

**INFORMAL SECTOR TAXATION: A QUALITATIVE ANALYSIS OF THE
EXPERIENCE OF THE URBAN INFORMAL OPERATORS IN RUSTENBURG,
NORTH WEST PROVINCE**



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ABSTRACT

Most developing countries, including South Africa, consist of large informal sectors that are vital to their economies. In South Africa, the informal sector plays a significant role in both production and employment. Government revenue and spending are affected by informality. South Africa faces evident revenue and fiscal pressures. The Davis Tax Committee has highlighted the necessity of increasing tax compliance and broadening the tax base to reduce revenue shortfalls. This research is informed by the informal sector's low tax revenue contribution, that contrasts with its continuing expansion and significant GDP contribution. This study is also motivated by the scarcity of research focusing on informal sector taxation in South Africa. The research explores the perceptions of the informal operators to obtain an understanding of their tax compliance behaviour and attitude. The study employed semi-structured interviews with ten informal operators in Rustenburg in the North West Province of South Africa to obtain an in-depth understanding of their tax compliance behaviour. The research found that the informal operators generally possess a positive willingness to comply with taxation. It also revealed challenges faced by informal operators regarding tax compliance. Recommendations were made towards improving tax collection in the informal sector based on the observed tax compliance behaviour of the participating informal operators and the challenges they faced as revealed by the study.

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1 CHAPTER 1: INTRODUCTION

1.1 Background of the study

The primary objective of taxation is to raise funds for government spending in an administratively feasible, equitable and efficient manner (Keating, 1984). South Africa is one of the developing countries that face fiscal pressures (Pakkies et al., 2022). The Davis Tax Committee (2016) has emphasized the importance of broadening the tax base by reducing revenue leakages and increasing tax compliance. The South African tax system needs to maximize inclusive growth, bound by revenue adequacy and the intertemporal budget constraints of the government (Davis Tax Committee, 2016).

The informal sector in South Africa is one major sector that would contribute greatly to revenue mobilization through tax, given its employment size (Ligthelm, 2006). Despite its enormous potential, this sector has remained the most difficult to tax (Bongwa, 2009). In comparison to its vast size, the informal sector's tax inflow is a mere drop in the national coffers (Ligthelm, 2006). As is typical of an economy's informal sector, the assumption is that the vast majority of participants do not register for tax or follow any regulations (Rodríguez-Oreggia, 2007). They make sales and pay for inputs in cash and do not have bank accounts, thus, making it difficult to trace their income – a process through which they avoid paying income tax (Woodruff, 2013). The process of identifying and enforcing taxation on participants in the informal sector, thus, is complex and requires an investment of the government's constrained resources (Cuff et al., 2011).

The feasibility of informal sector taxation remains an under explored area of research in South Africa (Davis Tax Committee, 2016). Given the importance of taxation in meeting the demands of government expenditure, it is essential for the government to improve revenue mobilization. To achieve this practice, developing countries should seek additional revenue by broadening the tax base and enhancing revenue administration. One way of broadening the tax base is by bringing informal sector operators inside the tax net to ensure equity, inclusivity and fairness of the tax system.

1.2 Statement of the problem

A significant portion of the South African economy consists of the informal sector which is a small yet significant portion of employment contributing to about 20% of the country's total employment and 5.1% of the gross domestic product GDP (StatsSA, 2019, Rogan & Skinner, 2017). The government of South Africa recognizes the informal sector as a meaningful source of employment and an economic driver in a majority of communities. One of the most difficult challenges facing developing countries, including South Africa, is trying to ascertain how to tax the informal sector. The informal sector is regarded as hard to tax, with arguments being presented that informal sector operators evade taxes (López, 2017). It is reasonable to expect that the informal sector would contribute greatly to tax revenue due to its size, but it is the group that is taxed the least.

1.3 Objectives of the study

In order to broaden the tax base, it is necessary to gain a greater understanding of how informal sector operators view the tax system (Saad, 2014). An understanding of what motivates or discourages individuals within this sector from paying taxes, as well as their attitudes toward taxation in general, may provide a perspective into their actual tax compliance behaviour.

To effectively address the policy issue of tax compliance, consideration must be given to the complexity of an individual's decision to pay taxes (Mwangi-Zake, 2018). This study aims to explore the causes of the non-compliance of informal sector operators and examine further challenges relating to the taxing of the informal sector.

The study aims to achieve the following:

- a. Assess the challenges faced in tax collection in the informal sector;
- b. Explore the perceptions of informal operators on the tax system of South Africa to evaluate their understanding of this system and their tax rights and obligations therein;
- c. Obtain a better understanding of the informal operators' experience of the tax system;

- d. Assess the factors that create challenges to tax compliance by informal operators; and
- e. Recommend approaches on how to improve tax collection within the informal sector.

1.4 Research questions

To achieve the objectives of the study, the research aims to answer the following questions:

- a. What are the challenges faced in collecting taxes in the informal sector?
- b. What are the informal operators' perceptions and understanding of South Africa's tax system and their tax rights and obligations?
- c. What is the informal operators' experience of the tax system?
- d. What are the factors that create challenges for informal operators in terms of their tax compliance?
- e. In what ways can the South African Revenue Service (SARS) improve its tax collection process in the informal sector?

1.5 Research rationale

Developing countries' revenue authorities have constrained capacity and resources to enforce tax compliance amongst informal sector operators, who are difficult to tax (Cuff et al., 2011). South Africa aims for a sustainable tax system that is equal and inclusive (Davis Tax Committee, 2016). Although the tax compliance of informal sector operators may not result in immediate revenue benefits, it is essential for SARS to develop a culture of tax compliance that may translate into revenue gains in the long term (Mpofu, 2020). Governments, including that of South Africa, thus, need to find ways to improve quasi-voluntary compliance and tax morale (Olatunde et al., 2019). Taxpayers' perception of the government and the tax system has an impact on their decisions to pay taxes (Saad, 2014). Tax compliance is essential for base-broadening efforts and studies on tax compliance behaviour are capable of bringing depth into an area that is currently under explored. To this end, the Davis Tax Committee (2016) has identified informal sector taxation as one of the research interests in broadening the tax base and improving tax compliance.

This research study hopes to provide a better understanding of the factors that influence the degree of tax compliance of informal sector operators in South Africa. The study will unveil some of the challenges associated with tax collection in this business sector. This information will presumably help assess the awareness of the informal operators of their rights and obligations as taxpayers and, thereby, potentially assist in improving the tax contribution of the informal sector.

1.6 Thesis outline

The paper is structured into six chapters. Chapter 1 introduces the thesis through a statement of the research problem, the research objectives and the research questions. Chapter 2 provides a discussion of the theoretical frameworks that explain taxpayer behaviour. These models explicate the factors that encourage or discourage individuals' tax compliance. Chapter 3 presents the literature review that describes the informal sector, discusses reasons for participation in the informal sector and the taxation of the informal sector. Chapter 4 describes the research methodology used in this study by expanding on the target population, sampling method, data collection and analysis, and the operationalisation of the fieldwork. Chapter 5 follows the research methodology by presenting and analysing the research findings. Chapter 6 concludes the research process and makes recommendations.

2 CHAPTER 2: THEORETICAL FRAMEWORK

According to a review of the existing literature on tax compliance, people's decisions to comply with tax regulations are typically impacted by a variety of factors (Bello & Danjuma, 2014). The factors influencing taxpayer compliance are typically covered by groupings of theories or models, commonly known as "schools of thought". This chapter seeks to consider the factors that affect taxpayers' tax compliance behaviour, i.e., what encourages or dissuades people from paying their taxes through five theories which were identified as relevant and appropriate to the study.

2.1 Economic deterrence model

The above theory is based on the notion that the detection of tax evasion and the degree of severity of fines levied against tax evaders will have an influence on a taxpayer's behaviour towards paying taxes (Becker, 1968). In its simplest form, the economic deterrence model assumes that each individual taxpayer is a rational economic agent who weighs the costs (determined by tax rates, the likelihood of detection and the punitive measures for evasion) and benefits of tax evasion, before deciding to pay if the former outweighs the latter (Walsh, 2012). The theory implies stricter auditing and more severe punishments for offenders as a foundation for lowering non-compliance.

2.2 Fiscal exchange

According to this theory, government provision of public goods and services will have an impact on taxpayers' compliance behaviour (Fjeldstad, Schulz-Herzenberg & Sjørusen, 2012). Compliance is more likely to be poor if a person believes that the public goods and services provided by the government are unsatisfactory (Devos, 2014). Contrarily, taxpayers who are pleased with the goods and services provided by the government will be more likely to comply with their tax commitments. According to this theory, there is a contractual arrangement between the taxpayer and the government, with the taxpayer essentially trading market purchasing power for government services (Moore, 2004). This theory is based on tax negotiations, that are crucial to developing government-society

relationships that are accountable and based on mutual rights and obligations rather than coercion.

2.3 Social-psychology model

The social-psychology model considers the impact of social influences on tax compliance behaviour (Keith, 1990). The model notes personal and social norms as essential factors in tax compliance. Personal norms reflect the taxpayers' beliefs, tax ethics, mindset and morale in the context of their behaviour, all of which have an impact on their attitude towards tax compliance (Bello & Danjuma, 2014). Social norms are a type of behaviour that is sustained in part by the acceptance or rejection of the social environment and is perceived by others in a similar way. This model assumes that individuals do not behave independently and are influenced by whether or how others pay their taxes (Ali, Fjeldstad & Sjursen, 2013). People in a society that adheres to tax laws are more likely to fulfil their tax obligations than those within a society that does not do so.

2.4 Comparative treatment

The comparative treatment model is based on the principle of equity (Ali et al., 2013). Fairness is a key theme of the model (OECD, 2010). The model suggests that when people believe the entire tax system is fair, they are more likely to demonstrate higher tax compliance than if they perceive it as biased. The government's treatment of citizens influences their tax compliance behaviour (D'Arcy, 2011). According to this model, citizens are likely to be less compliant with the law if they believe that particular people are given preferential treatment by the government. The government's fostering of fairness in all its dimensions, thus, is crucial for increasing voluntary tax compliance.

2.5 Political legitimacy theory

The fundamental tenet of the political legitimacy model is that taxpayers' perceptions of the government's actions and decision-making influence their tax compliance behaviour (Torgler & Schneider, 2007). Tax compliance is considered a function of taxpayers' confidence and trust in the government and its efficiency and effectiveness in fiscal decision-making and spending. Citizens' confidence in government leaders and institutions results in political legitimacy (Kirchler et al., 2008). Tax compliance is

influenced by the government's political legitimacy and accountability with regard to taxation.

In summary, the theories discussed above are interlinked and can be viewed as the behavioural theories of tax compliance. Chapter 5, related to analysis of findings, examines how the theories discussed above apply to the informal operators selected as part of the group of interest for the study.

3 CHAPTER 3: LITERATURE REVIEW

3.1 Introduction

South Africa is one of the developing African countries that continuously aims to strengthen its tax policy and maximize government revenue (Davis Tax Committee, 2016). Etim and Daramola (2020) suggest that the informal sector plays an important role in the developing economy of South Africa with prevalent economic issues including unemployment, skills shortage and poverty. Research has focused on the revenue limitations and high collection costs of taxing the informal sector but also emphasizes recommendations for providing incentives to the informal sector to encourage tax compliance and governance (Rogan, 2019). South Africa lacks an efficient system for collecting revenue from the informal sector. The literature review supporting this study analyses the issues faced by different stakeholders regarding taxing the informal sector and the possibilities of devising a tax policy to better address the informal sector (El Badaoui & Magnani, 2020). Accordingly, this literature review will initially describe the characteristics and dynamics of the businesses and traders in the informal sector and then analyse the potential of broadening the tax base by taxing the informal sector. To achieve this goal, the justifications for taxing the informal sector will be highlighted and discussed. This chapter will further provide an analysis of the complexities and challenges of such a practice against the justifications in taxing the informal sector. It will finally evaluate the recommended general approaches to taxing the informal sector and analyse possible positive incentives for different stakeholders to achieve better results when trying to tax the informal sector.

3.2 Describing the informal sector

The informal sector, as mentioned above, is an integral part of the South African economy that plays a key role in its growth (Etim & Daramola, 2020). In common with other developing African countries, South Africa has experienced the growth of the informal sector, mainly due to persistent economic difficulties and barriers. The concept of the informal sector was originally used to describe work conducted outside of the formal labour market (Hart, 1973). This concept has evolved and, currently, is widely defined, with no consensus being reached by researchers on the definition. De Soto (1989) gave

this concept of the informal sector a new meaning by focusing on the regulatory foundation through which legal status distinguished the informal sector. Gërkhani (2004) indicates how a selection of researchers who could not formulate a unique definition for the informal sector but, nevertheless, attempted to define it in terms of various characteristics of the informal sector, including the lack of government regulation. Researchers also acknowledge that the informal sector is diversified, pervasive, growing and covers several important business sectors in developing economies (Kundt, 2017; Mpofu & Msipa, 2020). Peattie (1987) noted that although the definition of the informal sector is indistinct, it is popular since it includes the interests of many different groups. Although the concept was originally used to describe labour conditions, it is now used to refer to informal paid labour, self-employment and informal businesses. These groups move along this continuum between formal and informal labour depending on the circumstances, with some seeking formalization and others slipping into informality as the cost-benefit of being in one category or another alters (Joshi et al., 2013). This study considers these groups who move along the continuum between formal, seeking formalization and informal. It considers various groups including informal businesses, informal paid labour and self-employment.

The informal sector, as earlier indicated, is regarded as difficult to tax (Bongwa, 2009) and the groups operating in it tend to escape the burden of taxation, with some of them being high-income earners who evade taxes through political connections (Mashiri, 2020). Furthermore, the informal sector in a developing economy, such as South Africa, is often characterized by ease of entry, small operation scale, labour intensity, lower income levels (usually placing most operations under the income tax threshold), high unemployment levels, and significant tax non-compliance driven by inadequate compliance capacity, low levels of numeracy and literacy and deficient specific accounting skills (Mpapale, 2014; Udoh, 2015). The factors that could possibly drive informalization comprise the following:

- Burdensome tax regimes and depressed economic conditions;
- Socio-demographics and the socio-environment, including high government corruption, high poverty levels, limited access to education and training, high

unemployment, business issues including external competitive factors that impact small survivalist businesses; and

- Governance involving excessive regulation that stifles the informal sector's activity, and technology involving the “making economy” in which people self-manufacture or re-design goods for other customers (Etim & Daramola, 2020).

3.3 Reasons for participation in the informal sector

Different political systems, economic backgrounds, and cultures have an impact on the informal sector's motivating factors in various countries. The factors influencing participation in the informal sector determine the informal sector's relative size. These features are summarized under the following headings:

3.3.1 Government rules and regulation

Increased levels of regulation in the formal economy can be a driving factor fuelling the growth of the informal economy (Williams & Shahid, 2016). Some economic participants seek to operate informally due to intensified government regulation in order to avoid the time, costs and efforts required to register formally (Rothenberg et al., 2016). Regulation herein refers to trade and labour limitations on foreign workers, entry barriers into markets (such as licensing), and national labour regulations. Increased regulation incentivizes economic participants to operate outside of the legal framework.

3.3.2 Economic activity fluctuations

Economic cycles can be used as a factor to explain the growth in the informal economy. Labour is a major operating expense for businesses. Economic downturns and crises result in higher unemployment rates due to job losses in the formal sector and higher participation in the informal sector. As an alternative source of livelihood and in response to inflation, many people who lose their jobs and are unable to find alternative formal employment turn to informal activity (Chen, 2012). The return of the economic participants to the formal sector is not always implied by a subsequent acceleration in economic growth (Davids, 2011). An acceleration in economic growth may occur in a country without corresponding expansion in formal employment. Many developing countries have high unemployment rates because the formal sector cannot provide sufficient employment for

the labour force. Davids (2011), therefore, suggests that economic participants alternatively partake in the informal sector due to this shortage of formal jobs.

3.3.3 Migration

The size of the informal sector is also argued to be impacted by migration from less developed countries to those that are perceived to be more developed (Zuma, 2021). Although individuals migrate for various reasons, the search for employment in better-developed countries is one of the major reasons for migration that also contributes to the growth of the informal sector.

Since the formal apartheid system was abolished in 1994, South Africa has experienced significant social and economic transformation (Oucho et al., 2006). Since then, there has been a significant influx of foreigners into South Africa. More foreign nationals are now increasingly active in South Africa's informal sector (Zuma, 2021). Despite inequities and service delivery issues, South Africa is a magnet for migrants and is considered to be more developed than many other African countries. This perception has been the case since the end of apartheid era when people were presented with opportunities that were not previously granted, such as starting a business.

There are various motivations for individuals to migrate and subsequently participate in the informal sector. As discussed above, in common with other developing countries, the formal sector of South Africa cannot provide sufficient employment for the available labour force, thus, resulting in the current high level of unemployment. Some migrants, thus, choose to start informal businesses to generate income in order to survive (Cohen, 2010). Even professionally qualified individuals who migrate to South Africa are often forced to join the informal sector due to these high unemployment rates (Edet, 2019). Some migrants also choose informal trading as their source of income because they lack the legal documentation necessary for their residency in South Africa or to obtain a permit to operate a business in the country (Gebre et al., 2011). Although some migrants are forced to work in the informal sector due to a lack of formal employment opportunities in South Africa, there are those who choose to operate their businesses in the informal sector (Zuma,2021).

3.3.4 Poverty and survival

The informal sector is considered to perform a complementary function in the development of employment opportunities and income generation, a fact that gives the population of the poorer sectors an opportunity for survival and welfare improvement (Fourie, 2018). The challenges caused by government regulations and the burden of taxes connected with business formalization have been attributed to the growth of the informal sector in some developing countries. The informal sector, thus, presents an opportunity for survival or meeting the minimum standard of living (Mugoda et al., 2020).

3.3.5 Choice of informality/ tax morale

Informal operators are generally assumed to participate in the informal sector with the intention of evading taxes (Chen, 2012). Tax contribution creates the burden of compliance and is considered an important contributing factor to people's participation in the informal sector. It is possible to under report income and avoid paying taxes by engaging in the informal sector. People are more likely to engage in the informal sector if engaging in the formal sector would likely lead to a significantly greater tax liability. Participation in the informal sector, thus, provides these people with relief from paying taxes and, consequently, some entrepreneurs choose to operate informally to escape this burden (William and Schneider, 2016).

3.4 Taxing the informal sector

Several researchers have proposed various incentives for taxing the informal economy, and these have sparked considerable debate amongst academics (Makochekanwa, 2020; McKenzie & Paffhausen, 2019; Rogan, 2019). While revenue is cited as the most direct motivation, growth, governance and encouragement of tax compliance and tax morale have also been emphasized as potential motivators for taxing the informal sector. The following sections provide an evaluation of these incentives:

3.4.1 Revenue expansion

The informal sector is arguably thriving in developing countries yet remains a disproportionately low contributor to national taxation in comparison to its size (Joshi et al., 2013). The need to potentially raise additional revenue for the government is proposed to be the main motivation for taxing the informal sector in developing countries (Rogan,

2019). However, the revenue benefits from taxing this economic sphere are argued to most likely be limited in the short- to medium term (Benhassine et al., 2018). This fact is attributed to low income levels in the informal sector, with corresponding low taxes, poor record keeping systems, difficulties in monitoring this sector, and the high costs of administering tax collection. The value of investing the scarce resources of developing economies in taxing the informal sector given the aforementioned challenges is questioned. The low revenue versus high costs issue rather discourages efforts to collect revenue from the informal sector. Additionally, informal sector taxes are regressive, endangering the plausibility of small operators especially since most of them are already paying local taxes such as trading licences or operating permits (Fox & Pimhidzai, 2011).

Although it appears rather inefficient to collect taxes from the informal sector, the failure to engage in this practice may be counterproductive. Those informal sector operators who want to grow may miss out on the opportunity to increase productivity, as well as to access formal credit, larger markets, business support and training programmes, thus indirectly limiting the broadening of the tax base in the long-term (Besley & Persson, 2014). More research studies that seek to justify the long-term revenue benefits of taxing the informal sector are needed.

3.4.2 Growth of informal sector operators

Formalization through tax registration in the informal sector is suggested for the growth of its operators (Joshi et al., 2013). Although, as indicated previously, the taxation of this sector is argued to potentially be burdensome and inefficient, it may increase development opportunities for the informal sector, including reduced harassment by local government officials, access to formal credit and business support and training (Besley & Persson, 2014). These benefits, in turn, would reduce inefficiencies and the costs incurred by operators in the informal sector.

Formalization is suggested to be positively associated with growth, survival and profitability (McKenzie & Seynabou Sakho, 2010; Meagher, 2018). However, this idea might not hold true for all operators due to the variability of size and nature of operators in the informal sector. Some operators may not survive formalization due to their size, adaptability to their current nature of operation, and inability to keep pace with the

requirements of formalization, such as accurate record-keeping. In addition, informal operators have different motivations and some may regard formalization as unnecessary and burdensome. Formalization might not be beneficial for all informal sector operators, and this situation creates room for disparate methods of taxing various operators other than through formalization (Benjamin & Mbaye, 2020).

3.4.3 Governance and political accountability

Beyond revenue and growth considerations, the reviewed literature has paid attention to the potential governance and political accountability that could be promoted through taxing the informal sector. This practice is justified by the establishment of a social contract between the government and its citizens (Bodea & LeBas, 2014) whereby quasi-voluntary compliance is encouraged by the government's accountability and responsiveness to tax-paying groups (Jibao & Prichard, 2015). Additionally, efforts to tax the informal sector may inspire collective political participation by informal sector associations, laying the groundwork for longer-term negotiating power (Prichard & van den Boogaard, 2017).

