tax that were examined.

Knowledge of various points in the income tax act has a 20 to 30% relationship with various attitudes towards income tax that were examined.

The relationship between biographical details of a person and their knowledge about income tax is greater than the relationship between biographical details, and attitudes towards income tax. And both of these are higher than the relationship between knowledge about income tax and the attitude a person has towards income tax.

The best indicator of attitudes towards Income tax is biographical details (29% and 33 %) followed by knowledge about income tax (20% and 33%).

But like all knowledge this is the beginning of a dialogue on the examination of those items that affect taxation in general. Only income tax has been examined in this study but the data collected was for three other types of taxation as well. The analysis of this data will

refine these findings and lead to a better comprehension of the field.

The intention has always been to develop scholarship in Accounting, in general by encouraging students to move beyond the world of factual knowledge, from the World 1 sector of van der Schyf (2208:5) to the World 2 sector of knowledge, in which relationships are examined in the social science, with an eye on the creation of a meta-science of World 3 in which an overall theory of taxation will encompass all knowledge development in this field (Riahi-Belkaoui 2004:329; Schroeder, Clark and Cathey 2005:102; Kam 1990:485).

10.4.5 Suggestions for a model of taxation

The common definition of a theory is the relationship between various variables (Saunders, Lewis and Thornton 2000: 26), a “collection of statements which specify the relationship between variables with a view to explaining phenomena” (Wellman, Kruger and Mitchell 2007:21). This thesis has specified various relationships. Cooper and Schindler (2006:48) indicate that the role of a theory is to explain.

A model on the other hand is a “representation of a system that is constructed to study some aspect of that system as a whole” (Cooper and Schindler 2006:48) to describe, predict and control (Cooper and Schindler 2006:49).

The findings presented in the previous pages, where the relationships have been examined leads to the following model.

Attitudes towards taxation are less affected by knowledge of taxation than the biographical factors of people. Biographical details of people are more inclined to affect the knowledge that people have about income tax than the attitudes they have.

The specific items that were proved in this study concerning income tax were that both knowledge about income tax and attitudes towards income tax are affected by Age, Race Province and Occupation.

Knowledge about income tax is also affected by the Level of Education and the income of the person, but these have no influence on the attitudes of people towards income tax.

The factors that have no relevance to the knowledge of income tax or the attitudes towards income tax in South Africa are Gender, Location (Urban/Rural) and home language.

This model then describes the relationship, predicts what a change in the one variable will have on the other(s) and allows for control through intervention as described in the theory.

There must certainly be other factors that can be added to this theory to make it more predictive and also the sub sections mentioned in the sub-hypothesis should be expanded on and examined for placement in the model. Where non-ordinal scaling was used this should be revisited and examined further.

The model that emanates from this study would indicate that age, race, occupation and province would be of use in describing, predicting and controlling the planning and collection of income tax in the Republic of South Africa by the South African Revenue Service.

In any intervention by the South African Revenue services to educate members of the republic conscience should be given to the facts that to inform tax payers one would examine interventions that would target the younger members of society. Also those in occupations

that are lower down on the hierarchy would benefit most from interventions.

Those provinces mentioned in the body of this report would be specifically targeted for interventions. These are predominantly those which have less developed infrastructure and industrial development and “Sophistication”. These would be the province of Limpopo, Mpumalanga, the Eastern Cape and in the rural areas of KwaZulu-Natal. Money spent on the other provinces would not have the same effect, and would have to be handled in a different manner.

As certain provinces are inhabited by certain race groups the reasoning in the previous paragraph is pertinent. Lower income categories also need to be targeted if the knowledge about income tax is to be improved, and also those who are less educated, especially those who are students and at school, would benefit by being targeted with a program to inform them about income tax.

Wastage would occur if programmes were designed to target women in particular, rural (or urban) inhabitants, and specific home language groups. This research indicates that these are not discriminators on what people know about income tax or how they feel about income tax.

10.5 PROBLEMS EXPERIENCED IN THE RESEARCH

As research is circular in nature (Welman and Kruger 1994:11), the analysis and interpretation of one set of research hypotheses leads to the formulation of further research hypotheses. This research is no different. There was always another reference to consider, another angle, and more data to interpret and report than restrictions of space in the university requirements would allow (Durban University of Technology 2010:27).

There were a number of specific problems that were experienced in this research that future researchers should be aware of. The first of these was the sampling. To gather information using a questionnaire, there are places where people will not waste their time in answering them. In shopping malls one encounters certain people at certain times of the day and night, and their mission is not to be disturbed.

Graphs and cross tabulations where there are too many categories do not lead to good interpretation. This occurred especially in the categories "Occupation" (13 groupings) and "Language", where there are 11 groupings. These should be examined in more detail in further study and placed in an "ordinal" manner so that inferential statistical analysis will be more meaningful.

Generally correlations were low in this study. The size of each one needs to be examined in detail, as should the direction of the correlation. The various responses should also be examined in analyzing the variables in one calculation through an ANOVA analysis so that the cumulative relationships are examined. This was performed on the data but did not result in any valid information. Refining the questions, data collected and the data capture will improve the result.

The results given in this thesis are limited and there is a wealth of information when one starts to burrow into the detail, and I am sure as it was being read it created many questions, as it did in the writing. Also the qualitative responses that were collected at the same time need to be applied to enrich the findings.

10.6 SUGGESTIONS FOR FURTHER INTERROGATION OF THE SUBJECT

This research set out to become an instructional tool in the teaching and development of the broader accounting field, as well as setting a path for future new knowledge to be developed and hopefully a World 3, or meta-science world created in which future students can participate (van der Schyf 2008:8).

Using a quantitative methodology, (most accounting students having been introduced to research methodology at Universities of Technology in South Africa, through a structured research project before they attempt to broaden their experience in other methods) should be replaced by mixed methods, qualitative research and grounded theory. It is hoped this thesis will assist future students in following such methodologies (Myers 2010a:3). They should then be able to work within this framework and broaden their experience into qualitative research using the steps they have learnt. (Myers 2010b)

10.6.1 Specific Recommendations

The data presented in this thesis should be further teased out so that the details are examined in more detail. Space (and time) limitations have resulted in much of the other interesting details being excluded rather than examined further and expanded on.

A further level of analysis must be undertaken to determine if relationships between various questions do show more detail when examined against a third question or in a cross tabulation in three dimensions. An example of this would be to determine if knowledge about income tax affected by age varies from province to province.

This data should also be examined at a further level. Analysis of variances would confirm or at least focus the findings presented here and inform future exploration once the coding of data collected is altered.

There is also more literature that is becoming available that has bearing on this topic. A limited time for the carrying on of this work has resulted in much of it not being included to the detriment of the richness of the topic but is to be referenced for students who wish to continue this work.

The qualitative questions for each of the sections needs to be examined to determine if they confirm the finding presented here as they were not incorporated in this study nor were they coded.

