Tax Perception and Compliance Cost Surveys

A Tool for Tax Reform

Investment Climate Advisory Services I World Bank Group

IFC International Finance Corporation World Bank Group

MIGA World Bank Group Multilateral Investment Guarantee Agency

THE WORLD BANK

Funded through FIAS, the multidonor investment climate advisory service

UKaid from the Department for International Development

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Investment Climate Advisory Services of the World Bank Group

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About the Investment Climate Advisory Services of the World Bank Group
The Investment Climate Advisory Services of the World Bank Group helps governments implement reforms to improve their business environments and encourage and retain investment, thus fostering competitive markets, growth, and job creation. Funding is provided by the World Bank Group (IFC, MIGA, and the World Bank) and over 15 donor partners working through the multidonor FIAS platform.

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Abbreviations

ADR	alternative dispute resolution
CIT	corporate income tax
GST	general sales tax (Yemen)
IC	Investment Climate Advisory Services
ISE	international survey expert
OECD	Organisation for Economic Co-operation and Development
PAYE	pay as you earn
R	South African rand
SARS	South African Revenue Service
SDL	Skills Development Levy (South Africa)
SMEs	small and medium-size enterprises
SMMEs	small, micro, and medium-size enterprises
STS	Simplified Tax System
TCCS	tax compliance cost survey
TPCCS	tax perception and compliance cost survey
TTL	task team leader
UIF	Unemployment Insurance Fund (South Africa)
VAT	value added tax
YR	Yemeni rial

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Introduction

One of the fastest-growing areas of work to improve the investment climates of developing and transition economies (as well as many developed ones) involves enhancing the effectiveness, efficiency, transparency, and fairness of business taxes. These efforts are important for several reasons, including to increase government revenue, improve governance, and encourage investment, employment, and long-term growth.

Many developing and transition economies appear to be trapped in a vicious circle of low investment, low growth, low tax revenues, and, as a result, poor public services. Governments try to raise tax revenues (presumably) to improve public services, but taxpayers in general (and business taxpayers in particular) evade taxes by staying informal or by hiding income from tax authorities. Low levels of public investment and services (such as infrastructure, security, education, and health) lead to low productivity, investment, and growth.

Many developing countries are introducing tax reforms based on self-assessment and "quasi voluntary" compliance. Special, simplified small-business tax regimes are being implemented to encourage informal firms to register for taxation and get in the habit of paying taxes—even if the revenues they pay are less than the administrative costs of collecting them. The point is to encourage formalization and growth, establish habits of tax compliance, and (at a political level) strengthen the social contract between taxpayers (including private businesses) and the state, which in turn should increase pressure to improve transparency and accountability within government.

As in all areas of public finance, there are many tradeoffs for policymakers to consider as they embark on reforms: between the need for short-term tax revenues and long-term economic growth, between simplicity and fairness, and between enforcement and compliance, among others. These tradeoffs may play out differently in different economic, institutional, and cultural settings. Thus it is essential to monitor progress and use empirical data to ensure that reforms are on track, delivering the intended results, and not yielding adverse consequences. This may

be even more critical for business taxes than other sources of tax revenue because capital is notoriously mobile. More than ever before, investors and business owners are willing and able to "vote with their feet." They can move a business to another jurisdiction or—especially for domestic small and medium-size enterprises (SMEs)—simply close shop.

This manual focuses on surveys of business taxpayers regarding their perceptions of tax compliance and their experiences with tax compliance costs. Tax perception and compliance cost surveys (TPCCSs) are critical to assessing the efficiency of tax regimes. These surveys gather quantifiable data on the costs of compliance, including the hidden burdens imposed on businesses (in addition to actual tax payments) through the compliance process. Understanding perceptions is important to gauging changes in tax morale (the intrinsic motivation for people to pay taxes) and general trends in tax compliance (including difficult to measure but critical features like the extent of corruption and the legitimacy of and trust in the state).

Numerous surveys attempting to collect information on taxpayer perceptions of tax regimes have been conducted in various developing countries. Compliance cost surveys are somewhat less common but have been conducted in Croatia, India, Malaysia, Peru, South Africa, Ukraine, Vietnam, and the Republic of Yemen. Though the number of developing countries where these surveys have been conducted is limited, their results and lessons for galvanizing business tax reform are becoming ripe for review.

Chapter 1: Why Conduct a Tax Perception and Compliance Cost Survey?

Revenue agencies in developing and transition economies need to better understand the experiences and perceptions of business taxpayers with regard to both compliance decisions and costs. While some information should be gathered directly from business tax filings and returns (such as the number of business taxpayers, reported taxable income, and tax payments received from them) and other sources (such as standard information associated with macroeconomic analysis—for example, trends in output and employment), direct surveys of businesses are a critical source of information to round out a thorough understanding of business tax compliance (box 1.1).

1.1 Tax Perceptions, Morale, and Compliance

Original assumptions about tax compliance were rooted in standard analyses of maximization of expected income, taking into account the risks and penalties associated with noncompliance (Allingham and Sandmo 1972). But empirical data quickly revealed that taxpayers throughout the world paid much more tax than could be accounted for even by the highest feasible levels of auditing, penalties, and risk aversion. The question therefore switched from "why do taxpayers evade?" to "why do taxpayers comply?" (Alm, McClelland, and Shulze 1992; Alm and Martinez-Vazquez 2003).

The more recent literature on tax compliance has taken into account economic theory, experimental design, and survey results. While much of the analysis has focused on individual taxpayers, the behavior of business taxpayers (including the self-employed and small business owners as well as managers of joint-stock companies) should be similar—if anything, the "elasticity" of tax compliance to the tax burden for business taxpayers should probably be higher than for individuals. Capital

BOX 1.1 Tax Morale, Tax Compliance, and Governance

Everest-Phillips and Sandall (2009) argue that governance and taxation are mutually reinforcing. Governance shapes tax systems, while how taxes are raised influences the creation of effective state institutions and the dynamics of the investment climate and economic growth. Investment climate reforms of the tax system should aim explicitly at a virtuous circle: taxation that reinforces both state legitimacy and institutional effectiveness, which in turn improve tax compliance by increasing taxpayer consent and reducing the costs of tax coercion. The linkages between governance, taxation, and the investment climate are reflected in three key dynamics:

- *Good governance delivers good tax systems*. Revenue collection depends on efficient administration, trust in government, and political stability. Without these preconditions, fair, effective, and efficient tax systems are difficult to develop.
- *Better tax systems deliver* better governance. How states obtain revenue affects the quality of their governance. Sound and fair taxation systems promote good governance because collecting taxes efficiently requires the consent of taxpayers. The process of political bargaining between government leaders and taxpayers legitimizes taxes and the state in the eyes of citizens, increases the state's capacity to collect and administer taxes, and strengthens the accountability of government to its citizen-taxpayers.
- *Governance and tax systems shape the investment climate*. Developing country governments often depend on narrow tax bases and coercive tax collection. The small formal sector typically bears heavy financial and time burdens in complying with tax obligations. These burdens create a strong disincentive to investment and participation in the formal economy.

State legitimacy is a fundamental influence on intrinsic willingness to pay tax, also called "tax morale." As citizens, business owners will actively seek to avoid paying taxes to a state they do not believe in. The more legitimate a state is in the eyes of its citizens, the less a regime requires coercion to collect taxes. These links between legitimacy and business tax morale matter for the sustainability of any tax reform.

has long been documented as the most mobile among the main factors of production. Thus Tiebout (1956), among others, pointed out that taxpayers can "vote with their feet" by migrating between jurisdictions, so governments around the world must note that much investment can be "footloose" and that overly heavy tax burdens can deter investment—either encouraging it to search for locations that offer the highest expected after-tax rate of return or discouraging entrepreneurship in favor of wage labor (see OECD 2004).

OECD (2001) describes the use of surveys to gather evidence on tax compliance and points out that their strengths include "their ability to capture a broad range of explanatory variables known only to taxpayers, notably their understanding of compliance requirements, relevant values and attitudes, expectations of risks and benefits of non-compliance…[while disadvantages include] variations in definitions of issues

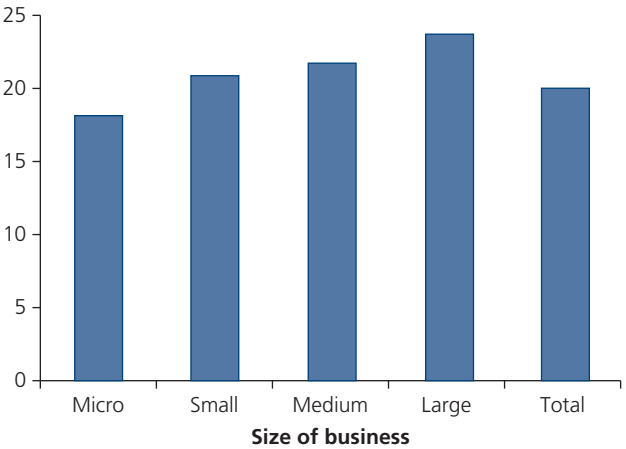
such as noncompliance, the integrity of the answers for deliberate or inadvertent reasons, and the inability to report on inadvertent omissions."

Most important, Alm and Torgler (2006) stressed that "individuals exhibit much diversity in their behavior." Some are primarily worried about getting caught and penalized. Others (especially businesspeople who face competition) are more concerned about the behavior of other taxpayers, neighbors, or competitors. Still others think in terms of civic duty or public services and may weigh those considerations against the perceived accountability and efficiency of the state. These different factors are all likely to vary across countries, institutions, and cultures, and much information about such factors can be estimated from surveys.

For example, in a tax perception and compliance cost survey conducted in the Republic of Yemen by the World Bank Group's Investment Climate Advisory Services (IC), when asked to estimate the percentage of tax revenues paid by businesses that communities get back through government services, business respondents believed the share was less than 20 percent (figure 1.1). Whether or not this is an accurate reflection of reality, the perception is likely to influence tax morale and therefore tax compliance (which is, by all accounts, very low in the Republic of Yemen).