Although the aforesaid practice might serve as a solid foundation for increasing a political voice among marginalized groups, the social contract depends on the people having faith in the government and its activities (Resnick & Sivasubramanian, 2020). While the government is interested in improving tax compliance, businesses and traders want better governance, as well as improved delivery of public goods and services (Bodea & LeBas, 2014). If the state and revenue officials are deemed to be corrupt, unaccountable and/or opaque, informal sector operators will be unwilling to comply with tax regulations. This lack of accountability and unresponsiveness, thus, could discourage tax morale and compliance in this sector. This situation links to the political legitimacy framework whereby lack of government accountability and responsiveness discourage tax compliance. Some researchers have argued that even in those countries in which governments have made great progress in taxing the informal sector, such as Ghana, Tanzania and Zimbabwe, governments have remained unresponsive and unaccountable to the needs of this set of taxpayers (Dube & Casale, 2016). While some informal sector associations made progress in engaging the government constructively, the rest were simply too weak or divided to participate successfully. Other researchers lamented the lack of diversity in

informal sector tax policy development (Mpofu & Msipa, 2020). Not only has the government been slow to address the social and economic difficulties encountered by informal operators, but it has also failed to take into account the informal operators' tax perceptions when formulating the present policy influencing business regulations and taxation laws targeted at this sector. Kundt (2017) suggested that the inconsistent outcomes were a function of power dynamics in these informal sector groups and organizational structures, political ties, and sectoral differences.

3.4.4 Encouraging tax morale and compliance

Motivations for extending informal sector taxation, to a large extent, are based on more indirect linkages. Another justification for taxing the informal sector is the possibility of encouraging tax morale and compliance (Meagher, 2018) and, in so doing, cultivating a tax compliance culture amongst small and medium enterprises. Smaller and medium businesses, including recognizable informal ones, that are paying tax may feel unfairly burdened by taxes and find ways to evade paying tax, thus, expanding the informal sector. Therefore, taxing the informal sector is argued to be associated with encouraging tax morale amongst these businesses, although the justifications for this practice remain debatable (Joshi et al., 2013). Tax morale is not influenced only by the non-taxation of the informal sector, but also by various other factors including how taxpayers assess institutional quality, democratic accountability, stability and trust in government, as well as the government's commitment to fulfilling their part in the social agreement with citizens (Mpofu, 2021). These factors, as indicated above, relate to the political legitimacy of the government, that is important for encouraging tax compliance.

3.5 Challenges in taxing the informal sector

Contrary to the general belief that informal sector operators avoid taxes, Utaumire, Mashiri and Mazhindu (2013) suggest that not all informal operators avoid paying taxes, but rather that the operators face specific challenges when seeking to become tax compliant. The government's onerous regulations for establishing a regular tax-paying person and the nature of the informal sector promote the growth of informal traders. Prichard and van den Boogaard (2017) propose that effective tax reform can be achieved better if it accounts for inevitable capacity limits and a larger social reality in which collection efforts are

administered. The challenges that result in informal sector operators not paying tax are examined below.

3.5.1 Information availability

Taxation depends on information (Pomeranz, 2015). The process of identifying individuals and determining tax liabilities becomes extremely difficult without information (Dube, 2014). Faced with a lack of critical data such as informal operators' registries and bank accounts for operators who have and use them for their business, tax authorities are likely to focus mainly on those informal activities that are either visible or easy to tax. According to Dube (2014), collecting information on informal sector operators can be challenging mainly due to the difficulty in closely monitoring operators in various locations, including those who are home-based.

3.5.2 The use of cash transactions and poor recordkeeping

Most informal businesses operate on a cash basis (Awasthi & Engelschalk, 2018). Cash transactions leave no trail of the income generated or the expenditure of such operators. Cash transactions also allow for the manipulation of records and data for tax reduction. These operators also do not have a reliable permanent record to track their transactions and generally have a lack of proper records of business transactions. The determination of the extent of their cash transactions is also very complex (Mpofu & Msipa, 2020). The correct determination of a taxpayer's income for an accurate evaluation of their tax liability is a key task in tax administration, and the use of cash makes it difficult to trace informal operators' income.

3.5.3 Education and awareness

Dube and Casale (2019) suggest that informal sector operators are aware of taxes in general but are unaware of the existence of taxes specifically targeted at them. There is some effort from tax authorities to create awareness of taxes for micro-businesses and encourage compliance that may not be effective. Informal sector operators are characterized by their lack of comprehension of tax rules, processes and the benefits of paying taxes (Dube & Casale, 2016).

3.5.4 High administration costs

The key criticism of taxing the informal sector is that the costs associated with implementing such taxation may exceed the potential revenue (Joshi et al., 2013). The costs of administering informal sector taxes can be high, in terms both of the costs incurred by tax authorities in identifying taxpayers and collecting taxes, and the costs incurred by informal operators in complying with the rules. This problem is attributed to the diverse nature of the businesses in the informal sector, as well as the high number of individual operators and the difficulties concerning the monitoring of them. Keen (2012) upholds that it is fairly unusual for developing-country tax authorities to dedicate significant resources to the informal sector to 'flush out' medium or big taxpayers through blanket enforcement efforts, owing to the subsequent returns being poor and administration costs being high.

3.5.5 Lack of resources

The lack of resources (human and physical) for supporting and maintaining the performance of tax authorities becomes a limitation on the tax administration's attempts to encourage compliance with tax law (Mashiri, 2020). Developing countries generally lack designated offices for small taxpayers and tend to resort to ad hoc methods of tax collection in the informal sector (Dube, 2014). Due to the high level of non-compliance in this sector, raids that are confrontational and coercive may be resorted to in an effort to collect taxes from the informal sector operators. This method is ineffective because it usually results in little revenue being collected from many of the operators due to their complex locations and activities that are not clearly observable. In addition to the fact that these informal sector operators are susceptible to harassment and abuse by government officials due to their non-compliance with tax legislation, there are concerns that the efforts to enforce taxation on vulnerable informal operators may open up further predacious channels (Meagher & Lindell, 2013). This practice could happen in cases in which tax collection from these operators is conducted in-person due to the tax authority's lack of resources to create a more systematic collection system.

3.5.6 Corruption and dissatisfaction in the manner taxes are spent

Governments in developing countries are generally perceived as corrupt and self-seeking, and members of the general public do not feel encouraged to pay taxes because they believe that doing so will only enrich corrupt government officials and not contribute to public utilities (Mpofu, 2020). Likewise informal operators may be discouraged from complying with tax legislation due to their dissatisfaction with how taxes are used, being excluded from participation in the decision-making of the spending of tax, or a belief that the government is inattentive to their needs. According to Adak (2019), if taxpayers believe they have a say in how their taxes are spent, they are more likely to pay their taxes.

3.5.7 The disproportionate burden of taxation on informal operators

Rogan (2019) indicates that the experience of certain developing countries that have attempted to improve their taxation of the informal sector still shows results of inefficient taxation, regressive taxation, multiple taxation, and harassment. The informal sector is often assumed to evade taxes. Fox and Pimhidzai (2013) propose that informal operators are not tax evaders because they often fall below the earnings threshold for taxation and already pay a variety of local taxes and are often willing to pay taxes that are fair and transparent provided they receive advantages for survival and sustainability in return. Meagher (2018) supports this proposal by indicating that tax literature tends to neglect the many methods through which informal sector operators pay taxes, such as VAT and indirect taxes. These multiple forms of taxation, thus, impose an unjust burden on the disadvantaged employees of the informal sector and may even jeopardize the social contract between the government and these workers.

3.6 Approaches for taxing the informal sector

The following discussion considers some alternative approaches for taxing the informal sector. It considers the effectiveness of each approach and its possible inefficiencies. Presumptive taxes have been implemented by certain African countries, while South Africa remains without a specific approach for taxing the informal sector.

3.6.1 Indirect taxes

The most straightforward approach for taxing the informal sector is to charge tax on the products and services its operators buy and resell indirectly, most notably through VAT

and import and export tariffs (Castañeda & Doyle, 2019). In this case, indirect tax means that informal sector operators who are not registered as taxpayers are still taxed as a result of taxes paid on products and services purchased further up the value chain that are priced into goods and services consumed in the informal sector. In this respect, many informal sector operators pay some tax, albeit less than they would pay if they were registered, since taxes are levied on inputs rather than outputs. Castañeda & Doyle (2019) also express that this strategy does not require active participation in the tax system by the informal sector, does not carry the potential growth benefits of formalization and has a limited impact on long-term compliance. In practice, indirect taxation is the most common way informal sector operators are taxed (Boadway & Sato, 2009).

3.6.2 Presumptive taxes

Due to the issues of high compliance costs for operators in the informal sector and high collection costs for those administering tax, presumptive taxes, that use a simplified tax base indication such as turnover, are applied by various countries to tax the informal sector (Bird & Wallace, 2003). This method is an attempt to simplify record-keeping requirements for operators in the informal sector and tax determination for the collectors. There are a variety of presumptive tax regimes applied across different countries (Bucci, 2020) and include the use of a simplified tax base that is either turnover-based, indicator-based, or both (Loeprick, 2009). Many presumptive tax regimes are purposefully designed to lower smaller businesses' tax payments and encourage their compliance (Duve & Schutte, 2021).

The careful design of presumptive taxes is important because poorly designed presumptive tax regimes can result in a higher tax burden if the tax base is poorly selected (Aditya, 2020). According to Aditya (2020), while it is crucial to be mindful of the danger of presumption regimes that allow for lower tax burdens, it is equally imperative for governments to be aware of the risk of overtaxing small enterprises, particularly if profit margins are low and turnover-based taxes may overstate profitability.

3.6.3 Formal sector taxes

The most obvious alternative to indirectly taxing businesses is to expand the reach of common formal sector taxes such as income taxes and VAT to informal operators (Keen,

2008). Such a practice involves increasing tax enforcement by identifying and enforcing compliance by small informal sector operators. It may also be achieved by the introduction of extra compliance incentives, such as lower rates for small businesses that keep good records and, by so doing, broaden the tax base.

While increasing the enforcement of formal sector taxes may be appropriate for larger firms in the informal sector, the government's administrative costs are likely to remain extremely high in comparison to potential revenue and, simultaneously, will impose high compliance costs on small businesses and expose them to government harassment and abuse (Joshi et al., 2013). These challenges are identified as one of the reasons why most developing countries apply presumptive taxes to informal sector operators.

An alternative to the above practice that could encourage tax compliance amongst informal sector operators is the application of withholding taxes (Keen, 2008). These taxes can be levied on imports and are creditable and refundable to tax-compliant businesses. Although withholding taxes can be beneficial, this process could be administratively complex because it requires an effective withholding tax system and discourages tax reform in many developing countries (Joshi et al., 2013).

3.7 Improving the results of taxing the informal sector

Taxation is fundamentally a political process, and the primary elements of tax compliance, accountability, and the forming of the social contract are determined by the overall condition of the country's politics, the strength of civil society, and the specific nature of the tax system under consideration (Dube, 2014). These are the essential elements when attempting to establish efficient tax regimes for the informal sector. Progress for taxing this sector remains low, with scepticism and lack of commitment of scarce resources by tax administrators to informal sector taxation. Dube (2014) also suggests that to reach some level of success in informal sector taxation, it is imperative to improve the general public's understanding of the country's taxation policy and the incentives related to it. Such knowledge could, in turn, assist the government with developing strategies to encourage tax compliance amongst informal sector operators, and create positive incentives for both tax administrators and the concerned operators (Joshi et al., 2013). The following sections provide an examination of how the results of taxing the informal sector could be improved.

3.7.1 Reducing compliance costs

A considerable amount of research has been conducted on the cost-benefit analysis of formality versus informality of businesses. Coolidge (2010) indicated that informal sector operators incur significant fees due to operating informally such as penalties, fines, and the threat of onerous inspections and bribe demands. Jaramillo Baanante (2009) found that the high cost of registration prevented some informal sector operators from formalizing their tax affairs, a problem that necessitates a policy intervention designed to reduce the costs of formalization. Experience has differed for countries that have implemented a cost reduction approach (Joshi et al., 2013).

There are numerous factors that influence informalization and, as indicated above, these include lack of education and awareness, lack of faith in the government and the perceived low formalization benefits that are not sufficiently encouraging to persuade informal sector operators to formalize. Although it is crucial to lower compliance costs, this practice on its own might be insufficient to stimulate broad formalization.

3.7.2 Empowerment

Another approach to indirectly taxing the informal sector that is less frequently identified in the reviewed literature is the empowerment of informal sector operators. Given the constraints of the informal sector, including inadequate compliance capacity, low levels of education and awareness, and deficient specific accounting methods, as well as an environment that is not sufficiently enabling, with problems that include a widespread lack of faith in the government, and limited access to a variety of services including security, insurance, information and accounting, legal empowerment might be necessary to encourage informal sector operators to pay taxes (Zinnes, 2009). Legal empowerment would necessitate the adjustment of tax regimes to accommodate the features of informal sector operators and provide support towards business environment reform policies. This approach could be coupled with government commitment that is key to tax reform (Everest-Phillips, 2010).

Although scant research has explored the perspective of state officials, it is suggested that informal sector taxation would be politically possible and encouraging if informal sector operators themselves subscribe to the change and actually cooperate (Joshi et al.,

2013). Negotiations and discussions between informal sector operators and the government might be politically possible and fruitful to both parties, thus, ensuring effective informal sector taxation.

3.7.3 Limiting the use of cash for transactions

Cash transactions present challenges for tax authorities in properly tracing informal operators' income (Moshi, 2012). A recommendation for achieving simplified tax collection and administration is a cash displacement strategy, whereby the use of cash is limited, a system that would allow for easier tracing of informal operators' income (Munjeyi et al., 2017). This strategy involves discouraging the use of cash, encouraging Point of Sale system use, broadening debit and credit card acceptance, increasing electronic payments and encouraging cash deposits; whilst providing incentives such as refunds or rebates for the implementation of these methods.

Although these processes can assist with tax administration and collection, they are difficult to administer (Munjeyi et al., 2017). They are even more difficult for developing countries because they require both political commitment and financial support. Despite these prerequisites, Luecke et al. (2016) highlighted that the major benefit of such cash payment restrictions would be to bring some underhand transactions into the open.

3.8 Conclusion

This chapter attempted to review a group of issues about which less information is known and for which considerable research and tax policy experimentation is both needed and possible. These issues are related to how to transfer the current interest in the taxation of the informal sector into improved results in practice.

The chapter discussed the justifications for taxing the informal sector, being revenue expansion, strengthening the growth of informal sector operators, improving governance and political accountability, and encouraging tax compliance and morale. While revenue expansion is the major motivation in the reviewed literature, whether a considerable amount of income can be generated from the improved taxation of the informal sector remains uncertain. The level of uncertainty is compounded by the high administrative costs attached to such revenue collection. The potential for improvement of informal

sector taxation, thus, remains a point of debate between researchers due to the complexity of challenges faced in taxing the informal sector. The importance of strengthening the social agreement between the government and citizens has also been explored in this chapter for possible quasi-voluntary tax compliance and government commitment. However, there are still important challenges and questions that remain to be resolved, with high administration costs being one of these. Although these high costs are a significant concern, the possibility of positive incentives to formalization for both the government and the informal sector operators and traders to couple with the lowering of these costs were explored in the chapter. The proposed methods for tackling the challenges facing tax administrators in order to improve the results of informal sector taxation are encouraged and should be explored extensively in both research and policy. The approaches to informal sector taxation suggested in the reviewed literature, such as presumptive taxes, indirect tax and formal sector taxes were described and analyzed in terms of their possible challenges and benefits. Presumptive taxes are commonly used in some developing countries and have been indicated to require careful design and implementation because they bear the risk of being overestimated.

Overall, it is crucial that the approaches to and justifications for informal sector taxation be ranked in a way that contextualizes the prioritization of the nature of a country's informal sector, its legal framework and the tax policy in force, because these characteristics vary greatly from country to country. Informal sector taxation is complex, and this chapter has stressed the importance of understanding the challenges in taxing the informal sector and factoring these issues into the design of an appropriate approach for taxing the informal sector.

4 CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

The research adopted the interpretivism research paradigm. This paradigm concentrates on comprehending a process or phenomenon. It is based on the premise that people are generally complex beings whose perception of the world varies as a function of their experience, norms, values and cultures (Ryan, 2018). It seeks to gain an in-depth understanding of people's views and actions.

The complexity of informal sector tax compliance necessitates the use of an approach that provides insight into the perspective of informal sector operators. A qualitative research approach was used for the study to shed light on and understand complex human behavioural issues. Creswell (1994) suggests that a qualitative method is appropriate when the topic is a relatively new topic of research. The approach, thus, is suitable for the underexplored research area of tax compliance in the informal sector of South Africa (as noted by the Davis Tax Committee (2016)). This research study employed the use of semi-structured interviews in order to delve into the tax compliance phenomena and provide a comprehensive picture. The use of a qualitative method through interviews allowed for a more in-depth investigation and questioning on issues, resulting in a fuller picture of phenomenon being studied (Alsaawi, 2014).

It might be challenging for a researcher with little experience to conduct interviews well (Majid et al., 2017). An essential and helpful step in conducting qualitative research is interview piloting as it brings attention to the major study's improvisation. The interview questions, therefore, were piloted with an informal operator to allow for any necessary adjustments to the interview questions. The modifications made following the pilot interview, which were minor in nature, are reported in 4.4 under this chapter. The final interview guide is presented in Appendix B below. Furthermore, the responses obtained in the pilot were included in the sample as the pilot interview was used for minor adjustment purposes. There were insignificant modifications after the pilot interview and the interview followed a similar manner as the other remaining interviews. The pilot

interview, thus, was deemed appropriate to form part of the sample because it provided useful information to the study.

4.2 Target population, sampling, and data collection and analysis

Interviews were carried out with a sample of ten informal sector operators around the town of Rustenburg in the North West Province. The location was selected based on convenience, following the researcher's acquaintance with the area. Data was collected primarily from informal sector operators. Creswell (1994) suggests that small sample sizes may be sufficient for qualitative research to support the depth of analysis. In support of small sample sizes, Vasileiou et al. (2018) posit that purposive samples in qualitative research are chosen for their ability to provide rich-texture information pertinent to the phenomena being studied. The informal operators were purposively sampled, because they are the group of interest based on their experience with taxation while operating in the informal sector. Guidelines on how to select a sample size in qualitative research were followed to reach a point of saturation at which the data collected is regarded as adequate (Boddy, 2016). The aim is to gain in-depth information rather than a pre-determined target (Creswell, 2013). There was no need to extend the sample size as the selected sample was deemed sufficient in providing saturation. The sufficiency of the sample size was indicated by the same themes and patterns that repeatedly arose, and the sample size, thus, was considered sufficient as it achieved saturation.

Thematic content analysis was used to analyse the data collected from the interviews. Such analysis involves the examination of data to identify common themes that provide answers to the research questions (Vaismoradi et al., 2013). Interviews were recorded, and were then transcribed by a transcription service. A coding technique was used in the initial step of analysis to find relevant concepts that best represented each interviewee's responses to the interview questions. Reasonable attempts were made to use the participants' actual words and to group themes in a way that reflects the texts holistically. Although interpretation is required to group themes, it was kept at a minimum because the researcher's opinion is not significantly relevant to the analysis. To support the codes' accuracy and add context, direct quotes from the transcripts were utilized. To find patterns in the data and make data interpretation easier, these codes were divided into themes in

the second step of analysis. The discussion of the results was based on these themes. The thematic analysis was conducted using NVIVO. During the analysis via NVIVO, the point of saturation was considered at a point at which no new themes were developed or new conclusions could be drawn from the data, as suggested by Sim et al. (2018).

4.3 Ethical considerations

Tax is a sensitive topic and questions on tax compliance posed to individuals may be regarded as intrusive. Ethical considerations and informed consent are non-negotiable aspects of research (Mpofu, 2020). Accordingly, authorization to conduct the research was obtained from the University of Cape Town Commerce Ethics Committee on 27 July 2022.

During fieldwork, participants were asked for their prior informed consent with the assurance of maintenance of anonymity and confidentiality throughout the research. The identity of the participants, thus, was kept anonymous for the research and numbers (in ascending order) with a description of the type of business activity the informal operator is involved in are used to identify the participants. Consent forms detailing the research objectives and the interview process were presented to the study participants for signature prior to the interviews being conducted to obtain their informed consent and ensure the reliability of the data collected.

4.4 The fieldwork

One pilot interview was carried out to prepare for the fieldwork. The pilot interview was conducted in English on 25 August 2022. The consent form and discussion guide were provided to the interviewee prior to the interview to read through and sign, coupled with explanations of the interview process and anything else that needed clarity. The pilot interview proved useful, and indicated that it may be necessary to simplify different questions to suit the different levels of understanding of the different study participants. In general, the pilot interview showed that the discussion guide was a thorough interview tool, because the interviewee made references to the probes in the answers to the main questions. Major revisions, thus, were not required to the discussion guide. The responses from the pilot interview were included in the analysis and sample size because they provided useful information for the study.

Ten interviews were held during the period 26 to 29 August 2022. Most of these interviews were held at the study participants' places of business during working hours, with a few being conducted after working hours. It was difficult to find suitable times to hold the interviews because they were conducted during a busy period of the month for the participants. This fact resulted in some interviews being held after business hours or rescheduled for a less busy time. Sufficient time was allocated to all the interviews.

5 CHAPTER 5: DATA PRESENTATION, DISCUSSION AND ANALYSIS

5.1 Introduction

This chapter presents the data collected from the fieldwork conducted during August 2022. In accordance with the research questions, the interview questions were grouped into four main sections. The research questions delineated in section 1.4 of Chapter 1 above are as follows:

- a. What are the challenges faced in collecting taxes in the informal sector?
- b. What are the informal operators' perceptions and understanding of South Africa's tax system and their tax rights and obligations?
- c. What is the informal operators' experience of the tax system?
- d. What are the factors that create challenges for informal operators in terms of their tax compliance?
- e. In what ways can the South African Revenue Service (SARS) improve its tax collection process in the informal sector?

Questions (a) to (d) are analyzed systematically in sections 5.3.1 to 5.3.4 below. Question (e) is considered in the Recommendations of Chapter 6.

The data analysis techniques employed were those discussed in Chapter 4 above. Before analyzing the data collected through the interview process, this chapter presents the demographic data of the respondents. The findings are primarily discussed in relation to the research questions.

5.2 Demographic characteristics of the respondents

5.2.1 Gender

A total of ten respondents were interviewed, with a gender composition of six females, three males and one respondent who preferred not to identify their gender.

5.2.2 Age of the respondents

Apart from the outliers in the 20-29 age group (1) and the 50-59 age group (1), six of the ten respondents were in the 30-39 age group and the remaining two were in the 40-49 age group.

5.2.3 Education level

Nine of the ten respondents have matric or A-Level education, and one has a tertiary qualification.