Also a knowledge index and an attitude index could be developed by marking each of the responses, and actually determining how much each person knows in various categories, and what their aggregate attitude is. Such methodologies in data capturing and analysis will assist in confirming, rejecting or altering the hypothesis accepted above and hopefully at a higher level (as well as those rejected which are actually true).

It is hoped that the reading of this work will stimulate others to take the data collected at the same time and determine if the quantitative and qualitative responses to all four forms of taxation confirm the findings of this research and to determine if the enquires begun in value added tax, estate duty and capital gains tax confirm the findings of this thesis.

This will eventually result in a larger, more generalized theory of knowledge of taxation, and attitudes towards taxation and additions to

the model presented above, which could start the development of a World 2, and possibly a World 3 epistemology in Accounting in general and Taxation in particular (Van der Schyf 2008: 2-4).

This study also was done in a particular time period. Attitudes and knowledge change quickly as the educational system changes and the electronic media reach more people. In South Africa the upward mobility of many members of the population will certainly alter these findings as will the maturity of the democratic system.

At a very basic level, each of the questions can be examined and adjusted to become more appropriate, based on the results presented here. This can also be linked to tax compliance and other indices that have been developed recently in the other countries.

Lastly the method of writing portrayed in this work should be relaxed to become more personal with a larger qualitative bias being expressed. The development of grounded theory as covered by Borgatti (undated) who unpacks the work of Glaser and Strauss, and Strauss and Corbin, and action research, discussed by McNiff (2002: on line) in her booklet, as well as historical research (Welman and Kruger 1994:178) could result in a very broad field of knowledge being created in this area and a very useful model which not only spans a vast array of knowledge but also shows its progression over time.

Bulbul (2207: on line) presents an attempt to shift the paradigm of a group of teachers to see themselves in the light of teachers as researchers. This work has attempted to see “research as teaching” and could possibly result in post doctoral research in the field of education as well as the field of accounting and taxation.

It is hoped that the quality of this research meets both the criteria of education and accounting to assist the process of research in this field.

10.7 CONCLUSION

The final conclusions of the study are reported in this section of the study. They involve the biographical factors and their affect on the knowledge that people have of income tax. The effect of biographical factors on the attitude that people have towards income tax is summarized and then finally the effect that knowledge of income tax on the attitudes that people have towards income tax is stated.

The results showed that knowledge of income tax was affected by age, race, and level of education, type of occupation the person is in, the province a person lived in and the income they earned.

Attitudes towards income tax were affected by age, race, and occupation of the person, the province they come from and the income they earned.

The research indicated that there was relationship of 40 to 49 percent between the various biographical details of people in South Africa and the knowledge that they had of various sections of the income tax act. There was also a 29 to 33 percent relationship between the biographical details of people in South Africa and the attitudes they have towards various statements about income tax.

There was a 20 to 30 percent relationship between the knowledge that respondents had of income tax and their attitude towards income tax.

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D U R B A N
UNIVERSITY of
TECHNOLOGY

TAXATION DEPARTMENT
 RESEARCH

15 June 2007

Thank you so much for helping us by getting someone to answer this set of questions.

Research is based on data collection and analysis to find trends and relationships. At the DUT we are trying to determine if what people know about Taxation influences their attitudes towards taxation. We require your help.

Your school or your teacher was asked if you could assist by taking this questionnaire home and asking someone who fits the description to fill it in by placing a cross in the block that best suits what they know or believe. Please don't fill in the form for them because we need their information and not yours.

You can help them to understand the question, and that is why we have chosen Grade 11/12 learners because your English is good enough to interpret for them if they require a word in their mother tongue. Remember if they don't know they must place a cross in the box which says "Don't know". Remember page 6 on the back.

If you can ask the person to take the time to go through these questions and reply as honestly as they can to them, you will be helping. Please answer and reply as soon as possible.

Please do not put your name on the form as we want you to answer honestly and anonymously.

When you have finished please return all the pages to your teacher and he/she will post them back to the university.

The person you ask to fill in this questionnaire should be:

Male	<input type="checkbox"/>
------	--------------------------

Female	<input type="checkbox"/>
--------	--------------------------

Male or Female	<input type="checkbox"/>
----------------	--------------------------

And of the following age:

10 – 14	<input type="checkbox"/>
15 – 19	<input type="checkbox"/>
20 – 24	<input type="checkbox"/>
25 – 29	<input type="checkbox"/>
30 – 34	<input type="checkbox"/>
	<input type="checkbox"/>

35 – 39	<input type="checkbox"/>
40 – 44	<input type="checkbox"/>
45 – 49	<input type="checkbox"/>
50 – 54	<input type="checkbox"/>
55 – 59	<input type="checkbox"/>
	<input type="checkbox"/>

60 – 64	<input type="checkbox"/>
65 – 69	<input type="checkbox"/>
70 – 74	<input type="checkbox"/>
75 – 79	<input type="checkbox"/>
80+	<input type="checkbox"/>

Mr. G T Myers

Durban University of Technology
 P.O Box 2123
 Hillcrest 3650

Tel: 031 373 5344
 Fax: 031 373 5448

Please place a cross (X) in the block which applies to you.

A1	Gender	Male	1
		Female	2

A2	Age	05 – 09	1		50 – 54	10
	(in years)	10 – 14	2		55 – 59	11
		15 – 19	3		60 – 64	12
		20 – 24	4		65 – 69	13
		25 – 29	5		70 – 74	14
		30 – 34	6		75 – 79	15
		35 – 39	7		80 – 84	16
		40 – 44	8		85+	17
		45 – 49	9			

A3	Race	Black African	1
		Colored	2
		Indian or Asian	3
		White	4

A4	Home	Afrikaans	1		Sesotho	7
	Language	English	2		Setswana	8
		IsiNdebele	3		SiSwati	9
		IsiXhosa	4		Tshivenda	10
		IsiZulu	5		Xitsonga	11
		Sepedi	6		Other	12

A5	Level of	No Schooling	1
	Education	Some Primary	2
		Completed Primary	3
		Some Secondary	4
		Grade 12 / Std 10	5
		Higher	6

A6	Occupation	Legislators, Senior Officials and Managers	1
		Professionals	2
		Technical and Associate Professionals	3
		Clerks	4
		Service workers, shop and market sales workers	5
		Skilled Agricultural and Fisheries Workers	6
		Craft and related trade workers	7
		Plant and Machinery Operators and assemblers	8
		Elementary Occupations	9
		Undetermined	10
		Student	11
		Unemployed	12

A7	Location	City	1
		Urban Suburbs	2
		Urban Township	3
		Rural Town	4
		Rural Village	5
		Farm	6

A8	Number of	1	1	6	6
	rooms available	2	2	7	7
	to the family	3	3	8	8
		4	4	9	9
		5	5	10+	10

A9	Energy source	Electricity	1	Coal	5
	used	Gas	2	Animal Dung	6
		Paraffin	3	Solar	7
		Wood	4	Other	8