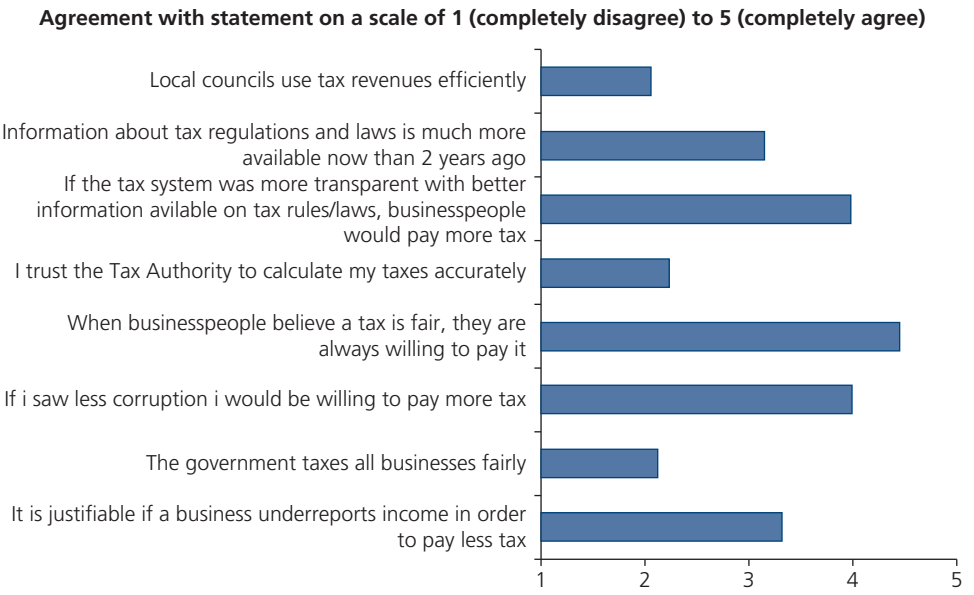
The international literature notes that a number of variables tend to be associated with tax compliance. For example, Lewis (1982) noted data showing that "tax ethics were significantly and negatively correlated with dissatisfaction with government, as measured by taxpayers' feelings of alienation, their views of political inefficiency and their reaction to perceived political manipulation." The Yemen survey investigated several of these topics and yielded a number of noteworthy results (figure 1.2). While

FIGURE 1.1 Percentage of taxes that Yemeni businesses believe communities get back through government services



Source: FIAS 2008.

FIGURE 1.2 Tax morale in the Republic of Yemen



Source: FIAS 2008.

businesses are roughly neutral in terms of underreporting income to pay less tax, they are quite clear in asserting that they would be willing to pay more tax if they felt it was "fair," if they saw less corruption, and/or "if the tax system was more transparent, with better information available on tax rules/laws."

Survey respondents expressed clear disagreement with statements that "the government taxes all businesses fairly" and "I trust the Tax Authority to calculate my taxes accurately" (with medium-size businesses disagreeing with the latter statement the most).

Internationally, Alm and Martinez-Vazquez (2003) found that "tax revenues increase with greater enforcement efforts, but this payoff declines as the probability [of being caught and punished for tax evasion] increases." They later note that compliance increases with the availability of public goods and services, and suggest that government can increase compliance by providing goods that their citizens prefer more, by providing these goods more efficiently, or by more effectively emphasizing that taxes are needed to provide government services."

Tax compliance can also have important spillover benefits to firms. The literature on tax compliance notes that one indirect benefit of tax compliance is the discipline imposed on small businesses to prepare and maintain accurate financial accounts (such as an income statement or balance sheet). Sandford (1995) noted many of the relevant

benefits (particularly improvements in information systems and financial control) and these have been further documented by the tax compliance cost literature.

Many small businesses, especially those in developing and transition economies, often state that they would not bother with formal accounting if not required to do so by tax legislation (Turner, Smith, and Gurd 1998). This suggests that governments might be able to facilitate both tax compliance and improved financial management of domestic businesses by offering or encouraging outreach and education programs on business bookkeeping.

Feld and Frey (2002) found evidence that tax morale is also significantly influenced by interactions between taxpayers and tax authorities, with more respectful behavior from tax authorities associated with higher rates of tax compliance. More specifically, their evidence from Switzerland suggests "that (a) an authoritarian approach crowds out tax morale more strongly when citizens have high participation rights; and (b) a respectful approach crowds in tax morale more strongly when the citizens have high participation rights."

Using survey-based evidence and experimental results from Botswana, South Africa, and the United States, Cummings and others (2004) came to similar conclusions. Tax morale and compliance levels appear to be influenced by the fairness of the tax administration, perceived fiscal exchanges, and overall attitudes toward governments.

In South Africa, Fjeldstad (2004) analyzed compliance with local service charges (user fees that bear some similarity to taxes) using survey data and found that failure to comply with them (which varied considerably within communities and between communities with similar socioeconomic characteristics) was associated with ability to pay and strongly correlated with trust in:

- Local government to use revenues to provide expected services
- Authorities to establish fair procedures for collection of revenue and distribution of services
- Other citizens to pay their share.

Torgler (2005) found similar patterns in Latin America. He also found that people who knew or had heard about tax avoidance appear to have lower tax morale than others. In addition, trust in public officials, the belief that other people obey the law, and a pro-democratic attitude significantly improve raise tax morale.

While the experience of the World Bank Group's Investment Climate Advisory Services with taxpayer perceptions is still somewhat limited, future plans include expanding, testing, and refining more detailed survey questions in this area.

1.2 Tax Compliance Costs

There is a growing body of literature documenting the problem of regressive tax compliance costs, which can be especially burdensome for small businesses.[1] This research initially focused on Australia, New Zealand, the United Kingdom, and the United States (see the comprehensive literature reviews by Sandford, Godwin, and Hardwich 1989, Sandford 1994, James 2003, and Evans 2003) and has since expanded to other member countries of the Organisation for Economic Co-operation and Development (OECD) and, more recently, developing and transition economies such as Brazil, Croatia, the Czech Republic, India, and Malaysia, all of which display the same pattern of regressivity.

At this point there is not enough cross-country data to determine whether the problem of regressive tax compliance costs is generally worse in developing or developed countries. On the one hand, many developing countries have yet to modernize their business tax regimes and may rely heavily (de facto if not de jure) on face-to-face negotiations between tax officials and taxpayers to assess and collect taxes, or on very simple "patent" systems (lump sum payments) for microenterprises. While such systems may keep tax compliance costs (narrowly defined) relatively low, they often have hidden costs including bribery, opportunity costs, and disincentives to growth. Modern business tax regimes relying primarily on self-assessment and "quasi voluntary" compliance (backed by risk-based audit selection methods) probably have higher (narrowly defined) tax compliance costs but can yield major benefits by encouraging business growth and discouraging corruption.

Further, many governments, including in Australia, Canada, the Netherlands, New Zealand, the United Kingdom, and the United States, have been working to reduce tax compliance costs for small businesses. For example, the government of New Zealand (2007) has noted that "reducing tax compliance costs can help boost productivity and competitiveness as it would allow more resources to be applied to core business activities."

Lewis (1982) stressed that "the first principle [of a sound tax regime] is *simplicity*. . . . A simple tax system is one in which both the administrative costs of the revenue authorities and the compliance costs of the taxpayer are kept to a minimum. . .[and] what appears to be a saving in administrative costs often constitutes an increase in personal compliance costs and vice versa" (emphasis in original). Governments need to figure out the appropriate balance between the two. In theory, an equal-sized shift from public sector administrative costs to private sector compliance costs (for

[1] The most commonly used definition for tax compliance costs appears to be one offered by Sandford (1995): "Costs incurred by taxpayers in meeting the requirements laid on them by the tax law and the revenue authorities . . . over and above the actual payment of tax; costs which would disappear if the tax was abolished."

example, introducing a value added tax (VAT), which is a tax on consumers collected by businesses, and reducing income taxes to be "revenue neutral") does not necessarily imply a change in overall social welfare. But in most cases governments do not bother to address private sector compliance costs.[2] Survey data can help to pinpoint areas that are most burdensome for firms and areas where adjusting the balance between public sector tax administration costs and private sector tax compliance costs can improve overall efficiency.

The Investment Climate Advisory Services (IC), in collaboration with other departments in the World Bank Group, has recently completed the largest, most rigorous and comprehensive tax compliance cost survey to date in a developing country, South Africa, and has recently completed similar surveys in Ukraine and the Republic of Yemen and initiated surveys in Central Asia. IC has also supported the World Bank on tax compliance cost surveys in Peru and Vietnam. In addition to attitude and perception questions about government efficiency and fairness, transparency, quality of government services, and the compliance cost burdens associated with tax preparation and filing, these surveys document a range of other costs, burdens, and risks for businesses, including some or all of the following:

- Lack of information needed for correct compliance
- Delays in tax refunds
- Burdensome and time-consuming tax inspections
- Risks of fines and penalties
- Corruption
- Inconsistent or unfair treatment.

Tax compliance cost surveys can be used both to pinpoint problem areas and to establish a baseline against which progress can be measured (see chapter 4 for more details and examples). The latter feature makes these surveys a natural complement to the Bank Group's *Doing Business* indicators, which provide rough benchmarks for cross-country comparisons but in most cases are unable to measure improvements in small business tax regimes designed to reduce the burden of taxation for the majority of companies (usually small ones) in a country. The *Doing Business* indicators are also not designed to capture most of the problems cited above.

Chapters 2 and 3 present guidelines for preparing and conducting a tax perception and compliance cost survey. Chapter 4 describes how to use such survey data in tax reform projects, and chapter 5 summarizes the most common pitfalls, caveats, limitations, and warnings about such surveys.

[2] Many still fail to estimate their own administrative costs, but at least they have their own data (such as on direct costs, payroll, and overheads of the revenue authority) available to them.