5.2.4 Business activity

The respondents are involved in a variety of different business activities. The most dominant were cash loan provision (2), catering (2), and property rental (2), with the remaining activities being car panel beating and repair (1), car wash and restaurant (1), mobile retail (1), and hairdressing (1). In addition to their informal trading activities, a few respondents are also formally employed.

5.2.5 Business age

The most frequently reported business age by the ten respondents was between 1-9 years (6), followed by 10-19 years (3) and the remainder between 20-22 years (1).

5.2.6 Business location

The respondents reported business locations that were home-based in the township (4) and mobile (3), with the remaining three operating from a store in the township (1), and Rustenburg CBD (2) being a market stall and a hair salon.

5.2.7 Business payment method

The majority of the respondents use both cash and card (6) as their accepted payment methods, while four use just cash. The reasons for the payment methods varied between the respondents. For the respondents who use cash and card, the common reasons were customer preferences and providing alternatives for different situations and customers. For the respondents who use only cash, the reasons expressed ranged from banking being expensive, the viability of the business requiring cash as a payment method and convenience.

5.2.8 Business recordkeeping method

Eight of the respondents manually use books and pen for their recordkeeping, with one respondent using a laptop. One respondent did not specify the means of record-keeping.

5.3 ANALYSIS OF FINDINGS

Below is a discussion of the key themes linked to the research questions (sections 5.3.1 to 5.3.4 below).

5.3.1 Challenges in tax collection

The research revealed that the demographic profile of the respondents creates challenges in collecting taxes in the informal sector. The respondents choose where and how to operate their businesses based on viability and what seems to work best for their businesses and these choices may present obstacles in the tax collection process.

5.3.1.1 Business location and Information availability

The research revealed that the respondents operate their businesses from a variety of locations. Although the majority of the business locations are permanent or semi-permanent (70%), some of the business locations may be difficult to identify as business locations, such as those that are home-based. One respondent who runs a rental property business from home mentioned that she continues operating without paying taxes because the local municipality is likely to have observed that she operates a rental property business from her yard but has not shown this to be a problem because they have not approached her on the issue of paying taxes. It is possibly the case with other informal businesses in the area that function from locations that are difficult to identify, that some operators do not voluntarily register for taxation or are not aware that they must do so if not identified by SARS. The reasons for non-registration may differ though, and some informal operators may not be aware of their responsibility to voluntarily register for taxation because most of the study respondents expressed their lack of tax knowledge. Their lack of awareness of the need to register voluntarily, together with business locations that are difficult to identify, thus, would result in non-registration. The analysis of the study findings confirms that there is some evidence that the tax collection authority lacks easily assessable information regarding the locations of informal businesses, a fact that is consistent with the challenges identified in 3.5.1 of Chapter 3 above.

5.3.1.2 Business payment method

The research findings showed that 60% of the respondents use both cash and card as their payment methods, while 40% of them rely solely on cash as a payment method. The respondents using card payments as well mostly use their personal accounts for business transactions. The dominant reasons for the business payment methods have been discussed above. As per these reasons, the respondents do not necessarily use cash payments with the deliberate intention of evading taxation but in order to adopt viable business payment methods for their businesses, although this dominant use of cash for payments presents the opportunity to conceal income to reduce tax liabilities and make it difficult for SARS to trace income and expenses accurately. This practice provides evidence of the challenges facing SARS in tax collection as discussed in Chapter 3, section 3.5.2 above.

5.3.1.3 Record keeping

The research findings revealed that 90% of respondents operate a record-keeping system, while 10% did not specify having such a system. 80% of the respondents use books and pen to keep a record of their accounts, while 10% use a laptop to do so. The respondents' level of accounting knowledge is basic, and the records kept simply indicate what was received and spent. None of the study respondents engage the services of an accountant. One respondent mentioned the inability of an informal business to pay the costs of accounting services. Although this dominant basic method of record-keeping, in addition to the businesses' overriding use of cash, increases the chances of hiding important information for determining tax liabilities, it appears to be employed by the respondents based on their basic level of accounting knowledge and need for affordability, and not necessarily to deliberately evade taxes. The analysis of the collected data confirms that there is some evidence of poor recordkeeping systems by informal businesses that make it difficult for SARS to trace their income and expenses and determine tax liabilities, a fact that is consistent with the challenges identified in section 3.5.2 of Chapter 3 above.

5.3.2 Perceptions and understanding about tax and the tax system

This section explores the perceptions and understanding of the informal operators regarding taxes and the tax system. It is divided into two subsections covering the perceptions (5.3.2.1) and understanding (referred to as tax knowledge in 5.3.2.2).

5.3.2.1 Perceptions about tax and the tax system

When asked about the role and importance of taxes, all the respondents were able to clearly express their understanding in various ways. Tax was identified as a source of revenue for the government. Furthermore, the most commonly identified use of tax was community upliftment through the provision of social grants and public services. The respondents also indicated factors that influence their tax compliance behaviour in expressing their perceptions about taxation in general and the tax system.

“I think they use it for providing medication, building schools and roads, and infrastructure, which I think is a good thing for our economy.” (Respondent 2)

“I think taxes are that little money that the government is taking from those businesses that are registered legally so that they can help the disadvantaged people of South Africa even some of the disadvantaged foreigners, those ones in squatter camps.” (Respondent 4)

“Obviously to build the road, to help old ages and to maintain the streets.” (Respondent 5)

“For maintaining the country and taking care of the less privileged.” (Respondent 6)

“Tax is money that is supposed to help the infrastructure, a lot of things and growing businesses.” (Respondent 8)

Most of the respondents were aware of the progressive nature of taxation, with some indicating that their low income is one of the main reasons for their non-compliance.

“According to South African law they say it is R3 500. According to South African law, it is R3 500 minimum.” (Respondent 8)

“Yeah, for me it is fair, because as long as you are making more than what they are expecting then they will start taxing you but if you are making less they do not take tax on you.” (Respondent 3)

“Okay, the small knowledge that I have I think a business is enquired to have a certain amount a year so that the person can start paying tax. So, I think my business is very small for that.” (Respondent 6)

“Some of the incomes are not enough. Imagine working at retail, getting R3 500, they must tax that R3 500. It wouldn't be fair.” (Respondent 10)

Most respondents indicated positive tax morale. They seem to be willing to pay taxes because they feel a moral duty to do so and because they anticipate receiving a direct benefit that will be advantageous to them. They also acknowledged the negative effects of not paying taxes.

“Personally, there is nothing that I have prevented me from paying tax. If my business was legal and it was registered, I would not mind paying a certain percentage because to a greater extent it is helping disadvantaged people.” (Respondent 4)

“Like you know the way they manage the things, especially when it comes to the child grant and the other grants that they give you like those battle for the R350s. You know, if you stop paying tax, they may not be able to pay those.” (Respondent 9)

“My benefit, maybe if I pay, maybe they will be able to build us a space that they can fit those small, small businesses than to go around in the street.” (Respondent 5)

“Maybe there would be okay like taxes again, the taxes when you reach a point whereby you get old you know that you are benefiting there. Maybe if I was paying those taxes from my business, I think there would be something at the end of the day that I would be benefitting.” (Respondent 7)

However, some respondents indicated negative tax morale. This attitude was supported by the government's lack of support for informal businesses, and the respondents' perception of not having received any benefits from paying taxes.

“It is my business and even the government did not help with anything.” (Respondent 8)

*“I don’t see any benefits of paying it, because someone else is eating that money.”
(Respondent 2)*

“There are some other loopholes and failures. There’s a lot of corruption, there has been corruption too much, they are corrupt. So, it may be hindering their way of doing their work.” (Respondent 9)

5.3.2.1.1 Factors affecting tax compliance

5.3.2.1.1.1 Tax education by SARS

All the respondents indicated that SARS does not provide tax education in the Rustenburg area. The concern arising from this deficiency is the informal operators’ lack of awareness of the importance and potential benefits of paying taxes, and the tax procedures necessary for tax compliance. Tax is generally complex and without the appropriate access to tax information, it is likely that the informal business operators will find it difficult to comprehend taxation in general. This lack of expertise appeared to be the case because the informal operators have limited exposure to tax-related matters. Most respondents indicated a positive tax morale and stated that they would be willing to pay taxes if they had the relevant knowledge regarding taxation. It appears that the informal operators are willing to comply with the tax regulations but lack the necessary educational means to do so. One of the main causes of non-compliance appears to be tax illiteracy. This finding is further evidence of the challenge that lack of tax education may present, as was established in section 3.5.3 above. It might be easier to determine the tax compliance behaviour of informal operators if they are aware or knowledgeable of their tax rights and responsibilities. In that instance, their choice regarding compliance would hopefully be based on the appropriate tax knowledge.

5.3.2.1.1.2 Anticipated benefits from tax compliance

Most of the respondents expressed their expectation to benefit from paying taxes. The most commonly anticipated benefit was the government’s support of informal businesses. The respondents indicated that they would pay taxes to the government in return for receiving goods and services that would be beneficial to them or their businesses. A few respondents mentioned that the fact that they have not previously received any assistance or support from the government with their businesses discourages them from paying

taxes. This response is consistent with the fiscal exchange theory (see section 2.2 above) that suggests that the government's provision of goods and services encourages tax compliance.

Although the informal operators are aware of the importance of collecting taxes from society for the provision of public goods and services, as well as social grants, they expect their businesses to benefit from paying taxes. This expectation appears to be connected to how they perceive their potential tax contributions should be used, because they would prefer their businesses to benefit directly from their tax contributions.

Some participants expressed their concerns about taxes being misused and wasted as a result of corruption (discussed in section 5.3.2.1.1.3 below). The appropriate use of taxes, including the support of informal businesses, is likely to positively influence their tax compliance behaviour.

5.3.2.1.1.3 Corruption

The majority of the respondents (60%) mentioned corruption as one of the behaviours or actions that discourage tax compliance. The respondents indicated dissatisfaction with the manner in which tax funds are utilized to the extent that there is perceived to be corruption involved. Some respondents acknowledged the positive work that is being undertaken through the government's use of taxes, but highlighted corruption as a hindrance preventing the government from performing better. Dissatisfaction was particularly expressed with respect to local government services. Some respondents expressed their lack of trust in the government due to the poor service delivery in the local area. One respondent mentioned that corruption defeats the whole purpose of taxation because such monies are used to enrich certain people. The misuse of taxes and corruption, thus, overshadows the importance of paying taxes to a certain extent, and confidence and trust in the government may be important for encouraging the public's tax compliance. This finding suggests evidence that political legitimacy, as discussed in section 3.5.6 above, is necessary for encouraging tax compliance. The absence of political accountability and governance as discussed in section 3.4.3 above can discourage tax compliance because it does not align with the social contract between the government and its citizens.

5.3.2.1.1.4 Low unstable income vs. taxes

Most of the businesses are small and do not have a solid customer base and stable income for different seasons. The respondents indicated that they do not necessarily operate their businesses with the deliberate intention of evading paying tax. However, although most of them expressed a strong willingness to contribute to taxes, they remain unregistered as tax payers due to the nature of their operations. Their income is generally unstable and low, and 'profit' is not always guaranteed after covering the costs of maintaining their business. The bulk of income is used to run the business operations and the remaining profit is used for survival. The respondents indicated that it would be difficult to maintain paying taxes when profits are not always guaranteed. They were concerned about how tax should constantly be paid on income irrespective of the sufficiency of the income for the period because they rely on their limited profit for survival. This fact may have also been an indication of the respondents' lack of tax knowledge because such a system is not necessarily the nature of taxation. The concerns expressed about the potential burden of taxation for informal operators is consistent with expectations established in the reviewed literature above. The respondents were unable to indicate whether they thought the present tax rates were high or reasonable. However, the emphasis on low income by a majority of the respondents might be an indication that the respondents perceive tax thresholds as high. However, this perception might not be entirely consistent with those responses that denote the respondents awareness of the progressive nature of taxes, that is deemed fair because one's liability to pay taxes is based on the level of income.

5.3.2.1.2 Factors under tax compliance behaviour – theoretical frameworks

As discussed in Chapter 2 of this research report, five theoretical frameworks were identified that attempt to explain the tax compliance behaviour of taxpayers. The following sections explore the theoretical frameworks that the researcher found to be applicable to the chosen sample. Although five theoretical frameworks were discussed in Chapter 2 above, only four of the five were found to apply to this research study. The applicability of the frameworks is limited by the participants mostly being non tax-compliant and having limited tax knowledge. The researcher, therefore, had to rely primarily on the participants'

perceptions about taxation to determine which theoretical frameworks apply to the selected sample.

5.3.2.1.2.1 Economic factors - Economic deterrence

According to the Economic Deterrence theory, taxpayers' decisions on compliance are based on an analysis of the benefits and costs of tax compliance. Compliance is believed to be positively influenced by the severity of the punitive measures for non-compliance (Becker, 1968).

The majority of the research respondents had limited to no experience of dealing with SARS. However, the respondents indicated their lack of intention to deliberately evade taxes. The majority of them indicated that using penalties for non-compliance may be an effective strategy to deter non-compliance and, rather, to encourage compliance. Some of the respondents expressed the importance of considering the benefits of paying taxes because it encourages compliance. The awareness of the benefits of paying taxes serves as motivation for compliance. The respondents never referred to the costs of compliance with regards to the possibility of detection by SARS and the subsequent imposing of penalties. They seem to operate without concern of detection by SARS. This fact may be due to most of them operating in the informal sector without the intention of deliberately evading taxes.

The respondents lacked awareness of the exact current tax rates and, consequently, could not ascertain the level of reasonability of those rates. However, most of the respondents admitted to not paying taxes. One of the main reasons for their non-compliance was that they believed their income was too low to afford to pay taxes. The respondents did not consider the level of their income low relative to the current tax rates but rather to what they considered as a subsistence level. The sample was observed to not entirely fit the Economic Deterrence model. They do not intentionally choose to operate in the informal sector to evade taxes. Their choice and state of tax compliance does not appear to be deterred mainly by economic factors such as tax rates and the possibility of detection and punitive measures for non-compliance.

5.3.2.1.2.2 Fiscal factors - Fiscal exchange

According to the Fiscal Exchange model, tax compliance and morale are positively correlated with the levels of trust and satisfaction in the public goods and services provided by the government. This model is based on the social contract between the government and its citizens that involves mutual rights and obligations as well as transparency and accountability in government spending (Fjeldstad et al., 2012).

The study respondents commented on the quality and quantity of public goods and services provided by the government. They expressed dissatisfaction with these and linked this deficiency to the wastage and misuse of tax revenue. Some respondents believe that government corruption prevents the government from delivering a satisfactory quantity of quality public goods and services. They believe that government corruption defeats the whole purpose of taxation to a great extent. Dissatisfaction was expressed particularly with the quality and quantity of public goods and services provided by the local government. This frustration may be due to the location of this study's chosen sample being located mainly in a township. During interviews, the researcher witnessed evidence of poor service delivery in the dirty and unsafe surroundings, high levels of young unemployed people roaming the streets, poor healthcare, poorly maintained roads, and insufficient housing and water supply. These circumstances generally create mistrust and a lack of confidence in the government's ability to roll out satisfactory public goods and services.

Although dissatisfaction was expressed by the respondents regarding the provision of public goods and services, acknowledgment was still given to the importance of taxes for enabling the government to provide the public goods and services that positively impact society. Due to society's reliance on government support, corruption does not seem to be a major deterrent to those in the sample acknowledging the importance of tax compliance. Although the government does not satisfactorily meet its end of the social contract, taxes were still considered essential by respondents. Some respondents expressed concern for those who largely rely on public goods and services if taxes are not paid. The dissatisfaction expressed, thus, seemed to be related to the belief that government can do better with tax revenue rather than being a direct deterrence to tax compliance.

5.3.2.1.2.3 Political factors - Political legitimacy

According to the Political Legitimacy theory, taxpayers' compliance with tax laws depends upon the extent to which they trust the political class. People are generally more willing to abide by tax laws when they have confidence in the government's capacity for making decisions and when that government acts in their best interests (Kirchler et al., 2008).

The study respondents perceived the local government as inefficient and ineffective in its decision-making and execution. They demonstrated a lack of confidence in the government's efficiency in fiscal decision-making and spending. This perception was ascribed to the government's failure to roll out public goods and services satisfactorily. The government was not considered entirely politically legitimate because it wastes and misuses tax funds. Government corruption was pointed out as a major reason for government inefficiency. This finding is in line with the Political Legitimacy model, that holds that an ineffective and inefficient government is one whose public spending is of a low-quality and lacks accountability. It appeared that the respondents believe that it is important for the government to execute decisions and expenditure efficiently to encourage tax compliance.

5.3.2.1.2.4 Social-psychology factors - Social psychology

The social psychology model follows the basis that the compliance behaviour of individuals is influenced by social and personal norms (Keith, 1990). Based on the observations of the sample participants and their responses regarding being nontax compliant, it appears that non-compliance and/or indifference towards tax compliance in the informal sector within the Rustenburg area is a norm. Nobody in the sample indicated attempting to be tax compliant because it is a norm and, thus, tax compliance is not a visible priority in the informal sector of the selected research area.

5.3.2.2 Tax knowledge

Some respondents were able to indicate their understanding regarding tax compliance issues while others had little to no understanding of such matters. The level of tax knowledge among the respondents appeared to be limited.

“With my small business, I do not see where they should tax because there is nothing to tax there.” (Respondent 1)

"I think it is a must in fact for everyone who has a business to be donating, to be giving the government a certain amount. I was once having a pay slip. I was working for someone... my salary. I was giving some tax there." (Respondent 4)

"If you generate your money in a proper way, you have to pay taxes. Or else they'll provide a stipulated amount that, if you earn this, you do this then you have to pay such an amount." (Respondent 9)

"Everyone who is working with a normal earning I think deserves to pay tax." (Respondent 8)

"I think policemen, nurses, teachers, those people who work for the government, who are earning too much money should pay taxes." (Respondent 7)

"Those who have big companies, those big companies like Anglo Mine should pay taxes." (Respondent 5)

Some respondents indicated lower tax morale because they perceive that there are no benefits to paying taxes, while others appeared to be aware of the advantages of paying taxes for their small businesses.

"I do not see any benefits as of now, because it is still a small business." (Respondent 3)

"The benefits like I said earlier, my business, I am not paying taxes but the benefits, I think if I may encounter a problem, while if at least I am paying taxes. I think the government will help compared to when I am not registered. Now if I encounter a problem, I have to solve it for myself, but then if I am paying tax, the government can step in and help. I think those are the advantages." (Respondent 4)

"Maybe if I pay, my benefit, maybe they will be able to build us a space that they can fit those small, small businesses than to go around in the street." (Respondent 5)

"Taxes are supposed to help people. But for me, I do not think the government will help me if I pay tax. I will just pay tax on my salary; I pay tax because I have to because I am working. (Respondent 8)

Most respondents have access to tax information from various sources. The sources include the internet, TV, print media, SARS branch, SARS SMSs, employment channels (labour relations offices and labour unions), and word of mouth.

“With these are the things about taxes and stuff. I just hear them from other people because I have never made a follow up with the taxes and stuff because I have never been employed full time.” (Respondent 1)

“I am not sure if the messages are legit or what, but sometimes they tend to send messages from time to time in people's phones, encouraging people to pay tax and not to forget to pay taxes.” (Respondent 4)

“Regarding taxes, your information is everywhere. You can see it on TV. Some billboards are there, some booklets are there, some pamphlets are there.” (Respondent 2)

“Google most of the time and labour relations offices, they help.” (Respondent 8)

Most respondents view taxation as difficult to understand. Furthermore, the tax processes and advantages applicable to small businesses generally are not understood by the respondents.

“It's difficult because most of our people, they are not well educated, like someone who's owning a salon, doesn't know. What he knows is just to cut hair.” (Respondent 2)

“It is very difficult to understand, remember I am working full time like employed, but then you can get a SARS notification that I owe them. How do I owe them? If they are taking my money every month.” (Respondent 3)

“It is difficult, especially to some of us, people that are not most educated that do not know the advantages.” (Respondent 5)

5.3.2.2.1 Knowledge on tax compliance

Some respondents indicated a good understanding of what tax compliance entails. The respondents who were formally employed also indicated that they were actually paying taxes on their employment income. One respondent, who was formally employed prior to owning an informal business, stated that she used to pay taxes on her salary.

Half of the respondents indicated that people who earn a great deal of money are the ones who should be paying taxes. This view may possibly be due to a general lack of understanding of tax compliance and an awareness of the progressive nature of taxes. However, further to that, there were respondents who stated that they do not always earn a stable income and, thus, do not receive sufficient money to pay taxes. A few respondents highlighted that tax compliance could present business opportunities for small businesses. They could explain the potential benefits of tax compliance to those less knowledgeable. Such benefits include general assistance from the government for business challenges that could be faced, and the provision of facilities and services to enable the operation and growth of informal businesses.

5.3.2.2 Knowledge on taxes specific to small businesses

The majority of the respondents had no knowledge of SARS's specific taxes that are applicable to small businesses. Those who had awareness of such specific taxes had the same general knowledge regarding the progressive nature of taxes as those who were not aware of the specific taxes. Furthermore, although the respondents were aware of the progressive nature of taxes, they had no knowledge regarding the exact tax thresholds applicable. There was no indication of the actual income generated by the respondents and its sufficiency to cover taxes. However, most respondents emphasized that their low unstable income is one of the major reasons for their tax non-compliance. This finding was coupled with a balance of negative and positive tax morale from the respondents. However, all the respondents were open to tax education that could assist small business operators with tax compliance.

5.3.2.3 Sources of tax knowledge

The respondents, as indicated above, stated that they access tax knowledge from various sources including the internet, TV, print media, SARS branch, SARS SMSs, employment channels (labour relations offices and labour unions), and word of mouth. The respondents who visited the SARS branch do so to receive answers to personal tax-related queries. These respondents comprised those who had been formally employed who have sought resolutions for their annual tax return issues. These respondents found the process helped to expand their knowledge of the tax system. One respondent

mentioned that it is important to ask questions for clarity and better understanding because the SARS staff are willing to provide explanations. One of the respondents, who was formally employed, mentioned that the labour union representatives are also helpful in clarifying tax-related information. Another respondent also relied on visiting the labour relations office to obtain knowledge on tax-related matters. Despite having access to tax knowledge from various sources, all the respondents indicated that it would be beneficial to have tax information provided to them by SARS representatives in situations during which dialogues could be exchanged.