A10	Telephone	Telephone in Dwelling and Cell-phone	1
	Facilities	Telephone in dwelling only	2
		Cell-phone only	3
		At a neighbor nearby	4
		At a public telephone nearby	5
		At another location nearby	6
		At another location not nearby	7
		No access to telephone	8

J1	Province			
	Gauteng	1	KZN	6
	Western Cape	2	North West	7
	Northern Cape	3	Free State	8
	Eastern Cape	4	Limpopo	9
	Mpumalanga	5	Other	10

J2	Your Monthly Income		R 7001 – 8000	8
	0 – R1000	1	R 8001 – 10000	9
	R 1001- 2000	2	R10001 – 15000	10
	R 2001 – 3000	3	R15001 – 20000	11
	R 3001 – 4000	4	R20001 – 25000	12
	R 4001 – 5000	5	R25001 – 30000	13
	R 5001 - 6000	6	R30001 – 35000	14
	R 6001 – 7000	7	R35001 +	15

Indicate whether the following statements are true or false. If you do not know, please say so.

			True	False	Don't know
B1	Income	Income tax is paid so the government can run the country.	1	2	3
B2	Tax	All people who have income must pay tax.	1	2	3
B3		All people pay the same percentage of their salary as tax.	1	2	3
B4		Through careful planning tax can be avoided.	1	2	3
B5		All people have to register for tax even if they do not work.	1	2	3
B6		All interest from a bank account is taxable.	1	2	3
B7		Dividends paid from companies are taxable.	1	2	3
B8		If the company gives you a uniform you pay tax on this.	1	2	3
B9		The money you pay to a pension fund is subtracted from tax.	1	2	3
B10		Money you pay to a Retirement Fund is not subtracted from tax.	1	2	3
B11		Medical expenses are subtracted from Income.	1	2	3
B12		A company car is taxable.	1	2	3
B13		The company you work for deducts your tax from your pay.	1	2	3
B14		All people have to submit a tax return every year.	1	2	3
B15		If you try to evade tax you can be fined.	1	2	3
B16		A person who earns below R 50 000 per year pays no tax.	1	2	3
B17		People who run their own business must register for tax.	1	2	3

Tell us what you think about Income Tax:

Indicate whether the following statements are true or false. If you do not know, please say so.

			True	False	Don't know
C1	VAT	VAT is an indirect tax which all people pay.	1	2	3
C2	(Value	VAT is added to all goods purchased.	1	2	3
C3	Added	Only rich people have to pay VAT.	1	2	3
C4	Tax)	VAT is included in the price you pay when buy something.	1	2	3
C5		The VAT rate is 10%.	1	2	3
C6		Some goods have a 0% VAT rate.	1	2	3
C7		Some goods are exempt from VAT.	1	2	3
C8		All people have to do a VAT return.	1	2	3
C9		Vat exempt goods are the same as zero rated goods.	1	2	3
C10		VAT is added to all services.	1	2	3
C11		VAT is collected by businesses.	1	2	3
C12		VAT can be claimed back by a business.	1	2	3
C13		VAT is charged on the service fees of your bank account.	1	2	3
C14		VAT is charged on you electricity account.	1	2	3
C15		I have to pay VAT on transport.	1	2	3
C16		I pay VAT on mielie meal.	1	2	3
C17		Every time I buy something at the store I pay VAT on it.	1	2	3

Tell us what you think about VAT:

Indicate whether the following statements are true or false. If you do not know, please say so.

			True	False	Don't know
D1	Estate	When a person dies tax is paid on their Estate (belongings).	1	2	3
D2	Duty	The first R2,5 Million of an estate is exempt from tax.	1	2	3
D3		An executor is appointed to do the tax return of a dead person.	1	2	3
D4		The rate of tax for an estate is the same as for a living person.	1	2	3
D5		People who make a will do not have to pay tax when they die.	1	2	3
D6		A person who is married when they die, pays only half the tax	1	2	3
D7		A person who has an anti-nuptial contract can pay less estate tax	1	2	3
D8		There is a minimum amount for an estate to have an executor.	1	2	3
D9		A person can pay less estate duty if they donate to their children.	1	2	3
D10		An estate is taxed as a separate person.	1	2	3
D11		People who die intestate have made a will.	1	2	3
D12		The tax rate for estates is 20%.	1	2	3

Tell us what you think about Estate Duty:

Indicate whether the following statements are true or false. If you do not know, please say so.

			True	False	Don't know
E1	CGT	When you sell your house you have to pay CGT.	1	2	3
E2	(Capital	When you sell a flat you rented out, you do not pay CGT.	1	2	3
E3	Gains	If you sell a second house you bought, you pay CGT.	1	2	3
E4	Tax)	CGT is a tax paid on assets you sell for more than you paid.	1	2	3
E5		Only the previously advantaged pay CGT.	1	2	3
E6		The amount of the capital gain taxed is 50%.	1	2	3
E7		People who own houses have to register for CGT.	1	2	3
E8		A special return has to be filled in for CGT.	1	2	3
E9		CGT was introduced to tax people on profits made from assets	1	2	3
E10		Non-residents do not have to pay CGT.	1	2	3
E11		CGT is paid on the sale of boats.	1	2	3
E12		CGT is paid on the sale of houses only.	1	2	3

Tell us what you think about Capital Gains Tax:

Please turn over.....

For the following questions please use the table to answer. Place a cross in the box.

- 2 = Strongly Disagree - 1 = Disagree 0 = Neither Agree or Disagree
 +1 = Agree +2 = Strongly Agree

Place a cross in the square that you feel applies to these statements:			1	2	3	4	5
F1	Income	I always try to pay my income tax.	-2	-1	0	+1	+2
F2	Tax	All people should pay the same percentage of their income to tax	-2	-1	0	+1	+2
F3		Whenever I can I try to avoid tax.	-2	-1	0	+1	+2
F4		Tax goes to the ruling party to distribute.	-2	-1	0	+1	+2
F5		People should keep records so their taxes are accurate.	-2	-1	0	+1	+2
F6		People should keep a bank account for tax purposes.	-2	-1	0	+1	+2
F7		People in the city should pay more tax.	-2	-1	0	+1	+2
F8		The previously disadvantaged should pay less tax.	-2	-1	0	+1	+2
F9		I get value for the money I am taxed.	-2	-1	0	+1	+2
F10		Income tax is unfair.	-2	-1	0	+1	+2
F11		I need to know more about Income Tax.	-2	-1	0	+1	+2

G1	VAT	People should try to avoid VAT.	-2	-1	0	+1	+2
G2	(Value	I need to know more about VAT.	-2	-1	0	+1	+2
G3	Added	If I paid less VAT I would buy more from the store.	-2	-1	0	+1	+2
G4	Tax)	Poor people should not pay VAT.	-2	-1	0	+1	+2
G5		VAT should not be charged on Medicines.	-2	-1	0	+1	+2
G6		Taxi Owners should pay VAT.	-2	-1	0	+1	+2
G7		More goods that poor people use should be zero rated.	-2	-1	0	+1	+2
G8		VAT is unfair.	-2	-1	0	+1	+2