Chapter 2: Preconditions for a Tax Perception and Compliance Cost Survey

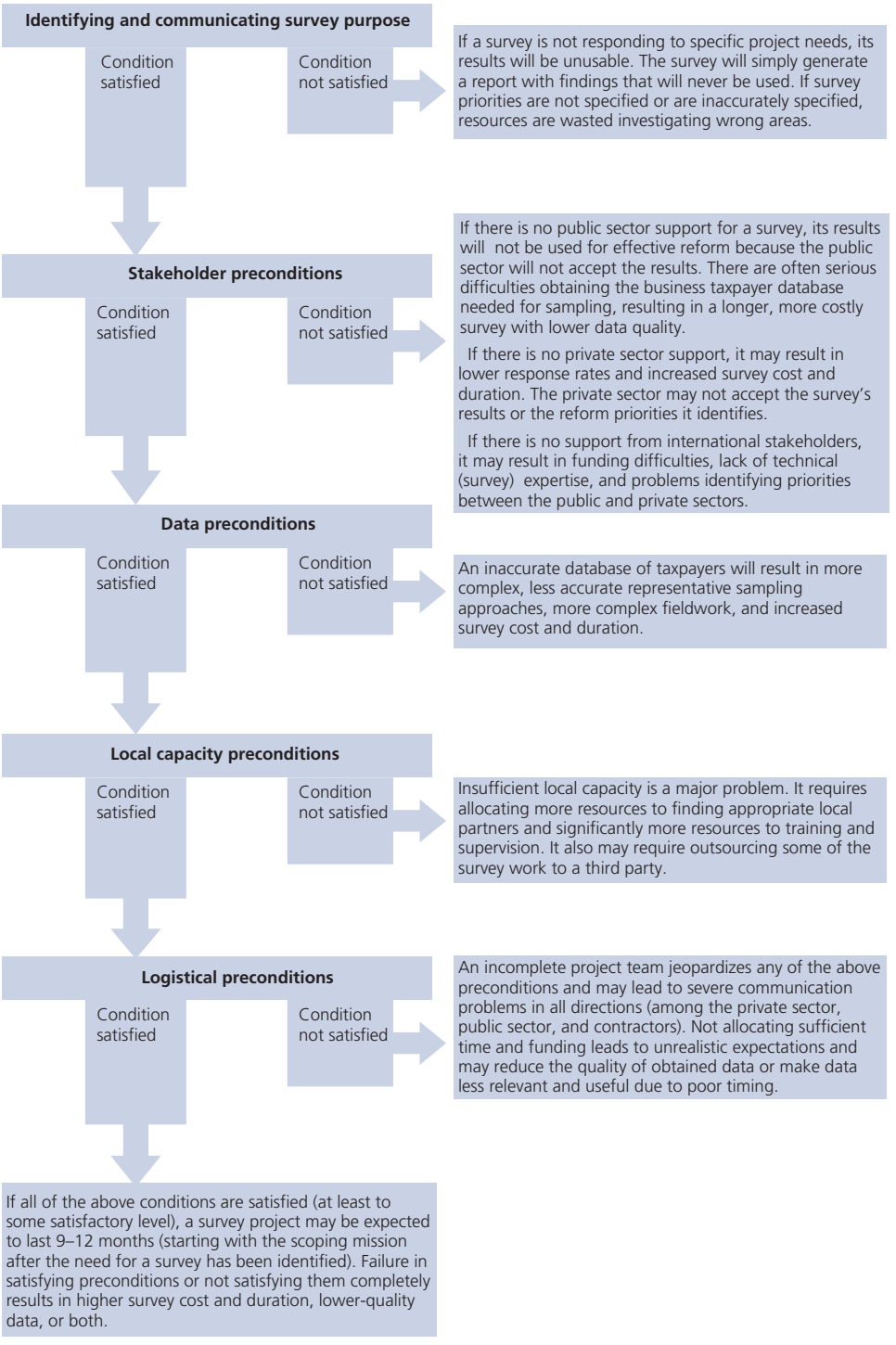
A variety of preconditions must be met before a tax perception and compliance cost survey (TPCCS) can be designed and conducted. The main ones involve identifying and communicating a survey's purpose, securing support from various stakeholders, securing an accurate database of business taxpayers, ensuring the availability of capable consultants or contractors to conduct the survey work, and engaging in logistical work for proper planning and preparation, including human resources and funding (figure 2.1).

2.1 Identifying and Communicating a Survey's Purpose

The initial round of a TPCCS should be seen as an integral component of a specific reform package rather than a standalone exercise. Conducting a survey in isolation, without being integrated into a specific, broader policy intervention, runs the risk of wasting resources. In the best case scenario, a TPCCS should be used either before reform implementation has started (that is, as a baseline information collection exercise and a tool to help prioritize and inform the reform agenda) or shortly after reforms have been enacted (to provide early warnings of implementation problems).

Surveys of this type (not only in the tax area but also in other public sector governance areas) usually have two main purposes. One is to help pinpoint or clarify key problems or bottlenecks (including using survey findings directly to help design certain elements of the reform program). The other is to establish actionable baseline indicators so that reform success (or failure) can be objectively measured against them. It is important that the objectives of information collection (that is, what are the phenomena, latent variables, and so on) that the survey needs to meet be communicated early in the project cycle because these agendas significantly influence key survey elements—from questionnaire to sample design.

FIGURE 2.1 Preconditions for a tax perception and compliance cost survey



On the other hand, if the main purpose is to establish a baseline for measuring reform success (or doing a repeated survey to be compared to that baseline), then the emphasis may be more on indicators that are easy to measure (numeric indicators, for instance) and compare across periods. The trick here is to make sure those indicators (and the survey questions used to collect information for them) remain relevant over the medium term.

In either case it is important to conduct these surveys early on and to plan for more than one round.

Usually a survey is carried out for a combination of these reasons, but the priorities should be taken into consideration when designing the survey approach and especially the survey instruments. Important preconditions to a successful TPCCS are early identification of the survey's priorities and main purpose, communication of the purpose to the survey team, and discussion about how these purposes can be fulfilled. This may be an iterative process. The challenge is that the main value of a TPCCS is the detailed data it can yield—but given the constraints on the length of any one survey, it is not possible to ask detailed questions about all potential tax issues.

2.2 Stakeholder Preconditions

A successful TPCCS needs support from various stakeholders. There are three basic groups of stakeholders that need to provide support for a successful TPCCS in a developing or transition economy: the government, the private sector, and development partners, including both bilateral agencies and international financial institutions such as the Asian Development Bank (ADB), Canadian International Development Authority (CIDA), U.K. Department for International Development (DFID), U.S. Agency for International Development (USAID), World Bank, and International Finance Corporation (IFC). Support from stakeholders to the survey effort is provided through three main channels: feedback and suggestions to the survey approach and substance (that is, instruments), public support by advertising the survey to facilitate the survey effort and increasing the response rate among potential respondents, and providing financing for the information collection and analysis.

Support from government stakeholders is especially important in commenting on the substance of the survey, while their support in publicizing the survey among potential respondents can sometimes have a negative effect (that is, respondents may become more reluctant to answer the survey). It is also important for government counterparts to identify their priorities when it comes to reform (if it is the part of the overall project, including the survey) so that the survey can focus on areas of greatest government interest. If this is not done, survey resources can be wasted on areas where there is no appetite for reform.

Though survey results may identify certain areas as key problems and bottlenecks, a lack of political capital will make reforms impossible in those areas. In such cases it may be better to focus on areas where reform is possible in the near term. On the other hand, if there is some openness for reform, survey data can provide needed ammunition to overcome resistance by vested interests within government. This being said, it is crucial to have strong "core" questions in the survey—that is, questions that cover main aspects of tax compliance costs in a standard way (see chapter 4).

Support from nongovernment actors (the private sector, professional associations, and in some cases the general public) is also important in commenting on survey substance, but even more so in supporting the survey by publicizing it in the business community. Sometimes a survey may even be impossible without such support. The surveys of tax professionals in Peru and South Africa would have been impossible without the support provided by accountant associations (by providing a database of their members and by sending letters to their members supporting the surveys), while the TPCCS in the Republic of Yemen experienced problems (such as a low response rate and fieldwork delays) partly due to a lack of active support from the Federation of Chambers of Commerce.

The role of development partners as stakeholders in a TPCCS is to provide technical assistance and funding and to serve as a sort of "mediator" between the public and private sectors. Most countries have very little experience with such surveys, so applying experiences from similar projects elsewhere can significantly improve the quality and usefulness of collected data. In addition, the role of "mediator" can sometimes be crucial for successful survey completion. Mediators also guarantee the neutrality of collected data. If the private sector perceives a TPCCS as being government-owned, it may result in low response rates or, even worse, misleading data. On the other hand, if a survey is perceived as being private sector–owned, government might refuse to accept the results.

Government and private sector stakeholders often have different expectations and priorities for this kind of survey. For example, the government of the Republic of Yemen was very reluctant to discuss corruption, while the private sector identified it as a key problem. In these situations international stakeholders must find a solution that satisfies both parties. The importance of the role of international stakeholders is evident from two examples.

In Vietnam the influence of international stakeholders was significantly reduced by providing funds for the survey directly to the government. This approach resulted in a survey that was strictly limited to data on tax compliance costs, with little else of value to tax reform. In Peru both government and private sector stakeholders insisted that the international stakeholder (the World Bank) take full responsibility

for the online survey of tax practitioners because doing so was the only way that respondents would feel comfortable responding to the questionnaire.

The level of support needed from all stakeholders and its importance heavily depends on the purpose of a TPCCS. If the survey is to be the basis for reform, the level of support from all stakeholders should be higher. But if the survey is only intended to monitor and evaluate the existing state of affairs, or programs already under way, less support might suffice.

2.3 Data Preconditions

To be based on a representative sample, a TPCCS needs an accurate database of taxpayers. Such a database is needed to create:

- A representative sampling structure—that is, a sample that represents the population of businesses according to the most important factors (commonly used factors include sector, size, and geographic distribution, but more specific factors can include legal form, specific tax regime, and urban or rural location).
- A sampling frame—that is, to extract a list of all relevant companies from the population database from which the sample of companies to be contacted for the survey will be selected (bearing in mind refusal rates and other reasons for failure to conduct an interview, the sampling frame should contain at least four times more contacts than the desired sample size).
- A weighting factor for the database that will extrapolate survey results to the population level.