5.3.3 Experience with the tax system

Most of the respondents did not have any experience with the tax system. This deficiency was due to most of them not being registered for taxation.

“I am not registered so I have never been to SARS.” (Respondent 2)

“I just pass through there. But I know that they are dealing with such things but because I’m not properly registered, I do not go there.” (Respondent 9)

A few of the respondents had had limited interaction with SARS and/or the tax system. Some referred to registering their business and others mentioned registering for their employment separate to their business. The experiences with using the tax services differed for each respondent but were mostly positive.

“The process is superb; I know the experience is good because obviously they want to get money from you so they will give an exceptional reception.” (Respondent 8)

“The process was easy, very quick and friendly.” (Respondent 5)

“I have had one when I went to claim my tax, I was told I am owing them. Then you need to go to the internet café, refresh and everything. When you argue with them like you want clarity it becomes very smooth sailing. They will give you closure, do this do that. Okay fine let us calculate. Alright we do not owe you, you do not owe us.” (Respondent 3)

“I registered through an agent who made everything smooth sailing. I think there was an amount I paid since it is years ago, I paid a small amount for it. Though I think they said if you go individually like for yourself it is free to register, you can go.” (Respondent 6)

“First time it was difficult because I had to go to a branch, so I had to make appointment first and after I come back and wait for them to give me the date to come back, go there. It was almost the whole day because I didn’t have all papers with me. First time when I booked, they didn’t ask me what to bring, so I went there and went to the bank and went there and after they sent everything via email and not all of us have access to emails or smart phones, so I had after they send you the email, you have to go back to the POSTNET and download this thing because on your phone, none of us even have phones, they don’t have that app. It’s only at POSTNET and you have to pay again.”
(Respondent 10)

5.3.3.1 Positive elements of the experience

SARS employees were appreciated for their client-focused attitude and were described by the respondents as friendly and welcoming. The respondents also considered the SARS employees' guidelines for compliance to be easy to understand and follow. The willingness of the SARS's employees to provide clarity to questions asked was valued. A few respondents also referred to the service as being efficient. One respondent chose to conduct her business registration through an agent to avoid challenges and only paid a small fee for this service.

5.3.3.2 Negative elements of the experience

Some respondents expressed dissatisfaction with procedures and requirements that altered upon visits to the SARS branch. Due to the fact that they were required to return with a specific document that is necessary for the registration process, delays occurred and more visits to SARS's office were required. One respondent mentioned that she was required to go to a bank and POSTNET to gather all the required documents, and because the prior possession of such papers was not mentioned to her upon booking an appointment over the phone. There was general dissatisfaction regarding the lack of clarity in communication regarding the required documentation prior to visiting the SARS's branch.

5.3.4 Challenges faced by the informal operators

Despite expressing their willingness to pay taxes, the majority of respondents mentioned that the main reason contributing to their inability to pay tax on their business income is

the perceived survivalist nature of their operations, as discussed above. The range of challenges includes economic and business nature-specific issues that affect the businesses' growth and the owners' ability to contribute to taxes. The other two commonly identified challenges are the lack of government support to the informal operators and the dominance of foreign-owned businesses.

"Some of the time you do not make profit. When you do not make profit, how can I pay the tax, yet I do not have the profit?" (Respondent 5)

"If you are paying taxes and you are making small money then how much is your profit?" (Respondent 3)

"Tax is a bit tricky on us for small businesses because what we earn is very little. Because as for us, it is really tough to get that money from the government and stuff. They do not even help us." (Respondent 1)

"I have a carwash and a restaurant. I can charge you R50 for a car wash. The other foreign guy will charge R35. Then I suffer because I'm on a loss, but they expect me to pay as well. That guy won't pay. He just takes the money and sends it home like it is now, I won't send it home. I'm going to spend it here in South Africa." (Respondent 2)

"Maybe there will be a disadvantage because I think hairdressing, they do not take it as a serious profession." (Respondent 6)

"Because some small businesses suffer most of the time. Only when your business is grown that is when you can survive. Like when you have check with COVID, it has affected all the small businesses. Nothing the government will do. No payment fund do you get. Nothing. It depends on who you are and where you are and how long you have been in the business so it depends. It does not help that much." (Respondent 8)

"The payment is difficult to some extent due to some other restrictions you see now. When I came here in South Africa, I was using a work permit but I ended up venturing into business activities so, if you go there trying to register a business, while I'm using a work permit, maybe they would want an ID, luckily enough when I was working, I said no, I can't work for the rest of my life, I had to do business. Then I ventured into this business that I'm doing." (Respondent 9)

“Firstly, I have to open a business account and it needs R500 and I have to pay that R500 almost every year, whether my business started working or not, as long as I’m registered at tax, I have to pay. So imagine I’m not working, my business hasn’t generated money. Where will I get that R500?” (Respondent 10)

5.3.4.1 Government support

The lack of government support was mentioned by the respondents as a major limitation to the growth of small informal businesses. It was stated that the government does not seem to consider some of the businesses to be professional businesses, yet there are people who make a living out of them. As a result, there is no form of support for these informal businesses. Furthermore, informal operators rely solely on themselves for financial support and receive none from the government, even for the survival of the businesses. The success of the businesses is the sole responsibility of the informal operators and it is easy for their businesses to fail. These findings provide evidence that operating in the informal sector often excludes businesses from growth opportunities as discussed in section 3.4.2 above. Such businesses do not have access to formal funding or credit, and possible business training and support and, thus, places their businesses at risk of failing. However, most of the informal operators had operated their businesses for more than five years, a fact that may possibly indicate the sustainability of the businesses irrespective of access to such opportunities. These businesses, therefore, might just be excluded from growth opportunities and not necessarily be at risk of failing. The informal operators generally indicated expectation of fiscal exchange (see section 2.2 above) in the form of government support for their businesses to encourage their tax compliance.

5.3.4.2 Foreign-owned businesses

It appears that many foreigners operate in the informal sector. When gathering participants to form part of the sample for the study, the researcher observed a significantly large number of foreigners who operate in the informal sector in the Rustenburg area. Furthermore, the study sample comprises mainly foreign informal operators. This fact became evident during the course of the interviews. This finding aligns with that expressed in the literature review above, which identified migration to South

Africa as one of the main reasons for the country's extensive informal sector as discussed in Chapter 3's section 3.3.3 above. South Africa appears to be a magnet for businesses on the African continent, even in the informal sector. The foreign participants in the study were in various informal business activities or industries. This large participation of foreigners appears to have significantly diluted the market share of locally-owned businesses because the ratio of foreign-owned businesses to locally-owned businesses in the sample is high. This fact was also emphasized by one respondent who mentioned how competing foreign business owners charge lower prices than them and send the money back home, compared to their spending their earnings in South Africa. It appears that local owners attribute their experience of low sales levels and market shares to the participation of foreigners in the informal sector.

This large participation of foreigners in the informal sector may be due to entry into this sector being easier than that of the formal sector. To formalize a business, certain documentation has to be obtained that involves lengthy processes. As discussed in section 3.3.3 above, some immigrants choose to operate in the informal sector as a source of income because they lack the necessary legal documentation for citizenship or operating a business (a business permit). One foreign respondent mentioned that there are document restrictions for the registration of businesses by foreigners and because of these requirements they have remained operating in the informal sector. Although this situation excludes them from the payment of taxes, it creates uncertainty over the continuous operation of their business because documentation is actually required to operate a business in South Africa. Another foreign respondent mentioned that it would probably be easier to obtain help from the government if they were registered as taxpayers. The continuous operation of foreigners in the informal sector without the necessary documentation also provides evidence of the lack of government regulation over the informal sector as discussed in section 3.3.1 above. Foreign businesses operate in the informal sector without the required legal documentation.

6 CONCLUSION

6.1 Aims of the study

This study aimed to explore the causes of the non-compliance of informal operators and examine further challenges relating to the taxing of the informal sector. It achieved the objective through obtaining an understanding of the tax perceptions and experiences of South Africa's informal operators in the Rustenburg area in South Africa's North West Province. These perceptions were used to provide an understanding of the tax compliance behaviour of the informal operators. The challenges that informal operators face that may create obstacles to tax compliance were also assessed to obtain insight into the tax compliance behaviour of the informal operators, together with their experience of the tax system. The study was driven by the informal sector's poor tax compliance rates irrespective of its potential tax revenue and the need for a wider tax base in South Africa. The study also aimed to provide recommendations on how to improve tax collection in the informal sector. This chapter provides the main findings of the study, recommendations based on the findings and, finally, suggests areas for future research.

6.2 Main findings

The previous chapter discussed the perceptions of the respondents on taxation using the data collected from the fieldwork. Overall, the respondents showed willingness to pay taxes. However, only a few of the respondents had previously interacted with SARS or the tax system. The respondents' experience of taxation, thus, was limited. Those who had previously interacted with SARS mostly found its services helpful in complying with taxation. In analyzing factors that create challenges in tax collection in the informal sector, there was evidence that the demographic information of the respondents was found to present tax collection challenges. Their business locations are generally difficult to identify, and their poor recordkeeping and dominant cash payment methods make it difficult to determine their tax liabilities.

The challenges in taxing the informal sector identified in Chapter 3 of this research report were helpful in highlighting the factors that impact compliance on a larger scale. The factors that were found to be most prevalent in the context of informal business operators in the Rustenburg area are highlighted below. This information refers specifically to the respondents' tax compliance behaviour and their perceptions of the informal operators regarding taxes.

In analyzing participants' perceptions and understanding of the informal operators of the tax system of South Africa, the respondents were able to articulate the role and importance of taxes clearly. The respondents expressed appreciation for government services, but they were not satisfied with their quantity or quality. There is a general lack of trust and public faith created by government officials' corrupt practices, resource mismanagement, and poor governance. Although the respondents expressed willingness to contribute to taxation, they are discouraged by certain government activities that appear to defeat the purpose of paying taxes. With the awareness of the role and importance of taxation, the respondents indicated that corruption defeats that purpose and rather enriches corrupt government officials instead of contributing to public utilities.

In assessing the factors that create challenges in the tax compliance of the study participants, their general lack of education and tax knowledge were found to be the major factors that affect the tax compliance behaviour of the informal sector business operators. This lack of tax knowledge was evident in their responses throughout the interviews during which they indicated a lack knowledge of tax rules, processes and the benefits of paying taxes. Although most of the respondents have some level of access to tax information, they generally find it difficult to understand. Certain of the respondents' perceptions regarding taxation also indicated a general lack of awareness of the responsibility of the taxpayer to ensure one's own tax compliance because it was not regarded as necessary unless enforced by SARS, thus, the majority of informal business operators do not voluntarily register as taxpayers. The misperception appeared to be that SARS is legally obligated to identify taxpayers and enforce taxes upon them, rather than the obligation for ensuring compliance resting with the individual. Most of the respondents also considered themselves to be low-income earners who fall below the tax threshold, notwithstanding

their lack of knowledge of the exact tax threshold for individuals or small businesses. The study respondents also showed little awareness of the available tax incentives and benefits for small businesses and generally indicated a lack of understanding of their tax rights and obligations. Consequently, the respondents expressed the importance of tax education. It is assumed that respondents would comply with SARS's requirements but need tax education initiatives in order to do so.

The diverse study participants were selected from any persons operating in the informal sector in the Rustenburg area. Upon conducting the fieldwork and gathering participants to form the sample, the researcher discovered that most of the businesses operating in this informal sector are mainly foreign-owned enterprises, thus, the study sample comprised mainly foreign informal business operators. One such respondent regarded it easier to just operate in the informal sector because certain documentation would be required to register the business in the formal sector, and it is usually difficult for foreigners to obtain a business permit. This situation is possibly one of the reasons some foreigners remain operating businesses in the informal sector. Most of the foreign informal operators, however, exhibited a positive tax morale. They indicated an understanding of the importance of paying taxes and expressed a strong willingness to contribute to such revenue. This finding is noteworthy because it implies that improving tax compliance in the informal sector might require careful consideration of migration issues and processes.

6.3 Recommendations

The study revealed that informal operators generally exhibit willingness to comply with taxes. It also indicated that there are various factors that influence the tax compliance behaviour of the informal operators. As a result, techniques to strengthen tax compliance in the informal sector should be adjusted to account for the various factors that influence tax compliance behaviour. The following sections suggests tax compliance techniques according to the factors that were found to have a major impact on the tax compliance behaviour of the participating informal operators.

6.3.1 Tax education by SARS

As discussed in the above research findings, informal operators generally indicated the willingness to pay taxes but lack the necessary educational means to do so. The lack of

tax education was observed to be one of the main reasons for the non-compliance among the informal operators interviewed. Initiatives that are tax education-focused may be useful in strengthening tax compliance. Education in relation to the technical aspects of taxation, tax arrangements and concessions for small businesses, tax processes from registration to the returning of submissions, and the benefits of paying taxes, is necessary for improved tax compliance because it is likely to improve the understanding of potential tax payers. SARS's provision of tax information and innovative ways of providing easier access to tax information and tax education would help to eliminate the current tax knowledge gaps amongst informal business operators. It may also be important to consider the nature of the informal sector and the demographic profiles of the informal business operators when implementing tax education outreach initiatives because the study respondents have indicated that such programmes would positively affect the informal sector on a broader scale.

6.3.2 Migration processes and policies

This research study involved mainly foreign informal operators and revealed the presence of numerous foreigners in the informal business sector within the Rustenburg area. Furthermore, it revealed the challenges faced by these foreign informal business operators, particularly regarding obtaining the required documentation to start a formal business. This finding links to the views expressed in the above literature review which posits that some immigrants operate businesses in the informal sector due to the challenges they face in the migration process. These difficulties include the lack of the necessary documentation for residence in the country and problems experienced in obtaining business permits. The fieldwork revealed that such problems were interlinked with obstacles faced by such informal business operators in becoming tax compliant. These results imply that strengthening tax compliance in the informal sector requires consideration of the challenges created by complexities in migration policies and processes currently faced by foreign immigrants. This interconnection may suggest that the incorporation of more inclusive migration policies into informal sector taxation policies would improve tax compliance in this sector.

6.4 Suggestions for future research

The study only focused on the informal sector operating within the Rustenburg area in the North West Province of South Africa. Future research could be expanded to other cities and provinces in the country for further comparison and obtaining evidence of the context in other parts of the country. It may also be worthwhile to include informal businesses from various other activity types or industries, because this study only included informal operators from a limited number of businesses or industries. The study also followed a qualitative method of enquiry with a small sample size to perform an in-depth investigation of complex human behaviour issues towards taxation. An inherent limitation of the collected interview data is that it relies on self-reporting, which may not be either accurate or complete. A quantitative method of enquiry, therefore, also could be used to expand the scope of research in this area to include a larger sample size and quantify observed behaviours.

The research revealed challenges in SARS's collection of taxes and those faced by informal operators that impact their ability to comply with taxation. It, therefore, may be worthwhile to further investigate these challenges and their possible impact on suitable policy frameworks for informal sector taxation. The literature review presented in Chapter 3 above indicated some tax collection challenges faced by tax collectors or authorities, mostly from other African countries. These could be considered from the perspective of tax collectors in the South African context in conjunction with the challenges revealed by this study to use as a base to explore possible alleviation strategies to improve tax collection in the informal sector.

This study also investigated the tax perceptions of informal operators in South Africa but did not explore possible alternative approaches or strategies that could be used to tax the informal sector. Although South Africa has tax systems available for small businesses in general, the above discussed literature review showed that South Africa does not have a specific tax approach for taxing the businesses operating in the informal sector. The approaches that were discussed in the literature review are those applied in some other African countries. The approach applied by a country needs to be germane to the nature of the informal sector of that particular country. The lack of a specific approach to the

taxation of the informal business sector in South Africa, and the potential of alternative approaches used in other countries to improve the tax contribution of this specific sector in South Africa, presents an opportunity for research to further explore the nature of South Africa's informal business sector and to support the formation of a strong policy for creating a specific approach or strategy for informal sector taxation in South Africa.

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APPENDICES

APPENDIX A: DEMOGRAPHIC PROFILE OF PARTICIPANTS

SECTION A: BACKGROUND DATA OF THE INFORMAL OPERATORS

Table 1: Gender

Gender	Frequency	Percentage (%)
Female	6	60
Male	3	30
Unspecified	1	10
Total	10	100

Table 2: Age of the respondents

Age (years)	Frequency	Percentage (%)
10-19	0	0
20-29	1	10
30-39	6	60
40-49	2	20
50-59	1	10
Total	10	100

Table 3: Highest education level

Education level	Frequency	Percentage (%)
Primary (Grade 1-7)	0	0
Secondary (Grade 8-12)	9	90
Tertiary	1	10
Total	10	100

Table 4: Type of business activity

Business activity	Frequency	Percentage (%)
Cash loan provision	2	20

Catering	2	20
Property rental	2	20
Car panel beating & repair	1	10
Car wash & restaurant	1	10
Mobile retail	1	10
Hairdressing	1	10
Total	10	100

Table 5: Average age of business

Business age (years)	Frequency	Percentage (%)
0-5	4	40
5-10	2	20
10-15	2	20
15-20	1	10
20-25	1	10
Total	10	100

Table 6: Business location

Business location	Frequency	Percentage (%)
Home-based in township	4	40
Mobile	3	30
Rustenburg CBD	2	20
Store in township	1	10
Total	10	100

Table 7: Type of business location

Business location	Frequency	Percentage (%)
Permanent	7	70
Mobile	3	30

Total	10	100
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Table 8: Business payment method

Method	Frequency	Percentage (%)
Cash	4	40
Cash & card	6	60
Total	10	100

Table 9: Business recordkeeping method

Method	Frequency	Percentage (%)
Book	8	80
Laptop	1	10
Unspecified	1	10
Total	10	100

APPENDIX B: INTERVIEW GUIDE

Section B: Perceptions on the SA Tax System

1. How would you define tax?

Probe if required:

- *Why does the government collect taxes? What does the government use tax for?*

2. Does the government use taxes properly/ satisfactorily?

Probe if required:

- *What are some of the public activities and behaviour of the government that have prevented you from paying taxes?*
- *What are some of the public activities and behaviour of the government that have encouraged you to pay taxes?*

Section C: Understanding of Tax Obligations & Rights

1. Who is obliged to pay taxes to SARS?

Probe if required:

- *Do you think it is necessary for every income earner, including yourself, to pay taxes?*

2. Where do you obtain information regarding taxes?

Probe if required:

- *Do you think tax information is generally easy or difficult to understand?*
- *What are some of the measures taken by SARS to encourage tax compliance?*
- *What are some of the measures put up by SARS that discourage the payment of tax?*

3. What is your understanding of your tax obligations?

Probe if required:

- *Are you aware of any specific taxes (turnover taxes/ SBC tax rates) for small businesses?*
- *Are you registered to pay taxes?*
- *Is the level of tax for small businesses fair or high? If taxes are high, how much would you be prepared to pay?*
- *Which fees do you have to pay to the local municipality?*
- *What do you think are the benefits for your business of paying taxes to SARS?*
- *What do you think are the disadvantages of paying taxes?*
- *Do you believe that penalties for non-payment of tax encourage tax compliance?*

Section D: Experience with the Tax System

1. What is your experience with SARS (if any)?

Probe if required

- *What do you find easy in the process of trying to comply with taxes?*
- *What are the challenges that you've encountered in trying to comply with taxes?*
- *What are the costs you had to incur in complying with taxes?*
- *What are the resources that SARS have provided to enable/ encourage tax compliance? / Which resources do you feel SARS should provide to encourage tax compliance?*

2. What is your view of SARS assisting you with tax education?

Probe if required:

- *What do you think should be implemented by SARS to ensure understanding of taxes and ease of access to tax compliance services?*
- *What would you suggest to SARS to improve informal operators' willingness to pay taxes?*

3. Is there anything you feel I left out or is there anything else you would like to add on tax issues affecting informal operators in Rustenburg?

APPENDIX C: INTERVIEW REPONSES

Interviewee 1: Car panel beater

INTERVIEWER: All right. Let's get started then. Okay. For your gender, are you male, female other, or you prefer not to say?

INTERVIEWEE: I am male.

INTERVIEWER: And how old are you?

INTERVIEWEE: I am forty-three.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: My highest is, I went up to N3.

INTERVIEWER: N3, what is your type of business activity?

INTERVIEWEE: Panel beating, spray painting.

INTERVIEWER: Okay. How old is the business?

INTERVIEWEE: It almost going to twenty-two years now.

INTERVIEWER: All right. And where is the business located?

INTERVIEWEE: It is located here in Noord in Rustenburg at my place where I am staying. That is where I do my business.

INTERVIEWER: And how old is the business location?

INTERVIEWEE: The business location so far right now it is almost about four years staying there, staying there where I am staying.

INTERVIEWER: And is the business location permanent?

INTERVIEWEE: No, it is not permanent.

INTERVIEWER: How often does it change?

INTERVIEWEE: It depends if I am to move away from where I am staying which means I have to move the business as well somewhere else.

INTERVIEWER: Okay. All right. I see. And then the finances of the business, how do you manage that?

INTERVIEWEE: Finances of the business is a bit tricky because some, we get being paid cash in cash in hand, and some of them, they come into their account. So as we go, you know how tough the life. It is hand to month.

INTERVIEWER: All right. I see that. And then, so you use cash and card?

INTERVIEWEE: Usually it is cash and they deposit into my account.

INTERVIEWER: All right. I see that. So do you have a bank account that is specific for the business?

INTERVIEWEE: At the moment I do not have. I have a personal account.

INTERVIEWER: Okay.

INTERVIEWEE: That I use for my business.

INTERVIEWER: All right. And then, do you have any method that you use to keep record of everything?

INTERVIEWEE: The everyday records? Usually I write them down in my counter book, knowing who owes me, who does not owe me. That is how I operate.

INTERVIEWER: All right. Okay. That is that for your background information? I just want to get your perception on the South African tax system right? What do you think taxes are?

INTERVIEWEE: Taxes. I really cannot explain how it really goes. I do not really get to understand it well.

INTERVIEWER: You do not get. Okay.

INTERVIEWEE: Yes.

INTERVIEWER: Oh, all right. So, what do you think the government collect taxes for really? Why do you think they collect taxes?

INTERVIEWEE: Not so sure.

INTERVIEWER: Not so sure.

INTERVIEWEE: About it. I would not have an answer that because I am not really sure about why they collect taxes.