H1	Estate	The assets (Estate) of a dead person should be taxed.	-2	-1	0	+1	+2
H2	Duty	The first R2 mil of an estate should not be taxed.	-2	-1	0	+1	+2
H3		The estate of a dead person should not be taxed.	-2	-1	0	+1	+2
H4		All the money in an estate should go to the partner. (husband/wife)	-2	-1	0	+1	+2
H5		Tax should not be paid on an estate, it should all go to the family	-2	-1	0	+1	+2
H6		I need to know more about Estate duty	-2	-1	0	+1	+2
H7		All Race groups should pay the same estate duty.	-2	-1	0	+1	+2
H8		The rich should pay more estate duty than the poor.	-2	-1	0	+1	+2
H9		Only the estate of men should pay estate duty	-2	-1	0	+1	+2
H10		Estate Duty is unfair	-2	-1	0	+1	+2

I1	CGT	People who sell their family home at a profit should be taxed.	-2	-1	0	+1	+2
I2	(Capital	People who sell their car at a profit should pay tax on this.	-2	-1	0	+1	+2
I3	Gains	CGT is unfair.	-2	-1	0	+1	+2
I4	Tax)	I need to know more about CGT.	-2	-1	0	+1	+2
I5		All races should pay CGT.	-2	-1	0	+1	+2
I6		Only the rich should pay CGT.	-2	-1	0	+1	+2
I7		People who live in townships should not pay CGT.	-2	-1	0	+1	+2
I8		People who live in suburbs should pay CGT.	-2	-1	0	+1	+2

Appendix B Chi Squared (χ^2) for Income Tax relating Biographical Data, Knowledge and Attitudes.

Table 50: Chi squared for Biographical Details vs Knowledge of Income Tax

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	J1	J2
B1	.502	.426	.102	.005	.099	.021	.001	.006	.420	.172	.176	.178
B2	.837	.647	.000	.003	.564	.614	.355	.077	.170	.097	.048	.527
B3	.946	.229	.153	.204	.000	.030	.515	.651	.619	.000	.004	.018
B4	.079	.027	.000	.000	.001	.000	.142	.998	.124	.109	.026	.004
B5	.000	.452	.028	.030	.013	.012	.045	.534	.036	.018	.005	.000
B6	.128	.001	.008	.001	.006	.002	.313	.965	.331	.235	.000	.012
B7	.520	.000	.261	.001	.021	.000	.562	.862	.509	.304	.005	.008
B8	.587	.944	.225	.016	.557	.533	.102	.305	.860	.236	.011	.705
B9	.168	.003	.294	.154	.012	.000	.313	.919	.143	.215	.012	.013
B10	.017	.007	.770	.562	.003	.000	.242	.946	.477	.244	.067	.018
B11	.081	.062	.260	.008	.007	.002	.593	.890	.041	.158	.161	.068
B12	.127	.000	.001	.000	.000	.000	.005	.880	.128	.209	.002	.000
B13	.873	.000	.022	.000	.000	.000	.064	.701	.131	.033	.018	.000
B14	.666	.000	.005	.000	.000	.000	.599	.932	.446	.603	.004	.070
B15	.946	.002	.004	.000	.000	.024	.164	.428	.026	.059	.015	.039
B16	.318	.001	.005	.001	.000	.000	.403	.630	.047	.411	.020	.004
B17	.732	.511	.207	.096	.030	.085	.003	.380	.439	.008	.537	.107

Table 51 Chi squared for Biographical Details vs Attitude towards Income Tax

F1	.002	.000	.000	.001	.000	.000	.040	.361	.820	.273	.012	.000
F2	.162	.419	.282	.047	.637	.142	.029	.820	.278	.566	.020	.386
F3	.445	.032	.786	.545	.084	.003	.966	.190	.379	.394	.395	.000
F4	.044	.012	.262	.050	.140	.000	.021	.431	.600	.016	.003	.081
F5	.053	.008	.109	.796	.118	.006	.800	.707	.738	.755	.082	.067
F6	.971	.596	.174	.270	.229	.394	.905	.156	.054	.749	.649	.821
F7	.751	.017	.017	.538	.125	.032	.058	.336	.155	.074	.011	.558
F8	.127	.270	.000	.000	.443	.176	.000	.184	.107	.202	.069	.088
F9	.048	.005	.001	.000	.189	.002	.018	.389	.250	.035	.010	.148
F10	.360	.377	.366	.084	.485	.176	.527	.017	.584	.497	.176	.111
F11	.420	.198	.185	.748	.750	.380	.217	.091	.152	.969	.419	.833

Figures in Bold indicate a Chi Squared value of 5 percent or less.

Table 52 Chi squared for Knowledge of Income Tax vs Attitude towards Income Tax

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11
B1	.429	.246	.121	.465	.861	.632	.437	.180	.022	.276	.474
B2	.004	.354	.044	.090	.011	.671	.145	.045	.144	.213	.016
B3	.145	.000	.169	.286	.665	.828	.188	.529	.359	.602	.895
B4	.038	.090	.000	.002	.001	.002	.692	.002	.154	.007	.769
B5	.243	.341	.584	.432	.018	.179	.000	.080	.000	.745	.331
B6	.022	.093	.156	.625	.292	.168	.261	.004	.001	.008	.368
B7	.000	.495	.349	.015	.020	.665	.165	.015	.000	.556	.744
B8	.067	.668	.312	.050	.422	.165	.121	.176	.497	.829	.662
B9	.004	.450	.005	.016	.426	.079	.007	.139	.540	.784	.137
B10	.011	.250	.323	.000	.543	.163	.094	.060	.311	.429	.103
B11	.000	.702	.018	.295	.021	.838	.009	.116	.090	.609	.700
B12	.000	.052	.001	.008	.047	.361	.054	.003	.001	.893	.100
B13	.000	.380	.012	.017	.000	.991	.033	.119	.000	.637	.066
B14	.010	.242	.277	.203	.011	.572	.011	.008	.427	.638	.052
B15	.000	.329	.001	.019	.000	.716	.026	.001	.004	.209	.121
B16	.064	.196	.054	.056	.033	.429	.020	.324	.274	.251	.272
B17	.009	.279	.007	.468	.835	.935	.161	.572	.706	.598	.750

Figures in Bold indicate a Chi Squared value of 5 percent or less.

Key for interpreting Chi Squared Tables and Correlations.