The quality of the taxpayer database has important implications for analytical options once survey data are collected. A lower-quality database implies fewer analytical options and less representative obtained data. A lower-quality taxpayer database also frequently leads to more problems during fieldwork (such as time wasted trying to find firms that are no longer active, have moved, and so on).

Examples from completed TCCSs (tax compliance cost surveys) and TPCCSs support this point. For the survey in South Africa a high-quality taxpayer database was available, allowing for deeper survey data analysis, more reliable results, and weighting option. In addition, fieldwork difficulties were few and not serious. But in the Republic of Yemen the TPCCS data obtained from the tax authorities were poor, resulting in fieldwork problems and delays (such as many failed efforts to find respondents who met the survey criteria) as well as fewer analytical options.

A survey of informal firms can almost never be based on a "representative sample" and must usually employ different techniques (see section 3.3).

2.4 Local Capacity Preconditions

In many developing countries the capacity to conduct a survey may be a problem. When preparing for TPCCS, it is important to investigate the availability of capable consultants or contractors that can carry out the survey work. If detected early, a lack of proper survey capacity in a country can be partially mitigated by using more resources to train locally available consultants (see section 3.7 for more details about training), outsourcing only part of the survey work (more specifically, fieldwork) to these consultants, and using other resources (experienced consultants and experts from other countries) for parts of the survey project. More specifically, questionnaire design, sample design, data entry and analysis, and final report writing should be done by consultants (not necessarily from the host country) with more experience and expertise.

2.5 Logistical Preconditions

To be successful, a TPCCS has to be properly planned and prepared, with adequate time and resources for project needs. These requirements are often underestimated, frequently because different people are responsible for planning and implementation, and the latter are not consulted adequately during the planning phase. Thus it is imperative to understand that obtaining high-quality data (that is, data that can be used for statistical analysis with robust levels of confidence) requires sufficient time, financial resources, and advance discussions between leaders of the overall tax project and survey specialists.

2.5.1 Human capacity

A successful TPCCS requires a balanced team. An example of key team members includes:

- A task team leader is usually a leader of the broader business tax reform project requiring survey results for its completion. The task team leader should be actively involved in survey design (especially questionnaire design) so that the survey feeds the needs of the bigger project (box 2.1).
- A task manager (optional) can be the survey's link to the bigger project, serving as a facilitator of communications between the survey specialists and the tax specialists and making sure that all the preconditions for a successful survey discussed above are satisfied. (A task manager can be useful in most settings because in comprehensive tax reform projects task team leaders are usually very busy with other tasks, are not experienced with a TPCCS, or both.)
- A survey expert organizes and supervises the actual survey work, oversees (or leads, if necessary) the design of the survey's instruments and its

BOX 2.1 Roles of Team Members on a Tax Perception and Compliance Cost Survey

The *task team leader* is the immediate client of the survey (who is working closely with the project client—the government). His or her role can be compared to someone commissioning the construction of a large new building. This person may be relatively more or less experienced in this role.

The *survey expert* is like the supervising engineer for the large building. He or she is responsible for designing and supervising the construction according to the needs of the client and for ensuring both good building standards and appropriate cost control.

The *survey company* is like the contractor that actually builds the building. The company should be well qualified and experienced, but it still needs supervision to ensure that it does not cut corners or overcharge the client.

In other words, high-quality and low-quality surveys can be compared to buildings: if there are flaws (such as too much sand mixed into the concrete), they will not be obvious to the client until it is too late. For example, in the 2008 earthquake in China's Sichuan province, some buildings collapsed while others withstood the earthquake. A layperson could not tell which buildings would stand and which would fall, but it was not a random phenomenon.

A high-quality survey yields robust and reliable data, while a low-quality one yields data that do not stand up to scrutiny. For example, if survey questions were somewhat ambiguous (such as, "what is the average wage for your bookkeepers"), some respondents may interpret and answer the question one way (monthly wages) and others may interpret and answer the question another way (weekly wages), and it may be impossible to know which respondents answered which way. Such data must be discarded.

Unclear definitions, poor translation, and poor training of interviewers may also lead to inconsistent answers and thus data that cannot be used. Poor supervision of (or collusion with) interviewers may lead to "curb sitting" (interviewers who fill out interview reports without bothering to conduct real interviews). Sloppy input of survey data can introduce more errors.

Another problem might be lack of detail or specificity (such as expenditure categories of "material inputs," "payroll," "rent," and "other" that do not ensure that respondents remember to include the cost of equipment purchased in past years and is still being depreciated on the company's books).

Samples that are too small may yield data with such large statistical errors that the "signal" can't be distinguished from the "noise." Samples that are not representative may yield biased data.

"Data cleaning" is usually needed to eliminate erroneous responses, but it is hard to distinguish between an error and an outlier (a true but extremely unusual response, such as a delay in a procedure that lasts several years). Differences in definitions, identification, and treatment of outlier data can make a substantial difference in survey results.

Finally, every survey contains data that, on examination, may have to be discarded. A poor-quality survey may have so little usable data left that the whole exercise lacks credibility, in which case the entire cost and effort of the survey have been wasted.

methodological underpinnings, trains survey contractors, supervises the survey, leads problem solving when necessary, evaluates the quality of survey outputs, and participates in their finalization. This person needs hands-on field experience with business surveys (preferably including socioeconomic surveys in addition to more common marketing surveys), including design, training, supervision, and analysis of surveys results.

- A tax accountant is usually a short-term consultant who helps design the survey instrument, taking into account the specific taxes being assessed, tax-related procedures, and terminology in the country, and usually drafts the analytical report based on the survey data. (Sample terms of reference for a survey expert and tax accountant are presented in annexes 1.1 and 1.2.)[1]

2.5.2 Planning and timing

A TPCCS needs sufficient time to complete. Similar surveys carried out to date took 9–12 months at minimum, from the conception phase (where the need for a survey is identified and resources for it allocated) until final survey outputs (report and presentation). Expert analysis and composition of an analytical report take additional time. It is important to bear in mind time requirements when planning a TPCCS because every reduction in available time usually has consequences in terms of lower data quality.

2.5.3 Budget

A TPCCS also needs to have funds allocated for it. Unrealistic planning of funding for such a survey can have very negative impacts on the quality of obtained data.

- It is very difficult to estimate how much a survey of this nature should cost "on average"—for approximately the same type of survey, the cost might vary by a factor of five depending on logistical constraints and on prices in the target country.
- The cost of a survey depends on many factors, including a country's size, level of economic development, and cost of skilled labor, the availability of qualified labor, security, and physical infrastructure, the methods used (whether interviews are conducted by telephone, in person, or online), the size of the sample, and the length of the questionnaire.

Experience from the past five to seven years shows that no survey of any decent quality—with countrywide coverage, a representative sample, a sufficiently narrow confidence interval, and the like—known to the authors has cost less than $50,000. Moreover, that is the cost for a minimal survey (including adapting instruments to local conditions, conducting fieldwork, completing basic data analysis, and producing a survey report) in the cheapest country, excluding the cost of the task team leader, external advisers (such as the survey expert and tax accountant), and writing of an analytical report. The full set of surveys in South Africa cost more than $500,000. (See annex 2.1 for more details.)

[1] This is only an example and teams may be composed differently, but they should still complete the same tasks; similarly, over time some of these responsibilities may be transferred to the local contractor when and if it proves that it can operate with limited outside supervision. The latter would usually happen if the survey is being implemented as a recurrent exercise.

Chapter 3: How to Conduct a Tax Perception and Compliance Cost Survey

3.1 Planning for a Survey

As discussed in chapter 2, it is crucial to plan for a survey. The survey is expected to provide inputs to a larger project or produce data that will be used to assess progress on such a project. As such, the data need to be statistically robust and as free from bias as possible to distinguish "the signal" from "the noise." to obtain confidence intervals narrow enough for meaningful analysis, the number of responses needs to be relatively large (usually about 1,000). If there is a need to compare subgroups (such as firms from different regions or of different sizes), the sample must be large enough within each subgroup (and the overall sample correspondingly larger).

Task team leaders for large projects and donors financing survey activities often have their own deadlines and are not necessarily aware of the complexity, time requirements, and costs of the survey process. It is therefore important to make sure all parties involved understand that:

- Early planning makes for better surveys
- Fieldwork requires significant upfront expenses, so funding needs to be secured before requests for proposals are requested from survey companies
- It is a very poor practice to rush the overall project duration, especially by reducing time for training, testing, and fieldwork
- A poorly executed survey (such as one that is rushed or underfunded) is often worse than no survey at all—at best it will not stand up to rigorous criticism (such as from an unhappy government client), and at worst it will produce incorrect, biased, or misleading results.

To avoid unnecessary delays, it is best if all experts are lined up by the time for decisionmaking, funding is properly secured, the survey firm is contracted without

delays, and the level of effort by every member of the team has been negotiated and agreed.

3.2 The Survey Instrument

Generally the survey instrument has to be designed to answer the questions that the overall project wants the survey to answer.[1] Data available elsewhere (such as about actual tax payments by businesses, their reported profits, and the prevalence and outcomes of official tax appeals) should generally not be considered high priority for a survey. However, if the client or task team leader specifically wants to compare the responses of a representative sample of taxpayers against official data—such as on the incidence of inspections, value added tax (VAT) refunds, or the time taken to respond to taxpayer inquiries—then the task team leader needs to be prepared to defend survey results that may differ substantially from official data.

Many factors must be considered when designing the survey instrument. For instance, there has to be a limit on a survey's length. After a certain length, adding questions actually reduces the quantity and quality of information gathered. Experiences from similar face-to-face surveys show that after 35–40 minutes, respondents become tired and restless, and their answers less reliable and precise. These experiences reinforce the point about strict prioritization and focus made earlier—that less important questions should be cut if the survey instrument is too long.