INTERVIEWER: Okay. Is there anything maybe that the government has done maybe public activities and behaviour that have prevented you from paying taxes [with? 03:02]?

INTERVIEWEE: I do not have an answer. I do not want to lie.

INTERVIEWER: Okay. Is there anything maybe that they have done to encourage you to pay taxes?

INTERVIEWEE: Nothing yet.

INTERVIEWER: Nothing yet. Okay. So, who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: I think the people who work for the government, they should pay the tax.

INTERVIEWER: People who work for the government.

INTERVIEWEE: Yes. They should pay the tax.

INTERVIEWER: Why them?

INTERVIEWEE: I think they are the ones who are getting the money from the government.

INTERVIEWER: Okay.

INTERVIEWEE: Because as for us, it is like the really tough to get that money from the government and stuff. They do not even help us.

INTERVIEWER: I see that. So do you think that it is necessary for everyone who earns income, any form of income, including yourself to pay taxes?

INTERVIEWEE: Like the way I operate and the way things are tough, I do not think it is something that I should pay.

INTERVIEWER: Okay. I see that. So your information regarding taxes, where do you obtain such information? Would you have access to that?

INTERVIEWEE: With these are the things about taxes and stuff. I just hear them from other people because I have never made a follow up with the taxes and stuff because I have never been employed full time.

INTERVIEWER: Yes. Okay. I see that. Do you think that when people talk about it, it is information that is easy to, or difficult to understand?

INTERVIEWEE: It is not difficult to understand if you really get to have the proper information about it, but the way the things go, it is a bit difficult.

INTERVIEWER: It is a bit difficult. Okay. Do you think there are any measures maybe that have been taken by SARS to like maybe encourage you to pay taxes, to encourage tax compliance in general from small businesses.

INTERVIEWEE: I have not seen anything.

INTERVIEWER: You have not seen anything. Okay. And what do you understand? What do you think are your tax obligations for your small business?

INTERVIEWEE: With my small business, I do not see where they should tax because there is nothing to tax there.

INTERVIEWER: Okay. Are you aware of any specific taxes, right for small businesses?

INTERVIEWEE: I am a bit aware about that, but with our business as small as they are, we do not earn much, and they do not reach the amount that they [inaudible 05:39] taxes.

INTERVIEWER: I see, the threshold.

INTERVIEWEE: Yes.

INTERVIEWER: Okay. So are you registered to pay taxes?

INTERVIEWEE: Well, I am registered with SARS, but I am not yet having a tax number because my income is very low.

INTERVIEWER: Your income is very low. I see that.

INTERVIEWEE: Yes.

INTERVIEWER: And do you pay any fees to the municipality?

INTERVIEWEE: Municipality? I only pay the rent of my house.

INTERVIEWER: Okay. You just pay the rent and what does that rent include?

INTERVIEWEE: I pay the rent. I also pay electricity and water bills.

INTERVIEWER: And water bills. I see. Okay. What do you think are the benefits of small businesses paying taxes to SARS?

INTERVIEWEE: There will not be any benefits to that because the amount that you will be earning is very little for you to remove fourteen-point whatever percent to the government. And it goes to them just like that after all, all the parts and stuff like that we buy.

INTERVIEWER: Yes.

INTERVIEWEE: They've already got tax on top of it and we don't get to be returned that.

INTERVIEWER: So you are already paying taxes on everything else that you are buying.

INTERVIEWEE: We are already paying tax of everything that we buy.

INTERVIEWER: And what do you think are the disadvantages of paying taxes?

INTERVIEWEE: Actually to ask the small business is a disadvantage because for us to get the tax returns and stuff like that, it will be a bit complicated. You'll be paying someone to do all the paperwork yet you are not getting much money to pay also the accountant to do those papers but for the big companies, it is better because they earn more so they can employ some other people to do their paperwork.

INTERVIEWER: I see that. Do you think that when SARS penalises people not to pay taxes that encourages people to pay taxes?

INTERVIEWEE: I do not think it encourages.

INTERVIEWER: You do not think so. All right. Do you have any experience with SARS?

INTERVIEWEE: No.

INTERVIEWER: I heard you say that you have not gotten a tax number.

INTERVIEWEE: Yes.

INTERVIEWER: But you have went through some process with taxes. What was the process?

INTERVIEWEE: The process is to... because when you open a company you have to also register with SARS. And when you register with SARS for you to get a tax number you must be earning, there is a certain amount that they say you must be earning, the company must be earning.

INTERVIEWER: Yes.

INTERVIEWEE: Then you can get a tax number.

INTERVIEWER: Oh so your company...

INTERVIEWEE: If you do not have that, if you don't earn such money which means you won't be paying tax. Your taxes are being taxed while you are buying whatever you are buying because whatever you buy, that money does not come back to you.

INTERVIEWER: I see.

INTERVIEWEE: It just goes straight to SARS.

INTERVIEWER: I see that. When you were in the whole process of trying to register, did you encounter any problems, any challenges maybe when you tried registering at that point in time?

INTERVIEWEE: No, I have not.

INTERVIEWER: No you did not?

INTERVIEWEE: Yes.

INTERVIEWER: Okay and then what do you think about SARS providing tax education, more tax education for people to have best understanding and all that?

INTERVIEWEE: It will be a very good thing. It will make most of us get to understand better.

INTERVIEWER: Yes.

INTERVIEWEE: What is the meaning of SARS? What is the meaning of tax because once you do not get to really understand it, it is also confusing.

INTERVIEWER: Yes. I see that. And what are the things that you think SARS should maybe implement to make sure that people understand taxes better and have better access to tax compliance services?

INTERVIEWEE: I think if they can at least say whoever wants to open a company wants to operate and stuff like that, they must also have classes like at SARS saying, no, you can have free classes that they have to teach you how does it go so that you know where you are going and where you're coming from.

INTERVIEWER: I see that. And for like small businesses that are informal, what do you think SARS should maybe come up with or improve on at the moment to encourage or to improve the willingness of this informal traders to pay taxes?

INTERVIEWEE: I do want to lie. It is a bit tricky and a bit difficult to explain that.

INTERVIEWER: But what would you like from your personal perspective, what do you think would help you out?

INTERVIEWEE: What help me out?

INTERVIEWER: Like maybe encourage you better to pay taxes because I mean there are, like you said, there is a threshold for taxes, right but there are other systems that have been used where there is not really a threshold and when they, when you have your income, they just say that of your income, you just pay R1.00 of everything that you earn. So, if there was to be such a system where you just do not pay a lot of money but you just pay something, what would encourage you to pay taxes?

INTERVIEWEE: Okay. Like I was saying tax is a bit tricky on us for small businesses because what we earn is very little.

INTERVIEWER: Very little, yes.

INTERVIEWEE: But with the big companies, it is an advantage to them because they can do some other things that they can make them not to pay tax, but with us now we do not have other things that we can do that cannot make us not to pay the tax.

INTERVIEWER: I see.

INTERVIEWEE: Like I can support a soccer team and then pay them something, but at the end of the day, it covers up for my taxes.

INTERVIEWER: Yes.

INTERVIEWEE: But with me as a small business, I cannot support a team and pay them something out of it because it is a small business. It does not earn anything much as well.

INTERVIEWER: So tax planning?

INTERVIEWEE: Yes.

INTERVIEWER: I see that. You do have an idea of how taxes work. Right. All right. That's that. Do you feel like there is anything that I left out maybe that you would like to add on, on like tax issues affecting informal operators in Rustenburg?

INTERVIEWEE: I don't think there is. Yes.

INTERVIEWER: Thank you so much for your time and input. That is the end of our interview.

INTERVIEWEE: Yes. Thanks, you too.

Interviewee 2: Car wash & restaurant

INTERVIEWER: All right, let's get started then. For your gender, are you male, female other, or you prefer not to say?

INTERVIEWEE: Prefer not to say.

INTERVIEWER: All right, how old are you?

INTERVIEWEE: 34.

INTERVIEWER: And what's your highest education level?

INTERVIEWEE: Matric

INTERVIEWER: What's your type of business activity?

INTERVIEWEE: Car wash and restaurant.

INTERVIEWER: And how old is the business?

INTERVIEWEE: More than 5 years.

INTERVIEWER: Where's the business located?

INTERVIEWEE: Where I'm staying.

INTERVIEWER: And where do you stay really like the location?

INTERVIEWEE: Rustenburg Tlhabane.

INTERVIEWER: All right, how old is the business location?

INTERVIEWEE: It's been I don't know, operating for more than 5 years.

INTERVIEWER: Is the business location permanent?

INTERVIEWEE: Yes.

INTERVIEWER: So it never changes?

INTERVIEWEE: Never changes.

INTERVIEWER: And how do you manage the finances of the business?

INTERVIEWEE: By keeping the records.

INTERVIEWER: Where do you keep the records?

INTERVIEWEE: On the books, I've got some books that I use.

INTERVIEWER: You have some books and which payment method do you use for the business?

INTERVIEWEE: Cash is King.

INTERVIEWER: Cash, why do you choose to only use cash?

INTERVIEWEE: That's money. I believe in something that I see.

INTERVIEWER: All right, you believe in something that you see all right. Do you have a specific bank account for the business?

INTERVIEWEE: No.

INTERVIEWER: No. All right that's that for the background information. I just want to get your projections on the South African Tax System. What do you think taxes are?

INTERVIEWEE: Taxes, I think we are just wasting our money but I don't think I'm wasting it because some is getting lost, some they're using it in a proper way. It depends on who's getting the money and how are they using it. Most of the money is getting lost along the way, which gives us a problem of being taxed. How you pay tax because sometimes the money gets lost.

INTERVIEWER: I see. So why what do you think they use the taxes for? What are they supposed to use it for?

INTERVIEWEE: I think they have to use it for providing medication, building schools and roads, infrastructure, which I think is a good thing for our economy. But the one thing I don't like is the money that is getting lost.

INTERVIEWER: So the money that is not going to the right use, that is not used properly. So do you think that there are some things maybe done by the government, that are publicly available, that maybe prevent people or discourage people from paying taxes?

INTERVIEWEE: Yes there are.

INTERVIEWER: What are those?

INTERVIEWEE: Starting with our leaders are getting more, much money but I still, they are still stealing other money, then how do we pay? We can't pay when some people are stealing that money.

INTERVIEWER: I see, but are there other things that they have done maybe that have encouraged people to pay taxes?

INTERVIEWEE: Up to so far I don't see none of those things.

INTERVIEWER: All right, you don't see any, all right.

INTERVIEWEE: Any.

INTERVIEWER: Okay and then I just want to understand, I just want to see if you understand your tax obligations and that, who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: Those the same people who are stealing those money, they're the ones who are supposed to pay for tax because they're the ones who were stealing the money otherwise as they are the ones who are eating the money. How can I pay for something I don't eat?

INTERVIEWER: Yeah, I see.

INTERVIEWEE: I'm paying the money then they steal the money, who am I paying?

INTERVIEWER: Yeah. I see that. So do you think that it's necessary for everyone who earns income, including yourself from your business, to pay taxes?

INTERVIEWEE: No, I don't think so.

INTERVIEWER: You don't think so. All right and like taxes, where do you obtain information in general regarding taxes?

INTERVIEWEE: Regarding taxes, your information is everywhere. You can see it on TV. Some billboards are there, some booklets are there, some pamphlets are there.

INTERVIEWER: Where have you access to all of these things?

INTERVIEWEE: Along the roads.

INTERVIEWER: The pamphlets?

INTERVIEWEE: Along the road.

INTERVIEWER: Along the roads, okay. Do you think that information related to tax is generally easy or difficult?

INTERVIEWEE: It's difficult because most of our people, they are not well educated, like someone who's owning a salon, doesn't know. What he knows is just to cut hair.

INTERVIEWER: I see. Do you think that there some measures that have been taken by SARS to like encourage people to pay taxes? Actions maybe, maybe to encourage people to...

INTERVIEWEE: Yes, they are there.

INTERVIEWER: What are those ones?

INTERVIEWEE: People are getting penalised and...

INTERVIEWER: So penalties I see that, and then are there any things that SARS have done, to maybe discourage people to pay taxes?

INTERVIEWEE: Yes...

INTERVIEWER: What are those?

INTERVIEWEE: Money's getting lost like I said.

INTERVIEWER: I see that. I just wanted to ask you if you understand any of your tax obligations? Are you aware of any specific taxes for small businesses?

INTERVIEWEE: No

INTERVIEWER: No. Okay, is the business registered for tax?

INTERVIEWEE: No.

INTERVIEWER: Do you pay any fees to the local municipality?

INTERVIEWEE: Yeah, I pay electricity and water.

INTERVIEWER: Water and electricity. And what do you think are the benefits for paying taxes as a small business?

INTERVIEWEE: Come again?

INTERVIEWER: The benefits of paying taxes as a small business, what do you think are those?

INTERVIEWEE: I don't see any benefits of paying it, because someone else is eating that money.

INTERVIEWER: I see. Do you think there are any disadvantages of paying taxes as a small business?

INTERVIEWEE: No, not any advantages.

INTERVIEWER: Okay. I heard you speaking about penalties. You said that penalties actually encourage people to pay taxes? Okay, do you have any experiences with SARS?

INTERVIEWEE: I'm not registered.

INTERVIEWER: You're not registered, so you've never tried going there or anything like that for the business?

INTERVIEWEE: Why would I do that?

INTERVIEWER: Okay. I see that. Are there any resources that SARS have provided you with, to maybe encourage you to register your business?

INTERVIEWEE: No.

INTERVIEWER: None.

INTERVIEWEE: Yeah, they are lazy SARS people, they don't encourage, they don't do anything. Just sit in their offices waiting for us to come there and no, they must come to us. People need information.

INTERVIEWER: What do you think about SARS providing you with tax education?

INTERVIEWEE: I think it will be fine. Everyone must learn what is education about, what they must know, they must know that they must use that money wisely, so they it can benefit the whole country. It mustn't benefit an individual, who are sitting there with his suits and ties.

INTERVIEWER: I see that and what more do you think should maybe be put in place, to make sure that people understand better and have better access to like services from SARS?

INTERVIEWEE: Like I said, SARS people are lazy. They are just sitting there doing nothing. SARS people they are just sitting there in the office, they must come to the people, give people information.

INTERVIEWER: Give people information. I see that and what do you think would encourage people, like small businesses, to pay taxes? Motivate them even better.

INTERVIEWEE: I think...

INTERVIEWER: What would motivate you to pay taxes on your business?

INTERVIEWEE: If the Government will take us seriously. Our business must be taken seriously by the Government. That's when we can pay them.

INTERVIEWER: Yeah. How, what do you mean by like take you seriously?

INTERVIEWEE: Like I said, I have a carwash and a restaurant. I can charge you R50 for a car wash. The other foreign guy will charge R35. Then I suffer because I'm on a loss but they expect me to pay as well. That guy won't pay. He just takes the money and sends it home like it is now, I won't send it home. I'm going to spend it here in South Africa.

INTERVIEWER: Yeah, I see that, so all right. I see that. That's perfect. Is there anything that you feel that I've left out maybe, that you'd like to add, anything?

INTERVIEWEE: No

INTERVIEWER: Thank you so much for your time and your valuable input.

Interviewee 3: Mobile retail seller

INTERVIEWER: All right, just to get started, a bit of a background data, on you for your gender are you male, female, other or you prefer not to say?

INTERVIEWEE: A female.

INTERVIEWER: How old are you?

INTERVIEWEE: 37.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: I got a university degree in HR.

INTERVIEWER: And what is your type of business activity?

INTERVIEWEE: I sell Sunbird perfume and I sell clothes.

INTERVIEWER: Okay.

INTERVIEWEE: I order online, I sell hair as well, I order online.

INTERVIEWER: All right, and how old is the business?

INTERVIEWEE: The perfume business is about 2 years old, clothes business I do not remember how old it is, it is very very old. It is my first child.

INTERVIEWER: Jah and then the hair business?

INTERVIEWEE: 3 years old.

INTERVIEWER: All right, where are the businesses located?

INTERVIEWEE: It is a mobile one.

INTERVIEWER: You move with it right?

INTERVIEWEE: Yes.

INTERVIEWER: All right, and that means that it is always changing, depending on where you have to deliver.

INTERVIEWEE: Yes, where I deliver. Yes.

INTERVIEWER: Okay. And then the finances of the business how do you manage those?

INTERVIEWEE: It depends, like if it is perfume, I give you today month end when you get paid you pay me, either you deposit into my bank account or you bring it as in cash. I got a book that you write, they supply us with books, we write it there. Clothes business the same goes as well as the hair.

INTERVIEWER: Okay all right so you use cash and...

INTERVIEWEE: ...EFT.

INTERVIEWER: EFT all right. So, what is your reason for using both? Do you have any particular reason for that?

INTERVIEWEE: Remember I am selling for people who do not have that much money so if it is hair, they have to do EFT because it is probably a lot. If it is clothes and perfume, they can pay cash.

INTERVIEWER: Okay, I see that. So, do you have a bank account that is specific for the businesses?

INTERVIEWEE: I do.

INTERVIEWER: All right that is that for the background information. And then I just want to get your perceptions on the South African tax system, what do you think taxes are?

INTERVIEWEE: Yeah, for me it is fair, because as long as you are making more than what they expecting then they will start taxing you but if you making less they do not take tax on you.

INTERVIEWER: All right.

INTERVIEWEE: So, it is fair.

INTERVIEWER: It is fair. Why do you think the government collect taxes, what do you think they use it for?

INTERVIEWEE: Revenue.

INTERVIEWER: The government revenue?

INTERVIEWEE: Yes.

INTERVIEWER: Okay do you think that they use the taxes properly or like satisfactory?

INTERVIEWEE: Definitely not.

INTERVIEWER: Why not? Why definitely not?

INTERVIEWEE: You know what happens with the government officials, so we do not need to get details there, but definitely not.

INTERVIEWER: Okay. So, is there any public activities or behaviour of the government that have maybe prevented you from paying taxes?

INTERVIEWEE: None.

INTERVIEWER: None. And then any that have encouraged you to pay taxes?

INTERVIEWEE: None, I am not making that much.

INTERVIEWER: Okay, who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: Shoprite.

INTERVIEWER: Why do you think Shoprite?

INTERVIEWEE: They are making more.

INTERVIEWER: They make more?

INTERVIEWEE: Yes.

INTERVIEWER: So, you think people that make more should pay tax?

INTERVIEWEE: Exactly. Why should I pay tax?

INTERVIEWER: So, information regarding taxes where do you collect that?

INTERVIEWEE: I read every day; I learn every day. So, yah right.

INTERVIEWER: So, you think that like information related to taxes is generally difficult or easy to understand?

INTERVIEWEE: It is very difficult to understand, remember I am working full time like employed, but then you can get a SARS notification that I owe them. How do I owe them? If they are taking my money every month, no way.

INTERVIEWER: Yeah, do you think that there are some measures that are taken by SARS to encourage tax compliance?

INTERVIEWEE: Trust me whatever that they are doing it is not encouraging because how can they say you owe them when you are supposed to claim your taxes?

INTERVIEWER: Jah, okay I see that. So, anything that they have done instead to discourage the payment of taxes?

INTERVIEWEE: That is exactly what they are doing. How can you say when I went to claim my taxes and you saying I owe you.

INTERVIEWER: I see, I see that. So, they do not provide a lot of information?

INTERVIEWEE: They do not.

INTERVIEWER: They do not. Are you aware of any specific taxes for like small businesses?

INTERVIEWEE: None that I know of.

INTERVIEWER: Okay, are you, for your business are you registered to pay any taxes?

INTERVIEWEE: No.

INTERVIEWER: No, and do you pay any fees to the local municipalities for your businesses?

INTERVIEWEE: No, my business is mobile, I move with it.

INTERVIEWER: You move with it, so nothing?

INTERVIEWEE: Yes.

INTERVIEWER: Okay, so what do you think are the benefits for your businesses maybe to register to pay taxes?

INTERVIEWEE: I do not see any as of now, because it is still a small business.

INTERVIEWER: And then any disadvantages that you think are there for paying taxes as a small business?

INTERVIEWEE: If you are paying taxes and you are making small money then how much is your profit?

INTERVIEWER: I see.

INTERVIEWEE: It does not make sense.

INTERVIEWER: All right, do you think that when SARS penalises people for not paying taxes that encourages tax compliance?

INTERVIEWEE: It does not. Not at all.

INTERVIEWER: Okay, why not?

INTERVIEWEE: I am paying tax every month, but then when I go once a year to claim my tax, I am told that I am owing them five thousand, but I have been paying it.

INTERVIEWER: You have been paying, that is for your employment?

INTERVIEWEE: Yes, where is it coming from?

INTERVIEWER: I see.

INTERVIEWEE: So, honestly it does not encourage you.

INTERVIEWER: It does not.

INTERVIEWEE: It discourages you a whole lot.

INTERVIEWER: All right, do you have any experience with SARS maybe?

INTERVIEWEE: I have had one when I went to claim my tax, I was told I am owing them. Then you need to go to the internet café refresh and everything oh no we do not owe you; we do not owe you; you do not owe us, it is balanced. Then why should I claim that?

INTERVIEWER: I see I see that. And then what did you find easy maybe in the whole process of trying to claim your taxes? Was there anything that was smooth sailing?

INTERVIEWEE: Yes, when you argue with them like you want clarity it becomes very smooth sailing. They will give you closure, do this do that. Okay fine let us calculate oh all right we do not owe you, you do not owe us.

INTERVIEWER: I see, and then what is difficult in the whole process, what are the challenges?

INTERVIEWEE: If you are not educated enough trust me you will end up paying SARS.

INTERVIEWER: Okay, I see that. Were there any costs that you incurred maybe?

INTERVIEWEE: None.

INTERVIEWER: None, okay. Are there any resources that you feel SARS should provide to encourage tax compliance?

INTERVIEWEE: Jah, I think they should like when you go to apply for your SARS, I think you should get everything on a silver platter, not to be moved from this office to that office, this office to that office you spend the whole day just to get a tax number.

INTERVIEWER: Okay, so information, full information?

INTERVIEWEE: Yes.

INTERVIEWER: Okay in one full package. All right what do you think about SARS providing tax education to small businesses?

INTERVIEWEE: It does not, none.

INTERVIEWER: None, so they should not provide any...

INTERVIEWEE: They are not providing any.

INTERVIEWER: They are not providing, what do you think about them doing this? Do you think it would be something that is worthwhile doing or anything like that?