A1	Gender
A2	Age
A3	Race
A4	Home Language
A5	Level of Education
A6	Occupation
A7	Location
A8	Number of rooms available to the family
A9	Energy Source used
A10	Telephone Facilities
J1	Province
J2	Monthly Income

B1	Income tax is paid so the government can run the country.
B2	All people who have income must pay tax.
B3	All people pay the same percentage of their salary as tax.
B4	Through careful planning tax can be avoided.
B5	All people have to register for tax even if they do not work.
B6	All interest from a bank account is taxable.
B7	Dividends paid from companies are taxable.
B8	If the company gives you a uniform you pay tax on this.
B9	The money you pay to a pension fund is subtracted from tax.
B10	Money you pay to a Retirement Fund is not subtracted from tax.
B11	Medical expenses are subtracted from Income.
B12	A company car is taxable.
B13	The company you work for deducts your tax from your pay.
B14	All people have to submit a tax return every year.
B15	If you try to evade tax you can be fined.
B16	A person who earns below R 50 000 per year pays no tax.
B17	People who run their own business must register for tax.

F1	I always try to pay my income tax.
F2	All people should pay the same percentage of their income to tax
F3	Whenever I can I try to avoid tax.
F4	Tax goes to the ruling party to distribute.
F5	People should keep records so their taxes are accurate.
F6	People should keep a bank account for tax purposes.
F7	People in the city should pay more tax.
F8	The previously disadvantaged should pay less tax.
F9	I get value for the money I am taxed.
F10	Income tax is unfair.
F11	I need to know more about Income Tax.

Appendix C. Correlations

Table 53: Correlation of Biographical factors for the sample as calculated using SPSS Statistics 17

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	J1	J2
A1	1											
A2	-0.076	1										
A3	-0.017	0.110*	1									
A4	-0.012	-0.203**	-0.738**	1								
A5	-0.073	0.195	0.089*	-0.107*	1							
A6	0.158**	-0.505**	-0.089*	0.154**	-0.476**	1						
A7	0.003	0.051	-0.269**	0.140**	-0.238**	0.137**	1					
A8	0.058	-0.079	-0.066	0.122**	-0.007	0.052	-0.029	1				
A9	.0013	0.012	-0.011	0.035	-0.046	0.047	0.207**	-0.057	1			
A10	0.015	-0.099*	-0.253**	0.208**	-0.215**	0.172**	0.253**	-0.146**	0.220**	1		
J1	0.044	-0.021	-0.138**	0.188**	-0.165**	0.182**	0.150**	0.005	0.001	0.003	1	
J2	-0.295**	0.413**	0.120**	-0.072	0.455**	-0.662**	-0.124**	0.005	-0.015	-0.194**	-0.162**	1

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $37 \times 2 = 74$

Number of Possible correlations = $(12 \times 12) - 12 = 132$

Percentage of significant correlations = 56.06%

Table 54: Correlation of the questions determining what people know about tax for the sample as calculated using SPSS Statistics 17

	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13	B14	B15	B16	B17
B1	1																
B2	0.136**	1															
B3	0.157**	0.084	1														
B4	0.193**	0.092*	0.166**	1													
B5	0.113*	0.082	0.085	0.110*	1												
B6	0.115*	0.022	0.177**	0.147**	0.247**	1											
B7	0.144**	-0.016	0.227**	0.145**	0.234**	0.384**	1										
B8	-0.029	0.106*	0.135**	0.111*	0.162**	0.174**	0.280**	1									
B9	0.089*	0.044	0.095*	0.060	0.241**	0.212**	0.244**	0.266**	1								
B10	0.130**	0.064	0.167**	0.213**	0.082	0.135**	0.146**	0.143**	0.321**	1							
B11	0.177**	0.067	0.095*	0.151**	0.181**	0.172**	0.225**	0.234**	0.258**	0.237**	1						
B12	0.181**	-0.019	0.084	0.185**	0.208**	0.331**	0.298**	0.241**	0.290**	0.230**	0.266**	1					
B13	0.256**	0.144*	0.197	0.241**	0.153**	0.235**	0.327**	0.172**	0.201**	0.241**	0.226**	0.333**	1				
B14	0.163**	0.201**	0.189**	0.088**	0.173**	0.067	0.129**	0.037	0.079	0.095*	0.129**	0.119**	0.294**	1			
B15	0.297**	0.032	0.179**	0.212**	0.107*	0.122**	0.169**	0.030	0.109*	0.190**	0.221**	0.272**	0.479**	0.314**	1		
B16	0.058	-0.045	0.128**	0.151**	0.096*	0.191**	0.255**	0.247**	0.169**	0.256**	0.198**	0.249**	0.240**	0.011	0.219**	1	
B17	0.262**	0.158	0.214**	0.124**	0.165**	0.188**	0.218**	0.109*	0.198**	0.203**	0.251**	0.271**	0.342**	0.383**	0.452**	0.231**	1

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $112 \times 2 = 224$

Number of Possible correlations = $(17 \times 17) - 17 = 272$

Percentage of significant correlations = 82.35%

Table 55: Correlation of the questions determining attitudes of people towards tax for the sample as calculated using SPSS Statistics 17

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11
F1	1										
F2	0.185**	1									
F3	-0.124**	0.032	1								
F4	-0.087	0.053	0.153**	1							
F5	0.319**	0.038	-0.057	0.118**	1						
F6	0.088	0.121**	0.061	0.133**	0.239**	1					
F7	-0.032	-0.017	0.190**	0.070	-0.042	0.170**	1				
F8	-0.100*	0.033	0.110*	0.091*	-0.043	0.119**	0.322**	1			
F9	-0.064	0.100*	0.046	0.016	-0.113**	0.171**	0.159**	0.166**	1		
F10	0.001	0.118**	0.184**	0.123**	0.031	0.020	0.105*	0.139**	-0.085	1	
F11	0.178**	0.080	-0.049	0.047	0.225**	0.123**	0.058	0.035	-0.014	-0.009	1

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $28 \times 2 = 56$

Number of Possible correlations = $(11 \times 11) - 11 = 110$

Percentage of significant correlations = 50.90%

Table 56: Correlation of Biographical Details against questions determining what people know about tax for the sample as calculated using SPSS Statistics 17