While all tax compliance cost surveys (TCCSs) and tax perception and compliance cost surveys (TPCCSs) should cover basic questions about the time and cost involved in preparing and filing tax returns for the most important business taxes (usually profit tax, VAT, and payroll taxes), other questions need to be strictly prioritized and based on the client's specific needs and reform agenda. In South Africa one area of focus was on outsourcing of tax compliance work. In the Republic of Yemen it was taxpayer capacity, in Ukraine it was tax inspections. And in Peru it was post-filing tasks and the choice of tax regime among small and medium-size enterprises (SMEs).

One promising approach to designing TCCSs and TPCCs is using other World Bank Group survey products, such as the recurring Enterprise Surveys, to test issues to be covered in a survey. For example, an SME survey in the Kyrgyz Republic included a small module (lasting 5–7 minutes) dedicated to tax compliance cost issues. Inclusion of this module improved understanding of the problems, enabled a more specific dialogue with all stakeholders, and avoided emphasizing irrelevant issues.

A TPCCS should also target specific potential respondents and the complexity of questions should be adapted accordingly. Expecting that all respondents in a

[1] Readers interested in theoretical aspects of questionnaire design can find some useful titles in the "Selected additional reading on survey methodology" section of the bibliography.

general business population have the same level of knowledge as leading tax experts and use the same vocabulary may lead to low response rates and —even worse— inaccurate results.

Next, survey authors should bear in mind that an interview is a conversation rather than just an inventory and design the instrument accordingly. Experiences with similar surveys show that asking a long series of numeric questions can quickly tire respondents, so it is recommended that these series be broken up, with some attitude and opinion questions used to create the breaks.

One technique that has been used in constructing TPCCS questionnaires and proven rather successful divides the survey instrument into a set of modules. This allows for clear change of subject, reduces chances for misunderstanding, and eases the flow of the interview. Modules used in TPCCSs often include:

- A general module covering general demographic information about the company
- A general tax compliance burden module covering information about overall tax compliance burden, its distribution, and other major aspects of the tax compliance process *without* getting into specific reform-related details
- A perception module that puts the tax compliance burden into perspective with other burdens that businesses face and assesses the perceived value of services that the government provides to the business community
- Specific tax modules collecting more detailed data about the tax compliance burden for particular taxes and procedures[2]
- A module covering perceptions about interactions with the tax authorities, such as their response time, reliability of advice, politeness, and business' satisfaction and trust in them, as well as attitudes about tax compliance relative to evasion and avoidance.[3]

When designing questionnaires to be used in an upcoming TPCCS, previous examples can be used as a starting point, but more in terms of the form and kind of data targeted for collection, while the substance and type of questions should be country specific (for example, citing specific tax forms used in that jurisdiction). Although taxation is a general concept, different legacies, mentalities, cultures, and overall country organizational specifics may result in significant differences between survey instruments used in different countries.

[2] Tax perception and/or compliance surveys are often complemented by a mapping exercise (a detailed description of the procedures associated with each tax, including steps, statutory or average processing time within the tax authority, and standard information requirements and forms). This can be a very useful source of information when constructing specific tax modules. For more details, see FIAS (2009).

[3] New questions about tax morale are being developed and will be tested in developing and transition economies for inclusion in later versions of this manual.

For example, a TCCS conducted in the state of Bihar in India was significantly different from previous TCCSs by the mere fact that it was a subnational TCCS and thus focused on state-level taxes and specific interstate taxes, while national (federal) taxes were of secondary importance. TCCSs in Peru and South Africa did not include questions about corruption among tax officials because the officials are generally seen as not corrupt, while in Vietnam and the Republic of Yemen these questions were added to the surveys.

The instruments used in a TPCCS should be the result of teamwork, but the final design of survey instruments should be done by survey professionals. Other team members and various stakeholders should be involved in specifying the issue that the survey is supposed to tackle, while how exactly this should be done in practice should be left to professionals. In most cases a project should hire an experienced local tax accountant to help design the survey so that it covers key tax procedures, uses correct terminology, and references appropriate tax instruments, forms, and procedures.

All stakeholders should be involved in questionnaire construction so that it is has "common ownership." That way various stakeholders will accept the survey results more easily (even if they criticize certain stakeholders). As noted, different stakeholders can have different ideas and priorities about what the survey instrument should cover. Here the role of international stakeholders is critical to helping the public and private sectors reach consensus about questionnaire content.

It is important to ensure neutral wording of questions to avoid "leading" respondents to expected or desired answers. For example, Lewis (1982) cited questions about tax burdens (when it is well known that most people think tax burdens are too high) and about government services (when it may be expected that most people would prefer more and better government services), then provided an example of a balanced question from Eurobarometer:

> "Some people say that taxes and wage deductions to pay for social security and health programs are now too high and should be reduced, even if this results in a cut in services. Others say that a government should improve social security and health programs even if this means higher taxes and wage deductions. Which of these two statements comes closest to your own opinion?"

If a questionnaire is using statements to solicit perceptions of respondents, it is advisable (for the sake of avoiding errors) to word these statements in a positive way. For example:

"Would you agree with the following statements:
- Tax authorities provide reliable service
- Tax authorities are often corrupt"

Instead of:

"Would you agree with the following statements:
- Tax authorities do not provide reliable service
- Tax authorities are not corrupt"

Because most of the questionnaires, especially in less developed countries, are initially written in English, it is crucial to ensure that they are properly translated into the local language. This is another area where involvement by stakeholders and local tax experts is important.

Before designing a draft questionnaire, it is good practice to organize several focus groups with business owners, accountants, and/or tax practitioners to get better insight into issues that are most important. After the first draft questionnaire has been prepared and approved by all parties, it should be tested (piloted) on a sample of respondents that resembles the sample that is going to be used for the main fieldwork and is sufficient for revealing problems—both in wording and understanding of questions and relevance of selected scales and response interval. While there is no one-size-fits-all approach to the sample size for a pilot, it should not be fewer than 25–35 respondents.

Questionnaire pretesting and field testing are aimed at gaining information about the quality of the draft questionnaire before it is "too late"—that is, before it is finalized, approved by the client, and fieldwork has started. Though extremely important, this step is surprisingly often neglected. Researchers involved in questionnaire and overall study design often feel comfortable with their understanding of the survey topic and therefore assume that the target respondents will understand their way of asking questions, be able to follow their logic, and be comfortable with the definitions provided. This is often a grave mistake.

One of the goals of this manual is to encourage greater attention to the quality of pretesting and the quantity of testing interviews. At a minimum, testing should answer the following questions:

- Are all the questions consistently understood by different respondents?
- Do respondents' answers satisfy each question's objectives?
- Are respondents willing and able to respond to questions with necessary precision?
- Can interviewers properly administer specific questions?
- Are response categories relevant and do they cover respondent experiences in a meaningful way?

There is a large body of literature on pretesting. The bibliography for this manual lists a few introductory books that cover pretesting. It is recommended

that research teams start with pretesting through focus groups, then conduct more in-depth interviews. These could be followed by a limited field pretest in which team members actively participate, and then extensive feedback from interviewers and tabulation of results. The last step should be a full-scale field test with tabulation and analysis of the results. Different sources provide different estimates for a minimum number of interviews for each step of pretesting (from 5–10 to hundreds). The authors of this manual find it useful to conduct at least 3–4 focus groups, 5–10 in-depth interviews, and at least 20 interviews that are then tabulated. The latter interviews should be done with people similar to those who will respond to the planned survey, with follow-up data collection procedures that are planned for the main fieldwork. A probabilistic sample, while useful, is not mandatory.

Interviewers' feedback and tabulation of pretest results are extremely important. Feedback identifies problematic questions and problems with questionnaire formatting (typos, faulty page breaks, and the like)—although relying solely on interviewers' feedback may be counterproductive because they are usually not trained to diagnose poorly designed questions. Tabulation of pretest results allows testing of whether the right response alternatives are being offered for subjective scales and of rates of nonresponse to certain questions (for example, if the nonresponse rate is overwhelming for a certain question, researchers may want to ask it differently or, in some extreme situations, drop it altogether).

Particularly in the case of a TCCS or TPCCS, tabulation may also help set proper response intervals for quantitative questions. For example, if a question offers, as the highest interval, "more than 10" and 40 percent of respondents chose this answer, it is a good sign that the number of options at the higher end should be increased—say, by adding an option "from 10 to 20" and making the highest interval option "more than 20."

Arguments against detailed pretests and question evaluation usually focus on time and money. the calendar time spent on question design (of which pretesting is a part) will be longer if focus groups, in-depth interviews, and full-scale field tests are included in the process. But for almost any survey, experience shows that each of these steps enables researchers to design better questionnaires. The alternative is usually some degree of "garbage in, garbage out." With respect to costs, the real value added of these steps is that they are very inexpensive in the context of the overall budget (assuming that some sort of pretest has been included in the budget to begin with), in which case ensuring it is a sound pretest would cost very little extra and probably yield much more reliable and useful data.

This testing usually provides an excellent basis for final fine-tuning. If the quantity and quality of comments and problems identified during testing is significant, the questionnaire should be adapted and tested again before starting the full field survey.

Finally, pretesting can be used to evaluate the quality of interviewers' training. Since good fieldwork cannot be achieved without properly trained field workers, it is important to see if the training provided to interviewers before the pretest was sufficient or needs to be improved.

A TPCCS usually presumes a business survey, but in the past other respondents were also used to collect data about tax compliance burdens. For example, similar surveys of tax practitioners (professional tax accountants and bookkeepers) were conducted in Peru and South Africa. Surveys of tax professionals can be an excellent source of detailed and reliable information about time and cost burdens related to tax compliance. Instruments in these surveys focus more on collecting very detailed numeric (time and cost) data and quantitative information on interactions with tax authorities, and much less on perception and tax morale questions that would be relevant to the motivations of business decisionmakers (owners, chief executive officers, chief financial officers).