INTERVIEWEE: It will be worthwhile trust me, but because they are not doing anything about it, small business will keep continuing not paying SARS.

INTERVIEWER: I see, and what more do you think should be implemented by SARS to ensure the understanding of taxes?

INTERVIEWEE: At least they need to educate people, I do not know how, make roadshows, make something so that the public will be educated, not everyone knows about tax.

INTERVIEWER: Jah, not everyone is aware of it, that is what I am picking up from the people that I have spoken to. And is there anything else that maybe SARS, what do you suggest maybe for SARS to introduce to improve their willingness of informal operators to pay taxes?

INTERVIEWEE: Start making roadshows, start building gazebos at the taxi rank, educate people passing. Just like people at Aurum, those ones who do the HIV test they just pitch their tent there, they educate people. Let them do the same.

INTERVIEWER: The same for small businesses or people in general?

INTERVIEWEE: Yes, just people in general so that everyone will be educated.

INTERVIEWER: I see I see. I think that is that for our interview. Is there anything else that you feel I have left out, that you feel like I should add?

INTERVIEWEE: No, we are done.

INTERVIEWER: All right, thank you for you time and your input.

Interviewee 4: Fast food seller (catering)

INTERVIEWER: All right. So that's that for the introduction and everything. Right. So just a bit of a background data on you, for your gender, are you male, female, other, or you prefer not to say?

INTERVIEWEE: I am female.

INTERVIEWER: And how old are you?

INTERVIEWEE: I am twenty-eight.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: A-level, advanced level.

INTERVIEWER: Okay. And what's your type of a business activity?

INTERVIEWEE: I am selling, it is a small spaza. I am selling food.

INTERVIEWER: All right. I see that. I see. And how old is your business?

INTERVIEWEE: It is two to three months.

INTERVIEWER: All right. And where is the business located?

INTERVIEWEE: In Rustenburg, East end.

INTERVIEWER: All right. And how old is the business location? Same age as the business. Have you had the same location since you started?

INTERVIEWEE: Yes.

INTERVIEWER: Okay. Is it a permanent location or do you change?

INTERVIEWEE: Yes, it is a permanent location.

INTERVIEWER: So it never changes.

INTERVIEWEE: Yes.

INTERVIEWER: And then the finances of the business, how do you manage those? What type of a payment method do you use? Do you cash or...

INTERVIEWEE: I am only taking cash.

INTERVIEWER: You only use cash and that means you do not have a bank account for the business right?

INTERVIEWEE: Yes.

INTERVIEWER: Okay. And for record keeping like to record everything, what do you use?

INTERVIEWEE: I am using a pen and paper.

INTERVIEWER: All right.

INTERVIEWEE: The manual one.

INTERVIEWER: The manual. Okay. I see. Okay. That is that on your background information and then just your perceptions on the South African tax system. What do you think tax is? How would you define tax?

INTERVIEWEE: Okay. I think taxes are those little money that the government is taking from those businesses that are registered legally so that they can help the disadvantaged people of South Africa even some of the disadvantaged foreigners, those ones in squatter camps.

INTERVIEWER: I see, do you think that the government uses taxes properly or satisfactory?

INTERVIEWEE: Seventy-five percent, yes. They use the tax properly but however, when there are monies included inside the businesses, there is never a hundred percent confidentiality. There is always some type of... you know what I mean?

INTERVIEWER: Yes. I see. What are some of the government activities and behaviour that have maybe prevented you from paying taxes? Any?

INTERVIEWEE: Myself, personally there is nothing that I have prevented me from paying tax. If my business was legal, if it was registered I would not mind paying a certain percentage because to a greater extent it is helping disadvantaged people.

INTERVIEWER: I see that.

INTERVIEWEE: So I would not mind.

INTERVIEWER: So there is nothing that is done by the government, maybe anything, right that discourages you from paying taxes?

INTERVIEWEE: No, myself, like I told, like I am a foreigner. The hospitals, we are getting help. The clinics, post office, they are helping us. So I have not had a negative encounter with the government, the South African government workers, so there is nothing bad that I can comment on that one. So I think it is a must in fact for everyone who has a business to be donating, to be giving the government a certain amount.

INTERVIEWER: Something. Okay. I see that. And, or your information on taxes, regarding taxes, where do you obtain that, like any information regarding taxes?

INTERVIEWEE: Like I said on my background, I did an advanced level type of education. We used to, even in my country, there is a tax fee. When you are having a business, you also have to pay tax.

INTERVIEWER: I see.

INTERVIEWEE: So it is not something new.

INTERVIEWER: It is not something new. Do you think that taxes are generally easy or difficult to understand?

INTERVIEWEE: It is easy.

INTERVIEWER: Easy?

INTERVIEWEE: It is easy.

INTERVIEWER: And what are some of the measures that are taken by the South African revenue services to encourage tax compliance, maybe amongst small businesses or small business operators?

INTERVIEWEE: I think sometimes... I am not sure if the messages are legit or what, but sometimes they tend to send messages from time to time in people's phones, encouraging people to pay tax and not to forget to pay taxes. So...

INTERVIEWER: Okay and you did say that you understand some of your tax obligations like if you earn income.

INTERVIEWEE: Yes. I was once having a payslip. I was working for someone... my salary. I was giving some tax there.

INTERVIEWER: Okay. All right. Are you aware of like any specific taxes for small businesses?

INTERVIEWEE: No, that ones I am not aware of.

INTERVIEWER: You are not aware of. Right? So there are actually taxes from small businesses that are set specifically for with different tax brackets, you know how there is tax brackets for businesses in general. And then there is tax brackets for small businesses. So, yes.

INTERVIEWEE: Okay.

INTERVIEWER: And do you pay any fees to the local municipality with regards to your business, running your business and all that?

INTERVIEWEE: Like water bills.

INTERVIEWER: Just water bills?

INTERVIEWEE: Yes.

INTERVIEWEE: And electricity. Yes.

INTERVIEWER: Just that. And then where you operate, maybe do you have to pay something to the municipality? Do you work from here?

INTERVIEWEE: No. I am not working from here. What I am doing? It is like a Spaza shop, then inside this Spaza shop, there is a kitchen. That is where I am operating from.

INTERVIEWER: Oh, so you just pay water and electricity?

INTERVIEWEE: Yes.

INTERVIEWER: Okay. And what do you think are the benefits for your business paying taxes? What do you think? How do you think it would benefit your business to pay taxes to SARS?

INTERVIEWEE: The benefits like I said earlier, my business, I am not paying taxes but the benefits, I think if I may encounter a problem, while at least I am paying taxes. I think the government will help.

INTERVIEWER: Compared to when you are not registered.

INTERVIEWEE: Yes, compared to when I am not registered. Now if I encounter a problem, I have to solve it for myself, but then if I am paying tax, the government can step in and help. So I think those are the advantages.

INTERVIEWER: Of paying tax?

INTERVIEWEE: Yes.

INTERVIEWER: And what do you think are the disadvantages of paying taxes?

INTERVIEWEE: Disadvantages. Like I said earlier, there is nothing a hundred percent on this app. Sometimes you can pay tax then when there is some... you can be disadvantaged from getting those free stuff like free medication. Do you understand what I mean?

INTERVIEWER: I see, I see that. And do you think that taxes are generally high or low and if you were to pay taxes, how much would you be prepared to pay? Not in money terms, maybe in percentage in terms in proportion to how much you make?

INTERVIEWEE: Maybe I think five percent.

INTERVIEWER: Five percent?

INTERVIEWEE: Yes.

INTERVIEWER: Okay. All right. Okay, that is that on your perceptions on the South African tax system, right? Do you have any experience of SARS?

INTERVIEWEE: No. I have never had any.

INTERVIEWER: None. You have never had, when you were working, who registered for you for taxes?

INTERVIEWEE: My boss.

INTERVIEWER: Your boss did that. Okay. All right. What do you think then about SARS assisting you with tax education?

INTERVIEWEE: Yes, I think it is a good thing. Like I said before, when you are paying tax, there are some advantages that we do not know of. We are not well educated on those advantages of paying tax.

INTERVIEWER: So that would be more beneficial.

INTERVIEWEE: Yes.

INTERVIEWER: So what do you think should be implemented by SARS, maybe to ensure understanding of taxes and ease of access to tax compliance services?

INTERVIEWEE: I think they must offer like free education on tax on how tax is important on the advantages of paying tax to those people who are having informal businesses. Do you understand?

INTERVIEWER: Yes

INTERVIEWEE: Like what I was saying, when you encounter a problem... They may step in, then they may help you. Understand?

INTERVIEWER: Yes. So amongst informal operators, tax compliance is somewhat an issue. So what would you suggest to SARS to improve on informal traders' willingness to pay taxes?

INTERVIEWEE: Like I said, what I just said now, free education to those who are willing to comply.

INTERVIEWER: Yes.

INTERVIEWEE: Yes. I think free education. No. Some things they are easy when you know them than when you do not know them.

INTERVIEWER: Yes.

INTERVIEWEE: So I think free education, no one will say no to free education.

INTERVIEWER: Yes.

INTERVIEWEE: Yes. So after free education, that is when one will decide if they want to go ahead with paying tax or not.

INTERVIEWER: I see. I see that. Is there anything that you feel I left out that you would like to add maybe on tax issues affecting informal operators [inaudible 11:56]?

INTERVIEWEE: No, I am okay.

INTERVIEWEE: Are you happy? Right. Thank you so much for your time. That is that. We are done

Interviewee 5: Loan provider 1

INTERVIEWER: All right, let us get started then. For your gender, are you male female, other you prefer not to say?

INTERVIEWEE: I am a female.

INTERVIEWER: How old are you?

INTERVIEWEE: Thirty-two.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: Matric.

INTERVIEWER: And what is your type of business activity?

INTERVIEWEE: Cash loan.

INTERVIEWER: And how old is the business?

INTERVIEWEE: Three years.

INTERVIEWER: Three years and where is it located?

INTERVIEWEE: Mobile.

INTERVIEWER: It is mobile. So it depends on where the people are.

INTERVIEWEE: Yes.

INTERVIEWER: And how do you manage the finances of the business? What payment method do you use?

INTERVIEWEE: Okay, the payment method I use, I put interest. It depend that person with a type of job that he did. If you do a job that it can provide you more money, I will charge you more, but if a person works a job that does not provide him money, I will charge thirty percent or twenty percent.

INTERVIEWER: I see that. Do you use cash or EFT?

INTERVIEWEE: I use cash.

INTERVIEWER: You use mostly cash. What is the reason for only cash?

INTERVIEWEE: There is disadvantages. If a person is owing you, you put interest for R20.00 if you do on a mobile. That interest goes for the charges for the bank. That's why I prefer cash.

INTERVIEWER: Oh so banking is more expensive.

INTERVIEWEE: Than cash yes.

INTERVIEWER: I see that. So you like to keep record of everything. What do you use?

INTERVIEWEE: What do I use?

INTERVIEWER: Yes.

INTERVIEWEE: I have a book that I write all my things there.

INTERVIEWER: I see. I see that. That's that for your background information. I just want to get your perception on the South African tax system. What do you think taxes are?

INTERVIEWEE: To my view taxes is there to take money to those people who have money like businesses, big businesses. Yes like big businesses, big companies. Yes.

INTERVIEWER: What do you think they use the taxes for?

INTERVIEWEE: Obviously to build the road, to help old ages and to maintain the streets.

INTERVIEWER: Jah, and do you think that the government uses taxes satisfactorily?

INTERVIEWEE: Yes, somewhere, somehow yes.

INTERVIEWER: Why somewhere, somehow?

INTERVIEWEE: Jah, like I said big companies. What about if a person does not make money, when the company does not make money and you are registered for tax, they will keeping on deducting because it is an agreement that you do. So I do not think it is necessary to have tax.

INTERVIEWER: It is not necessary, not for everyone.

INTERVIEWEE: Jah, not for everyone.

INTERVIEWER: I see that. I see that, but in general you are saying that, I just want to get from you, do you think that whatever money they take from people, do they use it in a proper manner or in a satisfactory manner?

INTERVIEWEE: Yes, as I compared to me where I am from, yes, they are using in a proper way or manners, yes as I compare where I am from. Yes they are using it on a proper manner because I can see they are still renovating the roads doing the roads, doing the street.

INTERVIEWER: Jah I see in comparison to where you come from.

INTERVIEWEE: Yes.

INTERVIEWER: All right. I see that and is there anything maybe that has been done by the government maybe, that maybe prevent people from paying taxes or discourage people from paying taxes including yourself?

INTERVIEWEE: Jah, yes.

INTERVIEWER: What is that?

INTERVIEWEE: There are some people they are paying tax, but at the end of the day they does not see why they are paying tax.

INTERVIEWER: I see that. And then do you think that there is anything maybe that the government does to encourage people to pay taxes including yourself?

INTERVIEWEE: Somehow I can say even that taxes is also a business. So it is an obvious they are keeping on encouraging people. Yes.

INTERVIEWER: Ja, how are they doing that?

INTERVIEWEE: They are going to each and every companies to ask people to register for tax. If you do not have tax number you have to go and take. It is a must.

INTERVIEWER: It is a must.

INTERVIEWEE: Yes.

INTERVIEWER: I see that. And who do you think is obliged to pay taxes because I heard you say you do not think it is necessary for everyone to pay taxes. Who do you think is obliged to pay taxes?

INTERVIEWEE: To those who have big companies, those big companies. Yes. Big companies. When I am talking about big companies, let me say like, Anglo Mine. Yes, Platinum, companies like that you see?

INTERVIEWER: And information regarding taxes, where do you obtain that?

INTERVIEWEE: Where do I obtain that?

INTERVIEWER: Yes.

INTERVIEWEE: For my own benefit, let me say for my own benefit like if I hear people saying, yes.

INTERVIEWER: So from people most.

INTERVIEWEE: Yes.

INTERVIEWER: Do you think that information is difficult or easy to understand, tax information?

INTERVIEWEE: Yes, it is difficult, especially to some of us, people that they are not most educated that does not know the advantages.

INTERVIEWER: I see that. Do you think that there are... I think you did tell me this part. What is your understanding of your tax obligations on your small business?

INTERVIEWEE: My understanding?

INTERVIEWER: What do you think is your tax obligation for your small business? Do you think that you are obliged to pay taxes for your small business?

INTERVIEWEE: No.

INTERVIEWER: Why not?

INTERVIEWEE: Why not?

INTERVIEWER: Yes.

INTERVIEWEE: Some of the time you do not make profit. When you do not make profit, how can I pay the tax yet I do not have the...

INTERVIEWER: The profit.

INTERVIEWEE: Yes. And there is advantage and disadvantage, if it was a big business, if I have a might pay but if I do not have...

INTERVIEWER: You cannot pay.

INTERVIEWEE: Yes.

INTERVIEWER: I see that. If you were to pay taxes for your small business, how much would you be willing to pay? Let's say in not in money terms but in percentage of your income?

INTERVIEWEE: Come again?

INTERVIEWER: If you had to pay taxes for small business in percentage, how much would you be willing able to pay?

INTERVIEWEE: A R50.00.

INTERVIEWER: Okay, R50.00 okay. Are you registered for taxes for your small business?

INTERVIEWEE: No.

INTERVIEWER: Okay. Do you pay any fees to a local municipality?

INTERVIEWEE: No.

INTERVIEWER: Okay. What do you think are the benefits of paying taxes as a small business for your small business?

INTERVIEWEE: My benefit?

INTERVIEWER: Yes.

INTERVIEWEE: My benefit, maybe if I pay, my benefit, maybe they will be able to build us a space that they can fit those small, small business than to go around in the street.

INTERVIEWER: I see that. I see. And what do you think would be the disadvantages of you paying taxes?

INTERVIEWEE: The disadvantages?

INTERVIEWER: Yes.

INTERVIEWEE: It is obvious when I do not make money. There is no business, yes.

INTERVIEWER: All right. And do you think that when people are penalised for not paying taxes that encourages them to pay taxes?

INTERVIEWEE: Yes.

INTERVIEWER: I see that. And then do you have any experience with SARS?

INTERVIEWEE: Yes, I do have experience.

INTERVIEWER: What were you doing there?

INTERVIEWEE: I was registering for SARS.

INTERVIEWER: For what? For your business or for what?

INTERVIEWEE: No for my company where I am working.

INTERVIEWER: Oh, so for your job.

INTERVIEWEE: Yes for my job. I am working for someone. I am an employee for someone, but I have my own business aside.

INTERVIEWER: Okay, so in the whole process, how was the whole process? Was it easy or difficult?

INTERVIEWEE: It was easy, very quick and friendly.

INTERVIEWER: Ja, I see that. Did you encounter any challenges then?

INTERVIEWEE: No.

INTERVIEWER: Nothing and any costs maybe that you incurred.

INTERVIEWEE: No.

INTERVIEWER: And then what were the resources that were provided to you or anything maybe that encouraged the whole process to be smooth and all.

INTERVIEWEE: They were only ask about what type of job do you do, when you pay such of amount after some years you benefit this. That's what encouraged me only.

INTERVIEWER: Ja, I see that, the fact that you are going to benefit at the end of the day.

INTERVIEWEE: Yes.

INTERVIEWER: I see that. And what do you think about SARS maybe providing small businesses with tax education?

INTERVIEWEE: Ja, it will be a good idea because they will be helping those people who are poor. Some of us, we do not afford to do the business, especially to youth, I think it is a good idea. They will be creating more jobs to the youth.

INTERVIEWER: So it is important.

INTERVIEWEE: Yes, it is important. It is very important. Let me say that.

INTERVIEWER: And what do you think should be implemented by SARS to ensure understanding of taxes and ease of access to tax compliance services?

INTERVIEWEE: Come again?

INTERVIEWER: What do you think should be implemented by SARS to ensure that people understand taxes and have better access to tax services?

INTERVIEWEE: To implement?

INTERVIEWER: Yes. What should they put in place?

INTERVIEWEE: I think they should put affordable [price? 11:14] so that everyone can afford.

INTERVIEWER: Affordable taxes.

INTERVIEWEE: Yes, affordable taxes so that everyone can afford.

INTERVIEWER: And then anything more?

INTERVIEWEE: Anything more?

INTERVIEWER: Yes. What can help people to understand better?

INTERVIEWEE: I think they have to educate people. Yes.

INTERVIEWER: Educate people.

INTERVIEWEE: Especially those who did not attend the schools. Yes. Education, I think is the key. If they educate people, I think it will be an easy way or a better way.

INTERVIEWER: I see that. And what do you think that would improve the informal operators, people that are informal traders, their willingness to pay taxes, what do you think would encourage that better?

INTERVIEWEE: Obvious to create the jobs.

INTERVIEWER: Creating jobs.

INTERVIEWER: Yes, creating jobs, if they create the jobs, I think they will be encouraging more people.

INTERVIEWER: To have businesses.

INTERVIEWEE: Yes to have business so that they can have tax.

INTERVIEWER: So by jobs you mean like spaces to actually have small business?

INTERVIEWEE: Yes.

INTERVIEWER: Is there anything that you feel I left out that you would like to add maybe?

INTERVIEWEE: No.

INTERVIEWER: All right. That should be that. Thank you so much for your time and your valuable input.

Interviewee 6: Hairdresser

INTERVIEWEE: You have already started?

INTERVIEWER: Yes, just on your background data for your gender, are you male, female, other, you prefer not to say?

INTERVIEWEE: Female.

INTERVIEWER: How old are you?

INTERVIEWEE: 31.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: A-level.

INTERVIEWER: What is your type of business activity?

INTERVIEWEE: A hairstylist.

INTERVIEWER: How old is the business?

INTERVIEWEE: It is 7 years now.

INTERVIEWER: Okay, where is the business located?

INTERVIEWEE: Rustenburg CBD.

INTERVIEWER: And how old is the business location?

INTERVIEWEE: I do not know.

INTERVIEWER: All right, is it a permanent location though?

INTERVIEWEE: Yeah, I think so. Yes.

INTERVIEWER: All right, all right does it ever change, do you ever change locations?

INTERVIEWEE: Ja, I use to but for now it has been years.

INTERVIEWER: It has been years since you have had the location?

INTERVIEWEE: Ja.

INTERVIEWER: Okay, and how do you manage the finances of the business?

INTERVIEWEE: I take care of my day-to-day and buy my products ja.

INTERVIEWER: And which payment method do you use for everything like from your clients and then for everything?

INTERVIEWEE: EFT and cash.

INTERVIEWER: EFT and cash, is there any particular reason why you use both?

INTERVIEWEE: Because my clients prefer either way.

INTERVIEWER: Either way okay. Does the business have a particular bank account or do you use your own personal?

INTERVIEWEE: I use my personal account.

INTERVIEWER: Okay, so to record everything what do you keep, what do you use?

INTERVIEWEE: We write, I write in a book.

INTERVIEWER: All right so on your perceptions on the South African tax what do you think taxes are?

INTERVIEWEE: Taxes are?

INTERVIEWER: Yes, what do you think they are?

INTERVIEWEE: I do not know much about it, but is it not the money that the government takes?

INTERVIEWER: That is the okay. And what do you think they use it for?

INTERVIEWEE: For maintaining the country and taking care of the less privileged.

INTERVIEWER: I see.

INTERVIEWEE: All right?

INTERVIEWER: Ja, ja do you think that the government uses taxes properly or satisfactorily?

INTERVIEWEE: I do not know really. Any how they use it.

INTERVIEWER: Any how they use it, okay.

INTERVIEWEE: But I think they are trying.

INTERVIEWER: They try?

INTERVIEWEE: Ja.

INTERVIEWER: Okay, and are there like any public activities and behaviour by the government maybe that has maybe prevented you from paying taxes?

INTERVIEWEE: No.

INTERVIEWER: None, and then any that have encouraged you from paying taxes?

INTERVIEWEE: Okay, the small knowledge that I have I think a business is enquired to have a certain amount a year so that the person can start paying tax. So, I think my business is very small for that.

INTERVIEWER: Your business all right, okay. All right so do you think that everyone who earns income including yourself should pay taxes?

INTERVIEWEE: Jah, depending on the percentages they are requiring.

INTERVIEWER: Okay.

INTERVIEWEE: I think so.

INTERVIEWER: All right and your information regarding taxes, where do you get that?

INTERVIEWEE: Google.

INTERVIEWER: Google?

INTERVIEWEE: Jah.