Q	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	J1	J2
B1	0.001	-0.110	-0.069	0.104	-0.078	0.148**	0.049	-0.029	0.049	0.126**	0.081	-0.081
B2	0.016	0.009	0.196**	-0.143**	0.087	-0.021	-0.043	0.016	-0.038	-0.109*	0.059	0.008
B3	0.014	-0.018	-0.012	0.031	-0.137	0.014	0.013	0.042	0.005	0.063	0.017	-0.008
B4	0.091*	-0.129**	-0.169**	0.125	-0.144**	0.143	0.077	0.030	0.023	0.015*	0.086	-0.190**
B5	0.123**	-0.0149**	-0.105*	0.090*	-0.048	0.185**	0.037	0.000	0.023	0.077	0.165**	-0.180
B6	0.087	-0.092*	-0.082	0.092*	-0.091*	0.132**	0.030	-0.005	-0.050	0.008	0.169**	-0.118
B7	0.051	-0.186**	-0.085	0.79	-0.117**	0.259**	0.050	0.021	0.047	0.087	0.158**	-0.226**
B8	0.001	-0.056	0.087*	-0.036	-0.025	0.073	-0.119**	0.077	-0.016	-0.038	0.080	-0.049
B9	0.084	-0.153**	0.001	0.058	-0.142**	0.210**	0.019	0.070	-0.036	0.014	0.136**	-0.251**
B10	0.114*	-0.039	0.023	-0.018	-0.095*	0.118**	0.035	0.033	0.043	-0.041	0.110	-0.134**
B11	0.084	-0.067	-0.037	0.057	-0.045	0.102*	0.018	-0.042	0.069	0.051	0.095*	-0.114*
B12	0.076	-0.200**	-0.204	0.178**	-0.246**	0.312**	0.136**	0.012	-0.016	0.087	0.149	-0.300**
B13	0.011	-0.166**	-0.122**	0.170**	-0.253**	0.372**	0.092*	0.039	0.049	0.135**	0.169**	-0.221**
B14	-0.033	-0.012	0.021	0.022	-0.161**	0.106*	0.029	-0.017	0.017	0.075	0.164**	-0.098*
B15	-0.002	-0.120**	-0.170**	0.179**	-0.262**	0.203**	0.111*	0.008	0.097*	0.093*	0.151**	-0.129**
B16	0.060	-0.110*	-0.083	0.094*	-0.219**	0.236**	0.076	-0.020	0.118**	-0.039	0.141**	-0.166**
B17	0.004	-0.159**	-0.019	0.016	-0.144**	0.200**	0.072	-0.080	0.061	0.066	0.061	-0.137**

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $81 \times 1 = 81$

Number of Possible correlations = $(17 \times 12) - 0 = 204$

Percentage of significant correlations = 39.71%

Table 57: Correlation of Biographical Details against questions determining attitudes of people towards tax for the sample as calculated using SPSS Statistics 17

	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	J1	J2
F1	-0.068	-0.304**	0.183**	-0.146**	0.252	-0.398**	-0.049	-0.051	-0.082	-0.132**	-0.106*	0.403**
F2	-0.035	0.077	-0.006	-0.012	0.001	-0.024	-0.053	0.036	-0.034	-0.099*	0.039	0.043
F3	-0.055	-0.145**	0.034	-0.039	-0.080	0.087	0.012	-0.046	0.006	0.017	0.095*	-0.115*
F4	0.100*	-0.133**	-0.009	0.041	-0.151**	0.179**	0.054	-0.072	0.058	0.025	0.001	-0.107*
F5	-0.006	-0.155**	0.113*	-0.105*	0.107*	-0.242**	-0.004	-0.084	-0.022	-0.067	-0.092*	0.152**
F6	0.003	-0.017	-0.026	0.015	-0.067	0.072	0.021	-0.105*	-0.115*	-0.001	0.014	-0.033
F7	0.017	-0.070	-0.054	0.043	-0.064	0.160**	0.106*	-0.007	0.038	0.016	0.033	-0.060
F8	0.064	-0.047	-0.326**	0.175**	-0.004	0.072	0.137**	-0.049	0.032	0.103*	0.030	-0.094*
F9	0.041	-0.150**	-0.171**	0.177**	-0.128**	0.222**	0.120**	-0.009	-0.054	0.037	0.116*	-0.140**
F10	-0.022	-0.092*	0.075	-0.094*	-0.041	0.024	-0.039	-0.045	0.052	-0.060	-0.047	-0.033
F11	0.072	0.043	-0.113*	0.060	0.065	-0.119**	-0.016	-0.016	-0.018	0.022	-0.037	0.061

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $44 \times 1 = 44$

Number of Possible correlations = $(11 \times 12) - 0 = 132$

Percentage of significant correlations = 33.33%

Table 58: Correlation of questions determining what people know about tax and questions to determine the attitudes of people towards tax for the sample as calculated using SPSS Statistics 17

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11
B1	-0.070	0.055	0.068	0.003	0.001	-0.017	0.107*	0.087	0.054	0.072	0.024
B2	-0.033	-0.069	0.078	0.027	0.081	0.027	-0.030	-0.071	-0.027	0.078	0.000
B3	-0.060	-0.113*	0.049	-0.007	0.018	0.023	0.098	0.029	0.058	-0.006	-0.033
B4	-0.058	-0.057	-0.061	0.026	-0.076	0.002	0.021	0.013	0.123**	-0.106*	0.031
B5	-0.091*	0.046	0.012	-0.028	-0.098*	-0.024	-0.082	0.102*	0.126**	-0.003	0.049
B6	-0.016	0.068	-0.044	0.031	0.009	-0.005	0.089*	0.103*	0.068	0.028	-0.027
B7	-0.198**	0.029	0.030	0.009	-0.132**	-0.006	0.077	0.076	0.155**	-0.005	-0.074
B8	-0.103*	-0.008	0.006	0.023	0.014	0.063	0.056	-0.024	-0.015	-0.032	0.045
B9	-0.133**	0.080	0.031	-0.019	-0.059	0.013	-0.004	0.062	0.012	-0.004	-0.063
B10	-0.062	-0.020	-0.027	-0.019	-0.058	0.005	0.122**	0.067	-0.036	0.082	0.068
B11	-0.093*	-0.002	0.114*	-0.024	-0.078	-0.018	0.134**	0.058	0.042	-0.009	-0.019
B12	-0.330**	0.005	0.049	0.098*	-0.119**	0.019	0.077	0.161**	0.098*	0.023	-0.072
B13	-0.244**	-0.24	0.110*	0.048	-0.198**	0.019	0.090*	0.073	0.225**	0.009	-0.064
B14	-0.069	-0.046	0.048	-0.041	0.003	-0.085	-0.070	-0.036	0.059	0.025	-0.064
B15	-0.253**	-0.032	0.159**	0.021	-0.239**	0.003	0.066	0.049	0.119**	0.022	-0.088
B16	-0.136**	0.022	0.040	0.031	-0.130**	-0.091*	0.155**	0.046	0.050	0.031	0.050
B17	-0.174**	-0.14	0.138**	0.063	-0.051	0.019	0.049	0.053	0.068	0.065	-0.027

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Overall Correlation

Number of significant correlations = $39 \times 1 = 39$

Number of Possible correlations = $(17 \times 11) - 0 = 187$

Percentage of significant correlations = 20.86%

Appendix D: Summary of Chi Squared and Correlations for Biographical Details, Knowledge of Income Tax and Attitude towards Income Tax.