The decision on whether to survey tax practitioners depends primarily on country-specific practice. In some countries a large majority of businesses have full-time or part-time accountants (or share an accountant with two or three other businesses). In these countries a survey of tax practitioners might not be cost-effective. Overall, a tax practitioners survey is most useful and easier to do in countries where hiring external tax practitioners on a fee-for-service basis is more common practice.

Factors that should be taken into consideration when deciding whether to use a tax practitioners survey include:

- Whether tax practitioners are organized as a profession—that is, is there a centralized reference point, such as an accountants association, where a list of members can be found?
- Tax practitioners' coverage of the business population—that is, are tax practitioners used by all kinds of businesses or only certain types?
- Tax practitioners' coverage of all tax-related activities—that is, do tax practitioners tend to be involved in all tax compliance activities or only specific ones?

Finally, questionnaires should also take into consideration country-specific cultural factors and be adapted for them (see chapter 5). Examples of questionnaires used in past surveys are presented in annexes 3.1, 3.2, 3.3, 3.4, and 3.5.

3.3 Sampling

Sampling strategy and specific sampling techniques used in various TPCCSs depend on a number of factors.[4] Perhaps the most important one is the availability and quality of data about the general taxpaying business population. Absence of reliable data about this population usually leads to an area-based sampling approach—and in the usual situation of budget constraints, any serious statistical inferences made using data collected through such an approach are very limited.

The best data source for a TPCCS is a taxpayer database from the tax authority (for example, covering business taxpayers that filed a tax return in the previous tax year). But TPCCS projects have faced various problems when trying to obtain such a database. One of the most common and compelling reasons is restricted access to taxpayer information possessed by tax authorities.

For example, tax authorities in South Africa were concerned about the confidentiality of their data and refused to release the database before a special request was sent from higher levels of government. Even then the survey contractor had to sign a special confidentiality agreement. In the end the project was able to use the needed data, but this procedure caused a delay of about two months, and such delays should be taken into consideration when planning a TCCS or TPCCS (especially the time schedule). In some countries, such as the Russian Federation, even an intervention of this nature would not help—data collected by the Ministry of Finance is protected by the law.

Another problem was faced in the Republic of Yemen, where government counterparts promised to supply a database of taxpayers, but after the project was already initiated, it turned out that most of the information about taxpayers was in local tax offices and that the huge majority was in the form of handwritten books unsuitable for direct use in sample creation. This caused serious delays in project execution and a need to adapt the sampling strategy; it also had cost implications.

The bottom line is that obtaining data about the taxpayer population is often not easy and should be given due importance, early priority, and resources when planning a TPCCS.

If the taxpayer database is not available, other sources of information and other databases should be explored (such as a statistical office database, commercial registry database, court registry database, or any other kind of appropriate, available database). These should be considered second-best options because they usually contain a lot of "dead" firms (whereas the database of taxpayers should include data on which firms filed in the most recent tax period and the tax regime used by each business taxpayer).

[4] Readers interested in theoretical aspects of sampling can find some useful titles in the "Selected additional reading on survey methodology" section of the bibliography.

If no database of any kind is available, alternative survey approaches and sampling methods can be considered. These include area-based sampling (used in South Africa for a survey of informal firms and in the Republic of Yemen for most of the TPCCS) and a screening pre-survey used in Ukraine (where a database on sole proprietors was collected in front of tax offices by counting clients and doing screening interviews). As a last resort, a "snowball" technique may be used to facilitate fieldwork.[5] All these alternatives may result in less representative data and fewer options for generalization.

Another important factor when choosing the sampling strategy and technique is the capacity of the survey company contracted to execute the survey. Planning a complex survey strategy and complicated survey techniques for a contractor with limited survey capacity and ability to execute such a sampling strategy may be a waste of resources.

When constructing the sampling approach, cost effectiveness should also be taken into consideration. Sampling points or locations where the survey is to be executed should contain enough business units to achieve cost-effective fieldwork while preserving nationwide representativeness.

After reviewing the population structure, some changes are usually made in sample structure relative to a purely representative picture. Most businesses in all countries are small, and a simple representative image of the population in the sample would leave only a handful of medium-size and large businesses. The same situation often exists with sectors, where the dominant sector is usually trade. For this reason the approach taken in TPCCS surveys is stratified random sampling, which means that the number of small and trade businesses is reduced relative to the simple representative image to give more room in the sample for businesses of different sizes and sectors. This technique then requires reweighting the survey data to reflect the actual proportions of the different strata within the actual population. Special attention should be paid to collecting all other necessary data to be used in the weighted estimates.[6]

In some countries stratifications may be necessary for some other variables as well. The word "random" in the term *stratified random sample* refers to the last step in choosing respondent units to participate in a survey. Once the size of each stratum

[5] Snowball sampling is a special non-probability method of sampling (methods where respondents are selected from the population in some non-random manner) used when the desired sample characteristic is rare and it may be extremely difficult or cost ineffective to locate respondents in these situations. Snowball sampling relies on referrals from initial respondents to generate additional respondents. While this technique can dramatically lower survey costs, it comes at the expense of introducing bias because the technique reduces the likelihood that the sample will represent a good cross-section from the population.

[6] Discussion of specific statistical techniques is beyond the scope of this manual but can be found in sampling textbooks, some of which are listed in the "Selected additional reading on survey methodology" section of the bibliography.

is defined, the actual businesses to be contacted in each group should be selected randomly.

Surveys may also cover groups other than businesses registered for taxation. South Africa's TCCS was composed of three separate surveys. One was a survey of micro, small, and medium-size enterprises registered for taxation. The second survey was of informal businesses—those not registered for taxation. The third survey was of tax practitioners or intermediaries. The second and third surveys require somewhat different sampling approaches and techniques.

When surveying informal businesses, there is little hope that any kind of statistically reliable data will be available. For this reason area-based sampling is usually used, an approach that involves selecting a number of locations in which it is assumed an informal economy exists and then, using certain techniques,[7] selecting businesses to interview. It is much harder to control the quality of sampling in such a survey, but it can be achieved using supervisors who track the fieldwork process on the spot.

Sampling for surveying intermediaries usually presumes using list-assisted random sampling of available respondents and often contacting all available respondents. This is why support from professional associations is so important. It is advisable to attempt such surveys only in countries where associations of this nature are strong and most practitioners belong to them. In the Peru and South Africa TCCSs all members of the official accountant associations were contacted, but this was only possible due to the method used: online surveys.

What is frequently discussed as an issue needing attention is "survey fatigue," when multiple survey exercises in a given country (especially a small one) overburden some business respondents with frequent interviews. If such a situation occurs, certain techniques can be used to minimize the problem. Survey companies are usually reluctant to release information about their respondents (to protect anonymity, which is part of professional standards), though once the list of potential respondents is created it can be checked against recently interviewed businesses and, if necessary, contacting of the same businesses can be minimized. A TPCCS is not expected to add much to survey fatigue because ordinary business surveys usually focus on chief executive officers as the main respondents, while TPCCSs mainly focus on chief financial officers.

Examples of sampling approaches used in TCCSs and TPCCSs are presented in annexes 4.1, 4.2, and 4.3.

[7] The most commonly used technique in a case like this is "step technique," which presumes that the interviewers picks every nth (such as every 5th, 6th, or 9th) business and make an interview attempt. This is not necessarily the best approach but is often the most cost effective, and at least marginally methodologically acceptable. One of the better approaches to area sampling would take much more time and resources and involve creating a list of all business units in the selected area, then attempting a systematic selection with a random start.

3.4 Survey Methods

Three survey methods have been used in past TCCS and TPCCS projects: face-to-face interviews, telephone interviews, and online surveys. When surveying taxpaying businesses, the face-to-face method is usually considered best if the project budget and schedule allow for it.

South Africa's TCCS of formal small businesses used telephone interviews, but this approach had implications for the length of the questionnaire. Interviews had to be shorter (15–20 minutes), which is not necessarily a bad thing because it serves as a disciplinary tool for the authors of the survey questionnaire regarding strict prioritization.

Due to their nature, surveys of informal companies can only use face-to-face interviews.

A survey of tax practitioners (professional tax accountants) can use any of these three methods. Past intermediary surveys from other administrative areas showed that face-to-face interviews were a very good choice, but the South African TCCS of tax practitioners used an online survey and produced excellent results. This approach was replicated in Peru and also produced rather positive outcomes over a relatively short field period. By and large, online surveys can be used only in countries with significant Internet penetration among the targeted population and only when the targeted population is well organized (for example, in associations) and the survey team can obtain a comprehensive list of electronic addresses for the targeted population. Moreover, online surveys typically yield one of the lowest response rates among the three options.

Each of these methods has advantages and disadvantages. TCCS and TPCCS teams should be aware of them when planning the project (table 3.1).

3.4.1 Face-to-face surveys

Face-to-face surveys have advantages over the other two methods in that they allow for longer interviews than telephone surveys and usually (though not always) have higher response rates than online surveys. Moreover, respondents feel more secure providing sensitive information face-to-face than over the telephone. face-to-face surveys also allow interviewers to use helpful materials like showcards (cards with question text and answer options) during the survey and make respondents more comfortable by showing accreditations and letters of support (for example, from the World Bank or business associations), which is not possible during telephone surveys and increases response rates among potential respondents.

High-capacity survey companies can also use computer-aided personal interviewing (CAPI) capabilities, which provide a range of advantages such as reduced

TABLE 3.1 Advantages and disadvantages of different survey methods

Feature	Face to face	Telephone	Online
Questionnaire duration	Long	Short	Long
Relative response rate	High	Medium	Low
Sensitive information likely to be provided by respondents?	Yes	No	Maybe
Possible to use assisting materials?	Yes	No	Yes
Possible to use accreditations and references?	Yes	No	Yes
Level of contractor capacity needed	Medium	High	High
Cost	High	Medium	Low
Fieldwork duration	High	Medium	Medium/ Low

errors in data entry, use of images during interviews, and reduced project costs and duration. Disadvantages of face-to-face surveys include higher price and longer fieldwork.