INTERVIEWER: I see that. Do you think that taxes are generally like easy or difficult to understand?

INTERVIEWEE: It is very difficult.

INTERVIEWER: It is very difficult; do you think there are any measures by SARS maybe that they have taken to encourage tax compliance?

INTERVIEWEE: I do not know much.

INTERVIEWER: You do not know much?

INTERVIEWEE: Yes.

INTERVIEWER: And then anything maybe put up by SARS that discourages the compliance of taxes?

INTERVIEWEE: I cannot say it discourages, with the small information that I hear from people sometimes it is SARS that is owing you and sometimes they do not pay in time, sometimes you are the one who is owing, and people have got different opinions.

INTERVIEWER: I see, I see that. Are you aware of any like specific taxes for like small businesses?

INTERVIEWEE: Yes.

INTERVIEWER: You are aware of those?

INTERVIEWEE: No.

INTERVIEWER: No. Not really?

INTERVIEWEE: Yes.

INTERVIEWER: Okay, are you registered to pay taxes?

INTERVIEWEE: Yeah, I am.

INTERVIEWER: You are?

INTERVIEWEE: Yes, I have got a company registration.

INTERVIEWER: All right and do you think that the current level for small businesses is it fair or high for taxes?

INTERVIEWEE: It is fair. Like I said before there is a certain amount that is required for you to have, to earn, a year for you to start paying taxes.

INTERVIEWER: I see I see that. Do you pay any fees to the local municipality?

INTERVIEWEE: No.

INTERVIEWER: No, for where you work do you pay for any water, electricity?

INTERVIEWEE: Jah, we do.

INTERVIEWER: You do those?

INTERVIEWEE: Yes.

INTERVIEWER: Okay and what do you think, any benefits for your businesses like paying taxes to the government, what do you think are the benefits for that, for like small businesses?

INTERVIEWEE: Personally, speaking about my own, I do not think there is any benefits.

INTERVIEWER: You do not think there any?

INTERVIEWEE: There is none.

INTERVIEWER: Are there any disadvantages maybe of paying taxes as a small business?

INTERVIEWEE: With my own?

INTERVIEWER: Yes.

INTERVIEWEE: Maybe there will be a disadvantage because I think hairdressing, they do not take it as a serious profession.

INTERVIEWER: They do not take...

INTERVIEWEE: Jah, let me say that.

INTERVIEWER: I see that, and it is a serious profession.

INTERVIEWEE: Yes, we earn a living out of it.

INTERVIEWER: You do, you do. Do you think that like when people are penalised for not paying taxes, do you think that encourages tax compliance?

INTERVIEWEE: Yeah, it does.

INTERVIEWER: It does.

INTERVIEWEE: In a way.

INTERVIEWER: In a way. Okay, so when you registered for your taxes, I am assuming that you are experienced with SARS, what did you find easy with the whole process?

INTERVIEWEE: I did not go direct.

INTERVIEWER: You did not?

INTERVIEWEE: Yes, I went through an agent.

INTERVIEWER: Oh, great stuff.

INTERVIEWEE: Yes.

INTERVIEWER: So, did you encounter any challenges maybe?

INTERVIEWEE: No.

INTERVIEWER: So, the agent made everything smooth sailing?

INTERVIEWEE: Yes, yes yes, yes.

INTERVIEWER: So, where there any cost that you incurred in having to work with the agent and all that?

INTERVIEWEE: Jah, I think there was an amount I paid since it is years before I paid a small amount for it. Though I think they said if you go individually like for yourself it is free to register, you can go.

INTERVIEWER: Oh, I see that, so you used an agent that you had to pay for that?

INTERVIEWEE: Yes, yes yes.

INTERVIEWER: All right and are you aware of any resources that are provided by SARS to maybe encourage tax compliance? None.

INTERVIEWEE: None.

INTERVIEWER: All right and what do you think about SARS providing like tax education to people?

INTERVIEWEE: I think they must do it more often and find workshops.

INTERVIEWER: Workshops?

INTERVIEWEE: Jah, so that people will be educated. So, I think it is easier for someone to pay tax when they have the knowledge because no one can just give away money without understanding why and the reason behind.

INTERVIEWER: I see that I see. Perfect and what do you think has been implemented by SARS maybe to ensure, actually what do you think should be

implemented to ensure like better understanding and ease of access to tax compliances services? In addition to the education?

INTERVIEWEE: I think that is it and ja.

INTERVIEWER: Mainly education?

INTERVIEWEE: Mainly educate people about it.

INTERVIEWER: I see that. And what would you suggest to SARS on like maybe like what should they implement or improve on to improve informal operators' willingness to pay taxes?

INTERVIEWEE: Eish I do not know really, but I think like I said before they must just find a way to spread the information to people.

INTERVIEWER: Spread more information?

INTERVIEWEE: Jah.

INTERVIEWER: I see, I see that. That is great, is there anything that you feel I left out maybe that you would like to add?

INTERVIEWEE: No, thank you. There is none.

INTERVIEWER: All right thank you so much for your time and valuable input and that is that for the interview. That was amazing.

INTERVIEWEE: Okay.

Interviewee 7: Landlord 1

INTERVIEWER: Let's get started then. Right, just a bit of a background on you.

INTERVIEWEE: Yes.

INTERVIEWER: For your gender, are you male, female, other or you prefer not to say?

INTERVIEWEE: Female.

INTERVIEWER: How old are you?

INTERVIEWEE: 30.

INTERVIEWER: What's your highest education level?

INTERVIEWEE: N3, Mechanical Diesel.

INTERVIEWER: What's your type of a business? What's the type of business that you have?

INTERVIEWEE: For rental, I have rooms for rental.

INTERVIEWER: Where are the rooms that you rent located?

INTERVIEWEE: The first one is at Tlhabane, and the second one is at Freedom Park.

INTERVIEWER: All right and then how old is the business location? Is it permanent and how often does it change?

INTERVIEWEE: It's permanent. It only changes when there's a leakage on the roof and we have to change the roof. The door maybe breaks, we have to change the lock.

INTERVIEWER: All right. Then how old is the business?

INTERVIEWEE: It's almost over 10 years.

INTERVIEWER: Over 10 years, right. Then for the finances of the business right, how do you manage the finances of the business?

INTERVIEWEE: Usually they all pay on the 1st of every month. So there's no other person who pay from after the 1st or before the 1st. So that's how I manage my business, I always make sure that they pay all, then I start buy electricity and pay water then. I can see how much I make in a month.

INTERVIEWER: All right, so which payment method do you use for the business transactions?

INTERVIEWEE: They pay via bank.

INTERVIEWER: All right, so you have a bank account. Do you keep any records of the for the business?

INTERVIEWEE: No.

INTERVIEWER: Not really?

INTERVIEWEE: Not really.

INTERVIEWER: All right. That's that for the background information. Onto the next right. I just want to know about your perceptions on the South African tax system. How would you define taxes?

INTERVIEWEE: I don't know anything about taxes because my business is not registered.

INTERVIEWER: All right. Oh well, why do you think the Government collect taxes? Or what do you think they use taxes for?

INTERVIEWEE: To fix roads, pay Government, electricity, water and other expenses and pay Government employees.

INTERVIEWER: Okay. So do you think that the Government uses taxes properly or satisfactory?

INTERVIEWEE: No, not at all because if you can go around, you'll see potholes, robots not working, some buildings they don't have water for days and electricity so they not use it properly.

INTERVIEWER: So what would you say are some of the public like activities and behaviour of the Government, that have prevented you from maybe registering for taxes or paying taxes for the business?

INTERVIEWEE: Can you elaborate on that, I did not understand?

INTERVIEWER: Like you just said, there are no roads and all that, so on top of that, what are some of the activities right and behaviours that by the government, that have prevented you from paying taxes.

INTERVIEWEE: Like for instance, we have a lot of boys on drugs. Government should have built them like a centre, where they stayed there for the whole day, they give them food and they prevent them to go to the street and smoke.

INTERVIEWER: Yeah. All right and then what are some of the activities and behaviour of the Government that have instead encouraged you to pay taxes?

INTERVIEWEE: Helping orphanage, like they supply them with food, clothes, school, sanitary pads for children that don't have money or their parents they don't afford to buy sanitary pads. Those are the kinds that encourage me because they help them with school and shoes, pads and books, jersey for school and so on.

INTERVIEWER: All right. Okay. Right, that's that for your perceptions on taxes. What's your understanding of your tax obligations? Who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: Any person who earn a lot, but tax must also be reasonable. They can't take maybe, 30% of your salary. At least 1%.

INTERVIEWER: Yeah.

INTERVIEWEE: So any person who earns a lot and works at Government and Government and mines.

INTERVIEWER: All right.

INTERVIEWEE: Only those ones.

INTERVIEWER: So do you think like, so just following from that, you don't think that it's necessary for like every person who earns income, to pay taxes?

INTERVIEWEE: Yes, because some of incomes are not enough. Imagine working at retail, getting 3.5, they must tax that 3.5. It's not fair.

INTERVIEWER: I see that and then like for the information that regarding tax, where do you obtain such information regarding taxes?

INTERVIEWEE: I always Google, I have a SARS app here because the other company is registered.

INTERVIEWER: You do have a company that's registered.

INTERVIEWEE: Yes.

INTERVIEWER: Interesting and then do you think that tax information is generally just difficult or easy to understand?

INTERVIEWEE: It's difficult because some we don't, some of the questions you don't know them and you have no one to ask, like for instance now, you don't go to

SARS anymore. You do it via phone call and they call you and they time to call you. So you no longer are able to go to the branches.

INTERVIEWER: I see that, so what are some of the measures that have been taken by SARS, to encourage tax compliance?

INTERVIEWEE: Like, for instance now, you can look at TV, they always advertise it, to download the app and you no longer go there, you just comply via the phone, the app. They send you everything there but it takes time because you have to first register. They want 3 month's bank statements, then so on so some of us are lazy to go to a bank.

INTERVIEWER: I see, I see that. So I think those are some of the things that prevent or discourage the payment of tax.

INTERVIEWEE: Yes because going to the bank is a long process. You have to first grab a taxi and...

INTERVIEWER: You said that your other business is registered right? And it's also a small business, right?

INTERVIEWEE: Yeah, it's a construction company based on mines, municipality and big companies.

INTERVIEWER: Okay and then for that one, how was it trying to like register your, how was it trying to register your business?

INTERVIEWEE: First time it was difficult because I had to go to a branch, so I had to make appointment first and after I come back and wait for them to give me the date to come back, go there. It was almost the whole day because I didn't have all papers with me. First time when I booked, they didn't ask me what to bring, so I went there and went to the bank and went there and after they sent everything via email and not all of us have access to emails or smart phones, so I had after they send you the email, you have to go back to the PostNet and download this thing because on your phone, none of us even iPhones, they don't have that app. It's only at PostNet and you have to pay again.

INTERVIEWER: I see, all right and then are you aware of like any specific taxes for like small businesses?

INTERVIEWEE: No, not yet. I don't know anything.

INTERVIEWER: Okay, so there are small business taxes, right that apply only to small businesses, which are intended to like solve the problem, right? Like you're saying, not everyone earns a lot of money and all that, so there are actually like taxes that apply to small businesses but other than that, you did say that you're not registered for taxes, right? And do you pay any fees or like anything to the local municipality?

INTERVIEWEE: Yes.

INTERVIEWER: What are those?

INTERVIEWEE: Water and electricity.

INTERVIEWER: Is there all?

INTERVIEWEE: Yes.

INTERVIEWER: Okay and what do you think are the benefits for your business to pay taxes for SARS?

INTERVIEWEE: Uhhh...

INTERVIEWER: None?

INTERVIEWEE: None.

INTERVIEWER: All right. What are the disadvantages then of paying taxes?

INTERVIEWEE: Government eat our money. So I can't pay tax because they eat our money. Now if I have to pay tax, I have to see where my money goes.

INTERVIEWER: I see.

INTERVIEWEE: Yes.

INTERVIEWER: I see. So do you think that like penalties for not paying taxes, do you think those encourage tax compliance?

INTERVIEWEE: No, because they are not. You know I can pay R50 000 for tax and 15 million for tax and depending on the money that you had by that time, they

don't ask you where is that money, what did you use for that money. They tax you for what you had, not for what you used. Yes.

INTERVIEWER: I see that. So you did speak about your experience with like SARS right? Did you find anything easy in like trying to comply with taxes or registering your business?

INTERVIEWEE: No. Firstly I have to open a business account and it needs R500 and I have to pay that R500 almost every year, whether my business started working or not, as long as I'm registered at tax, I have to pay. So imagine I'm not working, my business hasn't started working yet. Where will I get that R500?

INTERVIEWER: I see that and what would you say were some of the challenges that you encountered in trying to, let's speak about generally your rental business right? You haven't tried to comply with taxes in that regard? All right, what are other, the other challenges that you encountered with paying taxes, or rather registering, in addition to that one? Like the finance part, I heard you saying it's financially demanding, right? What are the other challenges that you encountered?

INTERVIEWEE: Like going there, making appointments is a long process and they have to call you, by that time they give you an appointment around 10:00. Come 10:00 maybe don't have electricity like now, loadshedding, the phone is off. You have to go again and make appointment.

INTERVIEWER: Another time, okay and what are the resources that SARS have like provided, to maybe enable tax compliance, encourage tax compliance from your side?

INTERVIEWEE: None

INTERVIEWER: None? None that you, all right and what are your views in SARS assisting you with tax education?

INTERVIEWEE: Like what?

INTERVIEWER: Maybe trying to make you more aware of what taxes are, what their benefits are...

INTERVIEWEE: They have to come and educate us, especially when they see that you have tenants. They have to come and tell you about the tax, explain to you

everything and how it works, before you register. Before they take your money, they have to tell you where it goes. How are you going to pay tax, yeah.

INTERVIEWER: I see. I see that and what would you say like from people that are informal operators, what do you think SARS should improve to encourage them to pay taxes?

INTERVIEWEE: Like I said, they must teach us. They must come, they must go to them like with, when they see a small shack and people are working like it's a salon, they have to go there. Teach them. Tell them about SARS, how it works. Maybe that's how our people will start paying tax.

INTERVIEWER: Okay and any incentives maybe like, none? Okay. All right, is there anything that you feel that I left out that regarding taxes that you'd like me to add, maybe affecting the informal operators in Rustenburg?

INTERVIEWEE: Like if they want to tax you, if they want to register your business, they must like you know that money doesn't come the same. Let's say this month I make thousand, a R10 000. They mustn't tax beyond that R10 000. They must give me the amount that every month, they're taxing it. Let's say it's I'm running a small company. I have to pay electricity, water in. They must tax me accordingly to that. I'm earning R10 000. Maybe they take R1.50.

INTERVIEWER: I see.

INTERVIEWEE: So I mustn't see that they tax took my money, I mustn't complain. So I'm earning R10 000, tax take 2.8. That 2.8 is something I should have bought food, paid school fees and stuff.

INTERVIEWER: I see that. So I think you're of the opinion that taxes are not reasonable. All right. I think that's that for our interview. Thank you so much for your time.

INTERVIEWEE: Okay.

Interviewee 8: Landlord 2

INTERVIEWER: All right let us get started then. Just a bit of a background data on you. For your gender, are you male, female, other or you prefer not to say?

INTERVIEWEE: Female.

INTERVIEWER: How old are you?

INTERVIEWEE: 53 years.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: Form 5.

INTERVIEWER: And.

INTERVIEWEE: Which is grade 12.

INTERVIEWER: All right, and what is your type of a business activity?

INTERVIEWEE: Rental.

INTERVIEWER: How old is the business?

INTERVIEWEE: Almost close to 10 years, 15 years.

INTERVIEWER: And where is the business located?

INTERVIEWEE: In my location.

INTERVIEWER: At home?

INTERVIEWEE: At home ja.

INTERVIEWER: All right, and how old is the business location?

INTERVIEWEE: How old?

INTERVIEWER: Yes.

INTERVIEWEE: Close to 10 to 15 years.

INTERVIEWER: And is it a permanent location?

INTERVIEWEE: I hope so.

INTERVIEWER: So, it never changes? It never changes.

INTERVIEWEE: It never changes.

INTERVIEWER: All right, and the finance of the business, how do you manage those? Which payment method do you use for the business transactions?

INTERVIEWEE: Normally I use cash.

INTERVIEWER: And why do you use cash?

INTERVIEWEE: Because people it is a problem. When you tell them do to it through the bank, they have stories.

INTERVIEWER: All right.

INTERVIEWEE: So, collecting...

INTERVIEWER: ...cash is easier.

INTERVIEWEE: It is easy.

INTERVIEWER: All right, does the business have a bank account?

INTERVIEWEE: Yes.

INTERVIEWER: So, to keep record of everything what do you use? Which method do you use?

INTERVIEWEE: I use just a book.

INTERVIEWER: A book all right. Okay, that is that on the background on the business. What do you think taxes are?

INTERVIEWEE: Taxes?

INTERVIEWER: Yes.

INTERVIEWEE: According to my knowledge I do not know but according to the law of South Africa tax, money that is being deducted from people, maybe like professionals.

INTERVIEWER: All right I see. And why do you think taxes are collected, what do they use it for? What is the government using it for?

INTERVIEWEE: I think they are using for old-age people.

INTERVIEWER: Old-age people all right. So, what is this grant?

INTERVIEWEE: And the grant ja.

INTERVIEWER: Okay, and do you think the government uses taxes properly or satisfactory?

INTERVIEWEE: Partly yes.

INTERVIEWER: Why partly?

INTERVIEWEE: Partly yes, our government you know our government is too much of corruption.

INTERVIEWER: Too much of corruption, I see that. So, what are some of the public activities and behaviour by the government that have maybe prevented you from paying taxes?

INTERVIEWEE: That one for me, I do not have an answer really, but I can try to answer you like this. From my where I am working, tax is not being deducted. So, the purpose I do not know.

INTERVIEWER: You do not know. So, is there any, besides that is there any public activities or behaviour by the government, anything, that they have done that have maybe prevented you from paying taxes? Like already with what they have the money that they take from people as taxes, is there anything that they have done maybe to prevent you from paying?

INTERVIEWEE: No.

INTERVIEWER: Nothing?

INTERVIEWEE: Nothing.

INTERVIEWER: And then anything to maybe encourage you to pay taxes, do you think there is anything that they do that encourages you...

INTERVIEWEE: No, they have not, because according to our district of business as we are located, our business is located more franchise so according to our payments roll and everything we have to reach a certain amount so that the tax can be deducted. So, if we have not reached that amount, they do not deduct anything.

INTERVIEWER: They do not deduct your taxes. Okay, and who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: To SARS?

INTERVIEWER: Yes.

INTERVIEWEE: I think policemen, nurses, teachers, those people who are working for the government, who are earning too much money.

INTERVIEWER: People who earn a lot okay, so it is people that earn a lot of money. All right and any information regarding taxes, where do you obtain that information? Do you have any information available to you and where to you obtain it?

INTERVIEWEE: The information that I have, we find it from like our union.

INTERVIEWER: Your union from your work?

INTERVIEWEE: Ja from our work. They are the people who are telling us what is happening about tax and everything.

INTERVIEWER: So, that is your work separate from your business?

INTERVIEWEE: Yes.

INTERVIEWER: Okay, okay. And do you think that taxes like generally easy or difficult to understand?

INTERVIEWEE: It is easy to understand but to pay is difficult.

INTERVIEWER: Paying is difficult, understanding is fine okay. And do you think that SARS does things to maybe encourage people to pay taxes, is there anything maybe that they do to encourage people to pay taxes?

INTERVIEWEE: Yes, I think so because to myself yes, I am working in a franchise there is a certain time whereby when we get paid, they include when the pay is doubled with a bonuses, so it is whereby we can see that because of the money is include there it is too much money it is whereby they deduct taxes, it is like once in a month.

INTERVIEWER: I see that, I see. All right, all right and do you think that maybe there is some things that SARS does not do or does that maybe discourages people not to pay taxes?

INTERVIEWEE: That one I do not think so because I think SARS is very strict...

INTERVIEWER: They are very strict.

INTERVIEWEE: ...when coming to taxes.

INTERVIEWER: I see. What is your understanding of your tax obligations like for your business, do you think you have any tax obligations?

INTERVIEWEE: That one for now I do not pay any tax for my business...

INTERVIEWER: ...for your business.

INTERVIEWEE: But I think if municipality, actually municipality have not seen that as a problem.

INTERVIEWER: Seen that okay, all right.

INTERVIEWEE: They have not realised maybe that we do have so many shacks in your yard, you have to pay rent. But that one is not done.

INTERVIEWER: All right I see that. Are you aware of any specific taxes for like small businesses.

INTERVIEWEE: Yes.

INTERVIEWER: You are aware of that?

INTERVIEWEE: Yes.

INTERVIEWER: Okay, so you said you are not registered for taxes?

INTERVIEWEE: Yes.

INTERVIEWER: Do you think that the taxes that apply to small businesses at the moment are fair or are high?

INTERVIEWEE: They are fair.

INTERVIEWER: They are fair?

INTERVIEWEE: They are fair because the small business taxes I think it is little money. It is not, yes, it is not that much.

INTERVIEWER: It is very little money; it is not a lot of money. Do you pay any fees to a local municipality?

INTERVIEWEE: Yes.

INTERVIEWER: What fees are those?

INTERVIEWEE: Local municipality?

INTERVIEWER: Yes.

INTERVIEWEE: I pay water.

INTERVIEWER: Water.

INTERVIEWEE: And electricity.

INTERVIEWER: And electricity, is that it?

INTERVIEWEE: Yes.

INTERVIEWER: All right, all right what do you think are the benefits specifically for your business to pay taxes to SARS?

INTERVIEWEE: For my business?

INTERVIEWER: Yes, for your business.

INTERVIEWEE: That one I do not know, because I have not paid anything so...

INTERVIEWER: ...you have not paid anything?

INTERVIEWEE: ...if maybe it was something that I am doing maybe I do not know.

INTERVIEWER: If you are paying what do you think would be the benefits?

INTERVIEWEE: Maybe there would be okay like taxes again, the taxes when you reach a point whereby you get old you know that you are benefiting there. Maybe if I was paying those taxes from my business I think there would be something at the end of the day that I would be benefitting.

INTERVIEWER: All right I see that. What do you think then are the disadvantages of paying taxes if you are to pay taxes?