Table 59: Chi Squared results and Correlations of Biographical Details against Knowledge and Attitude towards Income Tax

Biographical Details	Chi Squared				Correlation			
	Knowledge		Attitude		Knowledge		Attitude	
		%		%		%		%
Gender	2	11.7	3	27.3	3	17.6	1	9.1
Age	10	58.8	6	54.5	10	58.8	6	54.5
Race	9	52.9	4	36.4	8	47.1	5	45.5
Home Language	13	76.5	5	45.5	7	41.2	5	45.5
Level of Education	14	82.4	1	9.1	11	64.7	3	27.3
Occupation	14	82.4	6	54.5	13	76.5	6	54.5
Location	4	23.5	5	45.5	4	25.5	3	27.3
Number of Rooms	1	5.9	1	9.1	0	0.0	1	9.1
Energy Source	4	23.5	0	0.0	2	11.8	1	9.1
Telephone Facilities	4	23.5	2	18.2	4	25.5	3	27.3
Province	14	82.4	5	45.5	9	52.9	4	36.4
Monthly Income	12	70.6	2	18.2	11	64.7	6	54.5
Total	101		39		82		44	
Average	8.42	49.5	3.25	29.5	6.8	40.0	3.7	33.6
Possible Maximum	17		11		17		11	

Table 60: Chi Squared results and Correlations of Knowledge of Income Tax and Attitudes towards Income Tax

	Attitudes				Attitude	Knowledge			
	Chi Squared		Correlation			Chi Squared		Correlation	
Knowledge		%		%			%		%
B1	1	9.1	1	9.1	F1	12	70.6	10	58.8
B1	4	36.4	0	0.0	F2	1	5.9	1	5.9
B3	1	9.1	1	9.1	F3	8	47.1	4	25.5
B4	7	63.6	2	18.2	F4	8	47.1	1	5.9
B5	3	27.3	4	36.4	F5	10	58.8	6	35.3
B6	4	36.4	2	18.2	F6	1	5.9	1	5.9
B7	5	45.5	3	27.3	F7	7	41.2	6	35.3
B8	1	9.1	1	9.1	F8	7	41.2	3	17.6
B9	4	36.4	1	9.1	F9	7	41.2	6	35.5
B10	2	18.2	1	9.1	F10	2	11.8	1	5.9
B11	4	36.4	3	27.3	F11	1	5.9	0	0.0
B12	6	54.5	5	45.5					
B13	6	54.5	5	45.5					
B14	4	36.4	0	0.0					
B15	7	63.6	4	36.4					
B16	2	18.2	4	36.4					
B17	2	18.2	2	18.2					
Total	63		39			64		39	
Average	3.7	33.6	2.29	20.1		5.8	34.2	3.55	20.9
Possible Maximum	11		11			17		17	

Appendix E: Summary of Inferential analysis of Knowledge of Income

Each knowledge statement is presented and then the items with which there is a relationship and the number of methods that confirm this relationship is given in brackets.

- 1) **Income Tax is paid to contribute to the running of the country**
 - Home language (1)
 - Occupation (2)
 - Location (1)
 - Telephone facilities (1)

- 2) **All people who have income must pay tax**
 - Race (3)
 - Home language (2)
 - Level of education (1)
 - Telephone facilities (1)
 - Province (2)

- 3) **All people pay the same percentage of their salary to tax**
 - Race (1)
 - Level of education (1)
 - Occupation (1)
 - Telephone facilities (1)
 - Province (1)
 - Monthly income (1)

- 4) **Through careful planning tax can be avoided**
 - Gender (2)
 - Age (2)
 - Race (3)
 - Home language (1)
 - Level of education (2)
 - Occupation (1)
 - Telephone facilities (1)
 - Province (1)
 - Monthly income (2)

- 5) **All people have to register for tax even if they do not work**
 - Gender (3)
 - Age (1)
 - Race (3)
 - Home language (2)
 - Level of education (2)
 - Occupation (2)

- Location (1)
 - Telephone facilities (1)
 - Province (2)
 - Monthly income (1)
- 6) All interest from a bank account is taxable**
- Gender (1)
 - Age (2)
 - Race (2)
 - Home language (3)
 - Level of education (3)
 - Occupation (3)
 - Province (3)
 - Monthly income (2)
- 7) Dividends from companies are taxable**
- Age (3)
 - Home language (2)
 - Level of education (3)
 - Occupation (3)
 - Province (3)
 - Monthly income (3)
- 8) The cost of a company uniform is taxable**
- Race (1)
 - Home language (1)
 - Location (1)
 - Province (1)
- 9) The money paid to a pension fund is deductible**
- Gender (1)
 - Age (3)
 - Level of education (3)
 - Occupation (3)
 - Province (3)
 - Monthly income (3)
- 10) Money paid into a retirement fund is not deductible**
- Gender (3)
 - Age (2)
 - Level of education (3)
 - Occupation (3)
 - Province (2)
 - Monthly income (2)

- 11) **Medical expenses are deductible from income**
- Gender (1)
 - Home language (1)
 - Level of education (2)
 - Occupation (3)
 - Energy source used (1)
 - Province (2)
 - Monthly income (3)
- 12) **A company car is taxable**
- Gender (1)
 - Age (3)
 - Race (2)
 - Home language (2)
 - Level of education (3)
 - Occupation (3)
 - Location (3)
 - Province (2)
 - Monthly income (3)
- 13) **The company you work for deducts your tax**
- Age (3)
 - Race (2)
 - Home language (2)
 - Level of education (3)
 - Occupation (3)
 - Location (1)
 - Telephone facilities (2)
 - Province (3)
 - Monthly income (3)
- 14) **All people have to submit a tax return every year**
- Age (2)
 - Race (2)
 - Home language (1)
 - Level of education (3)
 - Occupation (3)
 - Province (3)
 - Monthly income (1)
- 15) **If you try to evade tax you can be fined**
- Age (2)
 - Race (3)
 - Home language (2)
 - Level of education (3)

- Occupation (3)
- Location (1)
- Energy source used (2)
- Telephone facilities (1)
- Province (3)
- Monthly income (3)

16) A person who earns below R50 000 per year pays no tax

- Gender (2)
- Age (3)
- Race (2)
- Home language (3)
- Level of education (3)
- Occupation (2)
- Energy source used (2)
- Province (3)
- Monthly income (3)

17) People who run their own businesses must register for tax

- Age (1)
- Level of education (3)
- Occupation (1)
- Location (1)
- Telephone facilities (1)
- Monthly income (1)

Appendix F: Summary of Inferential analysis of Attitude towards Income Tax

Each attitudinal statement is presented and then the items with which there is a relationship and the number of methods that confirm this relationship is given in brackets.