3.4.2 Telephone surveys

Telephone surveys are cheaper and have shorter fieldwork duration than face-to-face surveys but, especially in some cultures, respondents are not always comfortable providing sensitive information over the telephone. This method also carries a certain bias in sampling because not every business has a registered telephone number and telephone numbers are often wrong.

This method is frequently used for telephone screening and scheduling appointments for face-to-face surveys. In lower-capacity countries telephone interviews are administered as paper-and-pencil interviews—an approach that is just as error-prone, if not more, than face-to-face interviews. Higher-capacity survey companies can also use computer-aided telephone interviewing (CATI) capabilities, which reduce errors in data entry, among other advantages.

3.4.3 Online surveys

Online surveys are less costly than the other two approaches and may require less time. In addition, if online tools are properly constructed, respondents can answer surveys in multiple sessions and at their convenience, allowing for longer questionnaires. A disadvantage of this method is potential self-selection bias (respondents

are not selected, but rather select themselves), which has serious implications if a representative sample is required.[8]

Other hurdles of this approach include the need for an email address database and a satisfactory level of internet infrastructure in the country (high level of availability and quality of internet services). Moreover, response rates for online surveys are often substantially lower than for face-to-face and telephone surveys, and thus demand a larger pool of potential respondents (and their email addresses). Online surveys would not be advisable for surveying generic business populations in most developing countries.

3.4.4 Mail surveys

Another method used more often in the past for business surveys was mail surveys. This method involves sending questionnaires by mail and collecting them in the same manner. However, this method may be considered of limited feasibility for a TPCCS and thus is not recommended or discussed in this manual. Some of the reasons for that are very low expected response rates, lower data reliability and quality (due to the lack of an interviewer who might clarify complex aspects of questionnaires), high self- selection bias, lack of control over the achieved sample structure, and lack of accurate addresses needed for this approach.

3.5 Respondents

Every survey should clearly define the target respondent and targeted population. Tax compliance cost business surveys should clarify that the respondent unit is a business. This is important because all questions should refer to the specific business and not to the physical person. In past surveys of similar type the person answering the questionnaire often owned more than one business. This situation could lead to misunderstandings and collection of inaccurate data if it is not clearly specified that all questions are about a very specific business unit.

When it comes to the issue of who to talk to, the answer is not always simple. Questions about time and money spent on tax compliance should be answered by the most knowledgeable person in the company (about specific issues of tax compliance), and that may be an accountant, bookkeeper, or chief financial officer. But general questions, questions putting the tax compliance burden into perspective with other business burdens, and other perception and attitude questions should be answered by the owner (for smaller businesses) or chief executive officer

[8] This shortcoming can be mitigated by selecting a random sample from the available list of respondents, but to do so certain additional characteristics of potential respondents are needed, such as years of experience and number of clients. Such characteristics are usually not available and are not easy to come by.

(for larger businesses). In cases where a business outsources its tax administration work, information about the cost of such outsourcing is collected from the business, and it is often not feasible to collect specific time burdens from tax professionals to whom the work was outsourced.

However, in the South African TCCS for formal small businesses, if the respondents said they outsourced their tax compliance work, the outside accountants were contacted and data were collected. But that was only possible because telephone interviews were used and making such additional contacts did not imply significant additional cost. When surveys are done face-to-face (and for most surveys this is the optimal and often only available method) this practice would be extremely cost ineffective and would cause severe delays and other problems (like the need to initiate communication between the tax professional and business to establish that the tax professional is allowed to disclose necessary information).

The first contact should be with the general manager, chief executive officer, or owner of the company. Without the approval of such a person it cannot be expected that accountants or chief financial officers will answer remaining survey questions.

Having multiple respondents to one survey has implications for questionnaire construction. The questionnaire should be very clear about who should answer what and when to switch respondents. That also implies that questions should be sequenced in a way that minimizes the chance for misunderstanding which respondent should answer what question. And if several respondents are gathered in the same location, the responses will not necessarily come from the most knowledgeable person, but rather from the one with highest level of authority.

If businesses outsource their tax compliance work, making it impossible to collect data about specific tax burdens from them directly, a TPCCS could have insufficient data about specific taxes. This is why it is recommended that (when possible) a business survey should be complemented with a survey of tax professionals (intermediaries) because their experience in specific tax burdens and problems may be key to getting the full image of the tax compliance burden and pinpointing the sources of specific problems (such as which specific tax or tax procedure creates the biggest compliance burden).

3.6 Finding and Hiring a Survey Contractor

A survey should be thought of as a process with many elements, and thus the quality of the final output cannot be higher than the quality of its weakest element. For this reason it is very important, among other things, to select the right contractor to conduct the survey.

Several factors should be considered when selecting a survey contractor:

- *Experience*—where possible, the contractor should have experience conducting similar surveys, or at least should have proven experience in conducting business to business surveys, preferably in both marketing and socioeconomic surveys
- *Fieldwork capacity*—the contractor should have the capacity to execute fieldwork, with a network of experienced interviewers, supervisors, and a capable and experienced fieldwork manager
- *Data management capacity*—the contractor should have experienced staff capable of entering, cleaning, verifying consistency, and editing collected data and presenting them to the client in a machine-readable, clearly labeled database
- *Analytical capacity*—the contractor should be able to assemble a team to analyze the collected data and write the final report
- *Knowledge about the survey topic*—some expertise about tax and tax compliance significantly increases the quality of interviews and final outputs (but is less important than the elements described above, as it is usually easy to hire an individual tax accountant to help as needed)
- *Adherence to ethical codes*—for example, membership in international survey associations such as ESOMAR.[9]

The most important capacity a contractor should possess is to be able to conduct fieldwork. This is the only task that cannot be outsourced to a third party in another country if there is no capacity in the country itself.

How should contractor options be identified? There are two basic ways to find a contractor: one is to search directories of international survey associations (like ESOMAR); the other is to consult with international organizations in the country that might have conducted similar surveys and thus may know the options.

There are several types of potential contractors that may be found in a specific country, and each has advantages and disadvantages.

- *Market research companies* (including polling companies). This is probably the most common option in middle-income countries. Market research companies usually have experience with business to business surveys, a network of interviewers, data entry staff, and analytical capacity, but their experience with the subject matter is usually not extensive.

[9] This manual does not discuss in details professional norms of the survey profession. These norms are recognized by international professional survey associations; for more details, see http://www.esomar.net

- *National statistical agencies.* These agencies also usually have the capacity to execute fieldwork and analysis, but experiences from similar past surveys showed that it is sometimes difficult to work with them because (especially in lower-income, lower-capacity countries) they are often not accustomed to working with anyone other than government agencies. More important, if they are not seen as being independent of government control, then they are often seen as government "spies" and therefore not a reliable executor of surveys that may include "sensitive" questions.
- *Consulting firms.* This type of contractor usually has little or no experience executing surveys but may have some knowledge about the survey subject. Consulting firms usually subcontract fieldwork, which reduces the quality of control over the fieldwork workforce and often reduces the quality of collected data. Hiring this type of contractor is usually more expensive.
- *Ad hoc teams.* When it is not possible to identify a better option, a team may be assembled to conduct an exercise like a TPCCS. An example is using university professors as team leaders who can assemble teams of interviewers among their students and use other university staff for other necessary tasks. Using an option like this may be cheaper, but it requires spending more resources (usually by bringing in rather expensive international expertise) to train and supervise the local team.

It is important to know how to select the best option if more than one contractor is available. Most of what should be taken into consideration in the selection process is mentioned above, and price also plays a role. The cost should be realistic, and while it is important to optimally allocate resources (in other words, to avoid overpriced surveys), it is also important to identify underpricing. This is because it can have very negative impact on the quality of collected data, usually due to underestimating the effort needed to successfully execute specific survey tasks and not having or not allocating enough time or resources in the execution of the survey. Annex 5.1 presents a sample terms of reference for a survey contractor.

Once the contractor has been selected, it is crucial to evaluate its capacity and, where specific capacity building is needed, to ensure the success of the project.

3.7 Training and Supervision

Training and supervision are closely related to the points discussed above. The level and type of needed training depends on the methodology, sample, contractor's capacity, type and size of the survey, and so on. Training should focus on the weakest points of the selected contractor, but it is also important to have realistic expectations. Similar surveys have been done in countries with extremely low levels

of available survey capacity, and in such cases it is important to concentrate on basic training and to have realistic expectations.

For example, the local tax accountant who helped design the questionnaire should participate in the training to ensure that the interviewers understand all the terminology and can, if needed, explain what is required to interviewees. The lead trainer should be the project manager from the contracted company. In addition, the survey expert should bring experiences from similar projects in such training sessions. The level of the survey expert's involvement depends on the capacity of the survey contractor. For instance, if the contractor is an established, high-capacity survey company, the survey expert can only bring experiences from similar surveys to training sessions. But in cases where the contractor's capacity is low, the survey expert may play a much more active role.

It is preferable to avoid the "training of trainers" option—that is, a situation where regional superiors are trained in a central location and then train interviewers spread around the country. In cases where a "training of trainers" scheme is unavoidable (due to budget constraints, the size of the country, and other factors) close supervision of training becomes even more important.

The whole survey process should be actively supervised, meaning that it is not enough just to read progress reports, but it is of crucial importance to recognize problems if and when they occur and to actively participate in resolving them. For example, one of the most frequent problems with TPCCSs and similar surveys is sampling shortcomings that stem from the poor quality of the available sampling frame. Some strata may contain very few businesses—the best example is the group of large business taxpayers—and low response rates may cause the need to change the sampling frame. In this case it is usually the survey expert who suggests and approves such a change.

Levels of communication in training and supervision should be opposite. While it is important to directly train as many of the contractor's staff and interviewers as possible, during supervision it is crucial to use a single point of contact to avoid mixed messages. However, if specific problems occur during survey execution, they should be resolved directly with the person in charge of the specific task (for example, if the problem is related to fieldwork it should be worked out with the fieldwork manager; if it is related to data processing, it should be resolved with the data analyst).