INTERVIEWEE: Disadvantage?

INTERVIEWER: Yes, what is bad about paying taxes for your business, for your small business.

INTERVIEWEE: I think for my business, if I have a business like I have, but I do not pay tax, but if I was paying tax the disadvantage, I think at the end of the day I would benefit.

INTERVIEWER: You will just benefit. So, you cannot think of any disadvantages, all right. Do you think that when people are penalised for not paying taxes that maybe encourages them to pay taxes?

INTERVIEWEE: Yes.

INTERVIEWER: All right I see that.

INTERVIEWEE: It is a good idea that one.

INTERVIEWER: It is a good one. So, have you ever had any experience with SARS maybe directly engaged with SARS in any way?

INTERVIEWEE: Not much, but I just went there to collect my tax number then it was it.

INTERVIEWER: That was that?

INTERVIEWEE: Jah.

INTERVIEWER: How was the process, how did it go?

INTERVIEWEE: The process was good, because it was good. They are fast and everything.

INTERVIEWER: Was it your tax number for your employment?

INTERVIEWEE: Yes, for my employer.

INTERVIEWER: Okay, and what do you think about maybe SARS trying to assist you with tax education? Do you think tax education is important, what do you think about it?

INTERVIEWEE: Tax education I think it is important for our kids.

INTERVIEWER: And what about you guys that have small businesses?

INTERVIEWEE: Jah, I think it is important because it helps you, helps you.

INTERVIEWER: All right, so what do you think should be implemented by SARS to maybe improve the understanding of taxes and ease of access to services regarding taxes? What do you think they should put in place to do to maybe help people understand better and maybe taxes for small businesses specifically?

INTERVIEWEE: That one, I think some classes.

INTERVIEWER: Some classes, yes for education.

INTERVIEWEE: For education, for educating people.

INTERVIEWER: Educating people more. And what do you suggest SARS should do to improve informal operators so people that are not registered who have businesses willingness to pay taxes?

INTERVIEWEE: I think by now as the government is running everyone phone numbers and addresses are already there in the computers, I think SARS if you maybe skip maybe three months you not paying your taxes they locate you.

INTERVIEWER: I see that, I see ,but if they locate you, that is them trying to, you see SARS has to come from, you need to decide that you want to pay taxes right.

INTERVIEWEE: Really?

INTERVIEWER: Yes, like you see with small businesses, it is difficult to locate some people because the businesses are not the same, unregistered businesses and all that.

INTERVIEWEE: Okay.

INTERVIEWER: So, for such businesses that do not have like locations that are easily identifiable what do you think maybe from a behaviour point of view from like you there what do you think would encourage you more to pay taxes?

INTERVIEWEE: Lack of information.

INTERVIEWER: So, it is lack of information? All right, so if they were to improve your information it would be better?

INTERVIEWEE: Jah.

INTERVIEWER: Right, that is it. Is there anything that you feel like I have left out maybe that you would like to add?

INTERVIEWEE: No, I think we are done.

INTERVIEWER: Thank you so much for your time and your input.

Interviewee 9: Loan provider 2

INTERVIEWER: All right, let us get started then. For your gender, are you male, female, other you prefer not to say?

INTERVIEWEE: Male.

INTERVIEWER: How old are you?

INTERVIEWEE: I am thirty-four.

INTERVIEWER: And what is your highest education level?

INTERVIEWEE: Matric.

INTERVIEWER: What is your type of business activity?

INTERVIEWEE: Cash loan.

INTERVIEWER: And what is the age of the business? How old is the business?

INTERVIEWEE: I think three to four years now.

INTERVIEWER: Okay, where is the business located?

INTERVIEWEE: I can say Rustenburg, actually where I work.

INTERVIEWER: Where you work... Okay, so when you provide the cash loans to the people, how do you get that done? Do you have to travel to them or what?

INTERVIEWEE: Sometimes I travel, sometimes it is transfer. It differs. It depends on people. Sometimes it is say transaction with a bank. Sometimes it is a cash.

INTERVIEWER: So it's mobile.

INTERVIEWEE: Yes, it's mobile.

INTERVIEWER: Okay. So that means that it's always changing depending on...

INTERVIEWEE: Depending on who and where.

INTERVIEWER: I see that. And how do you manage the finances of the business?

INTERVIEWEE: Manage the finances?

INTERVIEWER: All right, in a sense that which payment method do you use? Do you use cash or EFT or what?

INTERVIEWEE: I use both.

INTERVIEWER: You use both. What is the reason for that?

INTERVIEWEE: Because I work with different people. Some people have usually cash on them. Some of them they are far so it becomes EFT. It is not always about cash. So it depends on the people.

INTERVIEWER: It depends on people, okay. So do you have a specific bank account for the business?

INTERVIEWEE: Yes, I do.

INTERVIEWER: All right. Where do you keep record of everything?

INTERVIEWEE: I have a small book.

INTERVIEWER: Oh you have a small book.

INTERVIEWEE: It is not yet a grand business but...

INTERVIEWER: Okay and then I just want to get...

INTERVIEWEE: Hopefully one day.

INTERVIEWER: It will. It will. I just want to get your perception on the South African tax system? What do you think taxes are?

INTERVIEWEE: Tax?

INTERVIEWER: Yes.

INTERVIEWEE: Tax man. Tax?

INTERVIEWER: Yes. In your own opinion.

INTERVIEWEE: In my own opinion?

INTERVIEWER: Yes.

INTERVIEWEE: Taxes is money that is supposed to help the infrastructure, a lot of things and growing businesses.

INTERVIEWER: Yes. I see that and you think that the government uses taxes satisfactorily or properly?

INTERVIEWEE: Sometimes they do, sometimes, but mostly they do not.

INTERVIEWER: They do not. Why do say that?

INTERVIEWEE: Because some small business they suffer most of the time. Only when you are your business is grown that is when you can survive-

INTERVIEWER: Because you have a small business.

INTERVIEWEE: ... like when you have check the COVID, it has affected all the small business. Nothing the government will do. No payment fund do you get. Nothing. It depends on who you are and where you are and how long you have been in the business so it depend. It does not help that much.

INTERVIEWER: It does not help, I see that. And do you think that there are any public activities and behaviour by the government that maybe discourages people from paying taxes, including yourself?

INTERVIEWEE: Discourages people that cannot pay taxes?

INTERVIEWER: Not to pay taxes.

INTERVIEWEE: Obviously it is when you cannot get your business growing or something, it's obvious. I cannot pay taxes where I don't benefit. So I think it is not about the activities. It is all about what the government is doing.

INTERVIEWER: What are they doing?

INTERVIEWEE: Nothing.

INTERVIEWER: What do you mean nothing?

INTERVIEWEE: What are they doing?

INTERVIEWER: What are they doing?

INTERVIEWEE: Nothing actually because they are doing nothing.

INTERVIEWER: Okay, so they do not much.

INTERVIEWEE: They do not do much because we are suffering. Lots of people are suffering. It's all about you. We have to work, work hard for you to grow.

INTERVIEWER: Oh I see. All right.

INTERVIEWEE: Maybe nowadays because of... there are some people, they are getting help from DSTV. So I cannot say it is the government, it is the DSTV. It is not government. Something that should be done by government, helping small businesses. It is being done by DSTV.

INTERVIEWER: DSTV. A private company.

INTERVIEWEE: A private company.

INTERVIEWER: I see. And then who do you think is obliged to pay taxes to SARS?

INTERVIEWEE: I think everyone.

INTERVIEWER: Everyone.

INTERVIEWEE: Everyone who is working.

INTERVIEWER: Everyone who is working. Okay.

INTERVIEWEE: Everyone was working having a normal earning I think deserve to pay tax.

INTERVIEWER: And what is a normal earning?

INTERVIEWEE: According to South African law they say it is three point five. According to South African law, it is three-point five minimum.

INTERVIEWER: And then where do you obtain information regarding taxes?

INTERVIEWEE: Nowadays things are easy. Google most of the time.

INTERVIEWEE: So most of the times we will Google a lot of things.

INTERVIEWER: I see that.

INTERVIEWEE: And labour relations offices, they help.

INTERVIEWER: Okay. And do you think that there are any measures taken by SARS to encourage tax compliance?

INTERVIEWEE: I cannot say for sure, on that one.

INTERVIEWER: You are not sure on that one.

INTERVIEWEE: On that one I cannot say for sure, seriously.

INTERVIEWER: And then any measures that they put up maybe that discourage tax compliance?

INTERVIEWEE: Any measures they put?

INTERVIEWER: Yes.

INTERVIEWEE: There is no such thing. They cannot put measures to discourage, they are always going to encourage you to pay tax. All right?

INTERVIEWER: All right.

INTERVIEWEE: But there is no measure that they can put, they are always going try to put it nice for you to pay, they not going to discourage you to not to pay. No way.

INTERVIEWER: Jah, and for your small business, what do you think are your tax obligations?

INTERVIEWEE: My tax obligations? For me, I do not think I have to pay tax.

INTERVIEWER: Why?

INTERVIEWEE: It is my business and even the government did not even help with anything.

INTERVIEWER: Oh they did not help you.

INTERVIEWEE: So why should I pay tax?

INTERVIEWER: All right, so are you registered to pay taxes for the business?

INTERVIEWEE: No.

INTERVIEWER: No. Okay.

INTERVIEWEE: Because if I registered to pay tax, they will give me rules which I did not start with it at all.

INTERVIEWER: Okay. I see.

INTERVIEWEE: It is a risky move, that one.

INTERVIEWER: Ja.

INTERVIEWEE: For me to take.

INTERVIEWER: Do you pay any fees to the local municipality? Any fees?

INTERVIEWEE: Any fees? No.

INTERVIEWER: Nothing and what do you think would be benefits of paying taxes to SARS?

INTERVIEWEE: For me to tell you the truth, no.

INTERVIEWER: None.

INTERVIEWEE: No, but taxes are supposed to help people, but for me I do not think my government will help me if I pay tax. I will just pay tax, I pay tax because I have to because I am working.

INTERVIEWER: On your job you pay taxes.

INTERVIEWEE: Yes because I am working.

INTERVIEWER: All right.

INTERVIEWEE: If it was not that my business, I will never register my business so that I will pay tax.

INTERVIEWER: Okay, do you think that there are any disadvantages of paying taxes?

INTERVIEWEE: There are a lot.

INTERVIEWER: What are those?

INTERVIEWEE: First of all, suffering. So there is a lot of disadvantages for me because now for me... what is this.

INTERVIEWER: Jah.

INTERVIEWEE: What is this tax first. Tax is money that is supposed to build the streets and do whatever and whatever but that is not happening so...

INTERVIEWER: Jah, I see that. Do you have any experience with SARS?

INTERVIEWEE: With SARS?

INTERVIEWER: Yes.

INTERVIEWEE: Jah, a little, not that that much.

INTERVIEWER: Have you ever been there? What were you doing there?

INTERVIEWEE: At SARS?

INTERVIEWER: Yes.

INTERVIEWEE: I am supposed to get my tax number.

INTERVIEWER: And how was the process?

INTERVIEWEE: No the process is superb, I know the experience is good because obviously they want to get money from you so they will give an exceptional reception.

INTERVIEWER: And were there any challenges maybe in the process?

INTERVIEWEE: No.

INTERVIEWER: Okay and what is your view on SARS providing you with tax education?

INTERVIEWEE: My view?

INTERVIEWER: Or people with small business rather in general?

INTERVIEWEE: I never experienced something like that.

INTERVIEWER: What do you think about them doing it instead? Would you think it would be a good idea or bad idea, anything like that?

INTERVIEWEE: Maybe it will be a good idea if they are looking at the same goal because they can come and say pay tax whereas they are only looking at their side

but if they are looking for both sides, the small businesses and their side, ja it can be a good idea.

INTERVIEWER: If it is for both.

INTERVIEWEE: Both sides because now we talk about money here.

INTERVIEWER: So what do you think should be implemented for small business maybe to encourage them to understand taxes better and have ease of access to compliance services?

INTERVIEWEE: Education, it is obvious.

INTERVIEWER: Education.

INTERVIEWEE: More education on what tax is because sometimes you do not understand tax, that is why do not pay it unless I understand more why I am paying taxes.

INTERVIEWER: Okay, do you think that there is anything maybe more that SARS can improve the willingness of informal operators to pay taxes more?

INTERVIEWEE: That now I cannot say anything because I do not have that much information about the tax so I am not sure if they can try to do something more. It will be a good idea or not but according to the way tax is supposed to be, they can try some more offices around maybe getting more people involved especially from those small businesses because they do not know anything.

INTERVIEWER: All right, I see. Is there anything you feel I left out that you like to add maybe. Nothing?

INTERVIEWEE: Nothing.

INTERVIEWER: All right. That's that for the interview. Thank you so much for your time and your valuable input.

Interviewee 10: Meat seller (catering)

INTERVIEWER: All right, we can get started then. Just a bit of a background data on you. For your gender, are you male or female, other, or you prefer not to say?

INTERVIEWEE: No, I'm male.

INTERVIEWER: Male. How old are you?

INTERVIEWEE: 49 years.

INTERVIEWER: What's your highest education level?

INTERVIEWEE: A level.

INTERVIEWER: A level and what's your type of business activity?

INTERVIEWEE: Yes

INTERVIEWER: Type of business activity?

INTERVIEWEE: Informal trader.

INTERVIEWER: And what do you trade in?

INTERVIEWEE: That is, I sell meat.

INTERVIEWER: You sell meat?

INTERVIEWEE: Yes.

INTERVIEWER: Okay, how old is the business?

INTERVIEWEE: It's 13 years now.

INTERVIEWER: That's long hey. Where's the business located? You don't need to say the exact location.

INTERVIEWEE: That is Tlhabane, Rustenburg.

INTERVIEWER: Tlhabane.

INTERVIEWEE: Yeah.

INTERVIEWER: Okay and how old is the business location?

INTERVIEWEE: Oh, it's 13 years old.

INTERVIEWER: Has the business ever changed location?

INTERVIEWEE: No, I never changed.

INTERVIEWER: You never changed. So the finances of the business, how do you manage those?

INTERVIEWEE: Finances? I no, I do my savings. I bank.

INTERVIEWER: You bank? Okay, so which payment method do you use for the business?

INTERVIEWEE: Oh, I use cash transactions yeah.

INTERVIEWER: And why do you just use cash?

INTERVIEWEE: Because the viability of the business needs cash.

INTERVIEWER: All right.

INTERVIEWEE: Straight cash.

INTERVIEWEE: Okay. Does the business have a bank account?

INTERVIEWEE: No, due to some other restrictions that I'm possibly facing, I don't have those kinds of accounts like the current accounts.

INTERVIEWER: Okay.

INTERVIEWEE: I only use my personal savings.

INTERVIEWER: All right I see. To keep record of everything, what method do you use for the business transactions and everything?

INTERVIEWEE: You know what I do? When I sell, I would deduct some of the monies. I take it to my family. The other one I use it for stock. Yeah.

INTERVIEWER: And like do you write this down somewhere?

INTERVIEWEE: Yes, I write.

INTERVIEWER: What do you use...

INTERVIEWEE: I write everything.

INTERVIEWER: Just...

INTERVIEWEE: I use my laptop at home.

INTERVIEWER: Your laptop, okay. All right, that's it on the background data. So for tax, what do you think tax is?

INTERVIEWEE: You know possibly, because of all the other restrictions. The thing is, when I buy my goods, they tax me there.

INTERVIEWER: They tax you.

INTERVIEWEE: Yes.

INTERVIEWER: Okay, so you tax is some money that you pay them.

INTERVIEWEE: Yeah.

INTERVIEWER: I see that. Why do you think the Government collects taxes?

INTERVIEWEE: I think maybe the Government, they need revenue from all the businesses that we are doing, so by doing that when we buy our stocks, they take maybe a percentage of tax there. That's the only possible means that we pay can tax through.

INTERVIEWER: All right so, what do they use the taxes for?

INTERVIEWEE: I think it maybe for the beneficiary of the community and all that. And maybe the people with disabilities.

INTERVIEWER: Yeah. Do you think that the Government uses taxes satisfactorily?

INTERVIEWEE: Yeah, you know, there are some other loopholes and failures. To some extent yeah but then, as you can see, they're using it because they're paying the grants to various people here.

INTERVIEWER: I see and do you think that there are any public activities and behaviour done by the Government maybe, that maybe prevents you from paying taxes?

INTERVIEWEE: Currently I think so far, you know, the duty of the Government, is to help people, those of the population and they're also maybe to some extent maybe corruption. There's a lot of corruption, there has been corruption too much, they are corrupt. So it's maybe hindering their way of doing their work.

INTERVIEWER: Is there something that there's some things that they do that maybe encourage you to pay taxes?

INTERVIEWEE: Maybe the management of things. On that the way around yeah can it maybe improvise you to pay the taxes.

INTERVIEWER: What are those things?

INTERVIEWEE: Like you know the way they manage the things, especially when it comes to the child grant and the other grants that they give you like those battle for the 350's. You know, if you stop paying tax they may not be able to pay those.

INTERVIEWER: I see that. Okay, who do you think is obliged to pay tax to SARS?

INTERVIEWEE: The what?

INTERVIEWER: Who's supposed to pay taxes to SARS? Who pays taxes?

INTERVIEWEE: All right. You know, if the business is properly registered, we go there straight we pay to SARS. But the thing is, we've got little chance because maybe, of the other papers they need.

INTERVIEWER: Yes, I see that. So do you think that it's necessary for everyone who earns income, any income to pay taxes?

INTERVIEWEE: It depends only how you get your money or how you generate your money.

INTERVIEWER: I see.

INTERVIEWEE: But if your you generate your money in a proper way, you have to pay taxes. Or else they'll provide a stipulated amount that, if you earn this, you do this then you have to pay such an amount.

INTERVIEWER: I see.

INTERVIEWEE: Yeah.

INTERVIEWER: And any info like information related to tax, where do you get that?

INTERVIEWEE: The Department of Taxes. Maybe that's where we can get the all the information about tax, about how it runs, about how we pay our taxes.

INTERVIEWER: So do you think that tax information is easy or difficult to understand?

INTERVIEWEE: It's very easy to understand that, yes.

INTERVIEWER: Yes.

INTERVIEWEE: The thing is, how you can manage it to pay it?

INTERVIEWER: Yes.

INTERVIEWEE: That's where...

INTERVIEWER: So the understanding is easy...

INTERVIEWEE: Yeah.

INTERVIEWER: ...but the payment is not, I see.

INTERVIEWEE: The payment is difficult to some extent due to some other restrictions you see now.

INTERVIEWER: Yes, I see. Do you think that there are any measures that are taken by SARS, to like encourage tax compliance?

INTERVIEWEE: Yeah, I think they must have people on the ground so that they'll teach you people the importance of paying taxes and other lessons necessary for taxes.

INTERVIEWER: So tax education?

INTERVIEWEE: Yes.

INTERVIEWER: I see. Do you think there are some things that SARS does, that maybe discourage people to pay taxes?

INTERVIEWEE: Oh, I don't really have any idea from how their operations are, but then the thing is, I don't see them regularly on the ground.

INTERVIEWER: I see that. Are you aware of any specific taxes for like small businesses?

INTERVIEWEE: I'm not.

INTERVIEWER: No, you're not aware.

INTERVIEWEE: Yes.

INTERVIEWER: So there are those for small businesses right and are you registered for paying taxes? Or for your business?

INTERVIEWEE: No, I'm not.

INTERVIEWER: You're not registered to pay taxes, okay. Do you think that, you said you don't know any small businesses tax right? Do you pay any fees to the local municipality?

INTERVIEWEE: Yeah, we pay through the rates that we are paying.

INTERVIEWER: What do you pay?

INTERVIEWEE: Yes, we pay water.

INTERVIEWER: Water?

INTERVIEWEE: Yes and the other refuse services, we pay.

INTERVIEWER: Refuse?

INTERVIEWEE: Yes, we pay.

INTERVIEWER: Okay, I see that and what do you think for your business, if you were to pay taxes, what do you think would be the benefits?

INTERVIEWEE: Yeah, if I pay taxes through SARS, maybe I would benefit if I get my tax returns by the end of the time.

INTERVIEWER: Okay, any other benefits that you can think of?

INTERVIEWEE: No, currently I think that's it.

INTERVIEWER: What do you think are the disadvantages of paying taxes?

INTERVIEWEE: I don't think of any disadvantages.

INTERVIEWER: You don't think of any.

INTERVIEWEE: Yes.

INTERVIEWER: Do you think when SARS penalises people for not paying taxes, that encourages people to pay taxes.

INTERVIEWEE: No, it's good to when they penalise people because the penalty, is not a death sentence. It's like they need people to follow the law. The rules and the regulations, abiding it, having a business in the country.

INTERVIEWER: Yes. Do you have any experience with SARS, have you ever gone there or anything like that?

INTERVIEWEE: No, just to pass through there but I know that they are dealing such things but because I'm not properly registered I do not go there.

INTERVIEWER: Okay, so you spoke about certain restrictions, right? What are those restrictions that you were talking about?

INTERVIEWEE: Like you know to be frank. When I came here, I was using a work permit, but I ended up venturing into business activities so, if you go there trying to register a business, while I'm using a work permit, maybe they would want an ID, luckily enough when I was working, I said no, I can't work for the rest of my life, I had to do business. Then I ventured into this business that I'm doing.

INTERVIEWER: Yes.

INTERVIEWEE: Yeah.

INTERVIEWER: All right I see that. So what do you think about SARS providing people with tax education?

INTERVIEWEE: Yeah, I think it's right or what they should do, actually educate the people on the importance of paying taxes, yes.

INTERVIEWER: I see. What do think should be implemented by SARS, to make people understand taxes better and like access tax compliances services better?

INTERVIEWEE: Yeah, the best way, they must go on the ground and then educate the people.

INTERVIEWER: Educate the people especially those people who are business like informal business.

INTERVIEWER: Yes.

INTERVIEWEE: ...and some of us, [we might know the other? 11:14], they don't know how important it is.

INTERVIEWER: How important it is. Okay and what do you think, what do you suggest SARS must do to improve the informal trader's willingness to pay taxes?

INTERVIEWEE: They must always be on the ground.

INTERVIEWER: I think that's it. Thank you so much for your time. Do you want to ask anything?

INTERVIEWEE: No, not at the moment.

INTERVIEWER: Not at the moment. Thank you so much for your time. That's that.