- 1) **I always try to pay my Income Tax**
 - Gender (2)
 - Age (3)
 - Race (3)
 - Home language (3)
 - Level of education (2)
 - Occupation (3)
 - Location (2)
 - Telephone facilities (2)
 - Province (3)
 - Monthly income (3)

- 2) **All people should pay the same percentage of their income to tax**
 - Gender (1)
 - Home language (2)
 - Location (2)
 - Telephone facilities (1)
 - Province (2)

- 3) **Whenever I can I try to avoid tax**
 - Gender (1)
 - Age (3)
 - Occupation (2)
 - Province (2)
 - Monthly income (3)

- 4) **Tax goes to the ruling party to distribute**
 - Gender (3)
 - Age (3)
 - Home language (1)
 - Level of education (2)
 - Occupation (3)
 - Location (2)
 - Telephone facilities (1)
 - Province (2)
 - Monthly income (2)

- 5) **People should keep records so their taxes are accurate**
- Gender (1)
 - Age (3)
 - Race (2)
 - Home language (2)
 - Level of education (2)
 - Occupation (3)
 - Province (2)
 - Monthly income (2)
- 6) **People should keep a bank account for tax purposes**
- Race (1)
 - Number of rooms available to the family (2)
 - Energy source (1)
- 7) **People in the city should pay more tax**
- Age (2)
 - Race (2)
 - Occupation (3)
 - Location (2)
 - Province (2)
- 8) **The previously disadvantaged should pay less tax**
- Gender (1)
 - Race (3)
 - Home language (2)
 - Level of education (2)
 - Location (3)
 - Telephone facilities (2)
 - Monthly income (2)
- 9) **I get value for the money I am taxed**
- Gender (2)
 - Age (3)
 - Race (3)
 - Home language (3)
 - Level of education (2)
 - Occupation (3)
 - Location (3)
 - Telephone facilities (1)
 - Province (3)
 - Monthly income (2)

- 10) Income Tax is unfair**
- Gender (1)
 - Age (2)
 - Home language (2)
 - Province (1)
- 11) I need to know more about Income Tax**
- Gender (1)
 - Race (2)
 - Occupation (2)

Appendix G: Summary of Inferential analysis of Knowledge about Income Tax and Attitude towards Income Tax

Each knowledge statement is presented and then the attitude statement with which there is a relationship and the number of methods that confirm this relationship is given in brackets.

- 1) **Income is paid to contribute to the running of the country**
 - People in the city should pay more tax (1)
 - I get value for the money I am taxed (1)

- 2) **All people who have income must pay tax**
 - I always try to pay my income tax (2)
 - Whenever I can I try to avoid tax (2)
 - People should keep records so their taxes are accurate (2)
 - The previously disadvantaged should pay less tax (2)
 - Income tax is unfair (1)
 - I need to know more about Income tax (2)

- 3) **All people pay the same percentage of their salary as tax**
 - All people should pay the same percentage of their income to tax (3)
 - The previously disadvantaged should pay less tax (1)

- 4) **Through careful planning tax can be avoided**
 - I always try to pay my income tax (2)
 - Whenever I can I try to avoid tax (2)
 - Tax goes to the ruling party to distribute (2)
 - People should keep records so their taxes are accurate (2)
 - People should keep a bank account for tax purposes (1)
 - The previously disadvantaged should pay less tax (2)

 - I get value for the money I am taxed (2)
 - Income tax is unfair (3)

- 5) **All people have to register for tax even if they do not work**
 - I always try to pay my income tax (2)
 - All people should pay the same percentage of their income to tax (3)
 - People in the city should pay more tax (2)
 - The previously disadvantaged should pay less tax (2)
 - I get value for the money I am taxed (3)

- 6) **All interest is taxable**
 - I always try to pay my income tax (2)
 - The previously disadvantaged should pay less tax (3)

- I get value for the money I am taxed (2)
 - Income tax is unfair (2)
 - I need to know more about income tax (1)
- 7) **Dividends from companies are taxable**
- I always try to pay my income tax (3)
 - Whenever I can I try to avoid tax (1)
 - Tax goes to the ruling party to distribute (2)
 - People should keep records so their taxes are accurate (3)
 - The previously disadvantaged should pay less tax (2)
 - I get value for the money I am taxed (3)
- 8) **The cost of a company uniform is taxable**
- I always try to pay my income tax (2)
 - All people should pay the same percentage of their income to tax (1)
 - Whenever I can I try to avoid tax (1)
 - Tax goes to the ruling party to distribute (2)
 - People should keep a bank account for tax purposes (1)
 - People in the city should pay more tax (1)
 - The previously disadvantaged should pay less tax (1)
 - I get value for the money I am taxed (1)
- 9) **The money paid to a pension fund is deductible**
- I always try to pay my income tax (3)
 - Whenever I can I try to avoid tax (1)
 - Tax goes to the ruling party to distribute (2)
 - People in the city should pay more tax (2)
- 10) **Money paid to a retirement fund is not deductible**
- I always try to pay my income tax (2)
 - All people should pay the same percentage of their income to tax (1)
 - Tax goes to the ruling party to distribute (2)
 - People should keep a bank account for tax purposes (1)
 - People in the city should pay more tax (1)
 - The previously disadvantaged should pay less tax (1)
 - I need to know more about Income tax (1)
- 11) **Medical expenses are deductible from income**
- I always try to pay my income tax (3)
 - Whenever I can I try to avoid tax (3)
 - People should keep records so their taxes are accurate (2)
 - People in the city should pay more tax (3)

- 12) A company car is taxable**
- I always try to pay my income tax (3)
 - All people should pay the same percentage of their income to tax (2)
 - Whenever I can I try to avoid tax (2)
 - Tax goes to the ruling party to distribute (3)
 - People should keep records so their taxes are accurate (3)
 - The previously disadvantaged should pay less tax (3)
 - I get value for the money I am taxed (3)
- 13) The company you work for deducts your tax**
- I always try to pay my income tax (3)
 - Whenever I can I try to avoid tax (3)
 - Tax goes to the ruling party to distribute (2)
 - People should keep records so their taxes are accurate (3)
 - People in the city should pay more tax (3)
 - I get value for the money I am taxed (3)
- 14) All people have to submit a tax return every year**
- I always try to pay my income tax (2)
 - People should keep records so their taxes are accurate (2)
 - People in the city should pay more tax (2)
 - The previously disadvantaged should pay less tax (2)
- 15) If you try to evade tax you can be fined**
- I always try to pay my income tax (3)
 - All people should pay the same percentage of their income to tax (1)
 - Whenever I can I try to avoid tax (3)
 - Tax goes to the ruling party to distribute (2)
 - People should keep records so their taxes are accurate (3)
 - People in the city should pay more tax (2)
 - The previously disadvantaged should pay less tax (2)
 - I get value for the money I am taxed (3)
- 16) A person who earns below R50 000 per year pays no tax**
- I always try to pay my income tax (2)
 - Whenever I can I try to avoid tax (1)
 - Tax goes to the ruling party to distribute (1)
 - People should keep records so their taxes are accurate (3)
 - People should keep a bank account for tax purposes (2)
 - People in the city should pay more tax (3)

- The previously disadvantaged should pay less tax (1)
- I get value for the money I am taxed (1)
- Income tax is unfair (1)

17) People who run their own businesses must register for tax

- I always try to pay my income tax (3)
- Whenever I can I try to avoid tax (3)