3.8 Survey Report

The content and format of the final output should be adapted to overall project needs. As noted, the survey is just a tool in a larger project, and its outputs should be tailored to project needs. It is important for the whole TPCCS team to discuss and

define the required outputs at the beginning of the project. It is important to have realistic expectations about outputs coming from the survey contractor. The contractor's capacity should be taken into consideration when outlining the format and content of the final output it is supposed to deliver.

As an example, surveys like a TPCCS are frequently executed by market research companies, and in this case their output should be limited to their expertise. It is unrealistic to expect them to have specific expertise about tax policy and compliance. It is recommended that their output be limited to what may be called a technical report. This report is a standard survey report analyzing data collected in the survey that limits its coverage to technical survey findings (differences between certain groups of respondents, correlations, and the like, including standard charts) and does not try to generate specific analytical conclusions related to tax policy.

TPCCS projects frequently hire (or have on their teams) specialists in the field who write what may be called an analytical report. This report takes the survey findings and adds analytical value to them by adding explanations and recommendations. This report could be written by the local tax accountant, other members of the larger tax team, or both.

When planning a TPCCS, its outputs should be carefully defined. Deliveries from the contractor should be clearly specified, and one of them should be continued support to the TPCCS team even after the technical report has been written. Planning should also cover the communication channels between the contractor and eventual users of its report, primarily the expert(s) writing the analytical report.

Finally, outputs from the survey contractor should also include a cleaned, labeled database in English (and, if the analytical report will be produced locally, in the local language); a set of tables (according to a pre-agreed data analysis plan); and the program script used to produce these tables. That way, even when the survey contractor's tasks are completed, the TPCCS team can perform specific additional analysis. Basic data analysis usually includes a set of cross-tabulations with the main demographic variables, question-specific cross-tabulations, and testing for statistical significance (where possible). Additional, more specific analysis is usually part of the second round of analysis and is usually triggered by a review of the results from the first round.

Chapter 4: How to Use Survey Data and Analysis

Data from a tax perception and compliance cost survey (TPCCS) can be used in many ways, including:

- Quantifying problem areas (such compliance costs associated with specific taxes)
- Pinpointing or helping to prioritize specific problems
- Providing detailed information to help fine-tune reforms
- Testing or verifying hypotheses, helping to settle disputes, or providing "ammunition" in favor of reform
- Monitoring and evaluation
- Specific research to advance understanding of the tax compliance cost agenda and going beyond the targeted reform agenda.

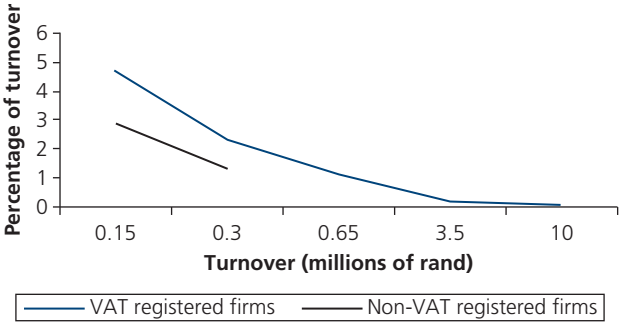
As stressed earlier, the key purposes of a survey should be identified at the outset to ensure that its design meets the information needs of a tax reform project. (Of course, the survey may yield additional data and unexpected findings that can also be put to good use.)

The sections below show how survey data have been used (or are planned to be used) in various developing and transition economies.

4.1 Quantifying Costs and Other Problems

Quantifying key aspects of tax compliance costs based on survey data is quite straightforward. To date, all such surveys have been able to provide average costs for tax compliance, broken down by type of tax (profit taxes, value added taxes, payroll taxes, and so on), type of activity (general bookkeeping, tax accounting, filing and paying taxes, and post-filing activities), and type of business (size, sector, or legal form).

FIGURE 4.1 Compliance costs for preparing tax returns among formal firms in South Africa registered and not registered for the value added tax



Source: FIAS 2007b.
Note: Registration for the VAT was mandatory for firms with turnover exceeding 300,000 rand.

If a country has no specific regime for small business taxation—as in South Africa before 2009—or if such a regime is ineffective in keeping compliance costs low for small businesses, survey data can provide a graphic illustration of the regressivity of tax compliance costs.

Before South Africa introduced reforms, businesses were required to register for the value added tax (VAT) if their turnover exceeded 300,000 rand (about $50,000). While some minor concessions were made to small businesses (such as the possibility of paying some taxes less frequently), there was no simplified regime. Small businesses that crossed this threshold suffered from overall tax compliance costs that could equal 3 percent of turnover (figure 4.1). The VAT threshold and the high compliance costs associated with collecting the VAT were daunting. Anecdotal evidence suggested that some small firms limited their growth to avoid crossing the threshold.

Evidence from the South African TCCS helped convince the National Treasury and South African Revenue Service to raise the VAT threshold to 1 million rand and to introduce a new, optional small business tax regime based on turnover rather than net income.[1] Follow-up surveys could be used to assess the impact of the reforms—hopefully in terms of lowering tax compliance costs for small businesses. It is also hoped that the simplified tax regime will encourage formalization among informal firms.

4.2 Helping to Design or Refine Reforms

Survey data can be particularly useful as input to the design of specific business tax reforms, especially for small and medium-size enterprises (SMEs). If certain reforms are anticipated, the questionnaire can be designed to provide the relevant data—for

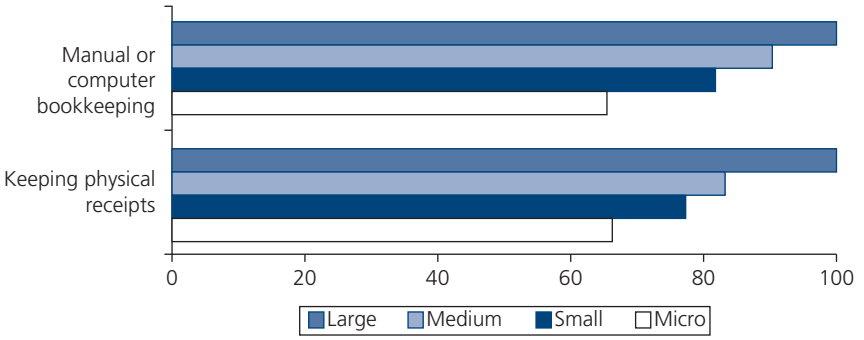
[1] For details, see http://www.sars.gov.za./home.asp?pid=43122.

example, to understand the decisions that business owners make about the legal form and sector they choose and whether to grow or to split a business into pieces. Survey data can be correlated with turnover, number of employees, and accounting capacity to help determine appropriate thresholds and other parameters associated with different tax regimes.

In the Republic of Yemen the business tax regime for all but officially designated large taxpayers has yet to move to self-assessment. Any business that declared it did not keep full accounts was taxed presumptively, and the great majority of businesses opted for that system. In preparation for major reforms, the government decided in principle to exempt microenterprises from national-level taxation (other than the possibility of a nominal "patent"), to require all other firms to use self-assessment, and to create a new, simplified turnover tax regime for small businesses. But to achieve those goals, it was necessary to define categories of firms, for which the survey data was used. The data helped correlate turnover with number of employees and determine capacity for bookkeeping based on firm size.

The survey data indicated that more than three-quarters of small firms (and even a majority of microenterprises) kept physical receipts and at least minimal books (figure 4.2). The data also found that most owners or accounting staff of small firms had completed secondary school and could be expected to have sufficient capacity to calculate a turnover tax. The survey data was used both to validate the hypothesis that most small firms could calculate a turnover tax and to define the turnover bands for classifying businesses as small for the purposes of the new tax regime (that is, with a lower threshold below which a lot of firms seem not to have sufficient capacity to handle a turnover tax and an upper threshold for medium-size firms that could be expected to handle the regular regime). The data also helped motivate a new training program for tax officials and business taxpayers in basic accounting.

FIGURE 4.2 Types of bookkeeping practices by firm size in the Republic of Yemen
Percent



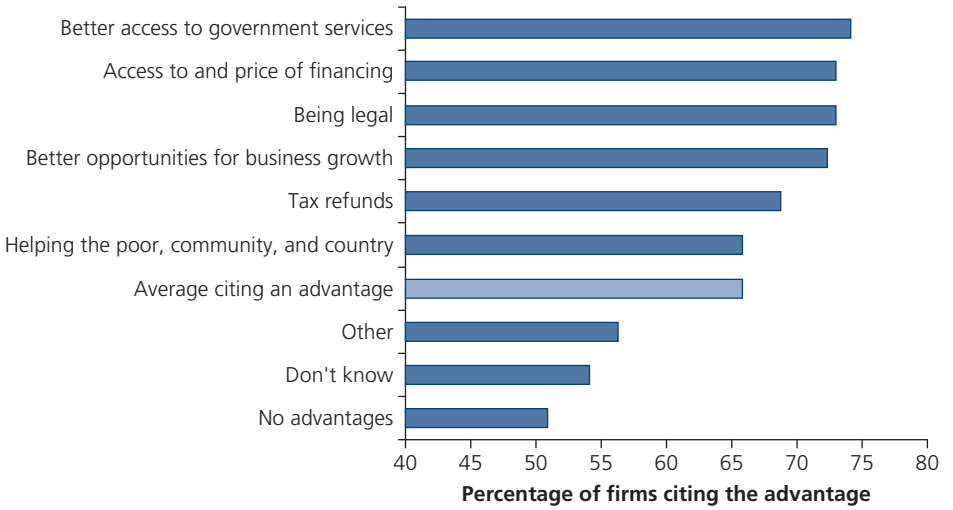
Source: FIAS forthcoming.

Most governments in developing and transition economies are anxious to increase formalization of informal firms and, for formal firms, to improve tax compliance (to minimize tax evasion). A key question is how to improve voluntary formalization and compliance—that is, whether to rely more on "carrots" or "sticks." Survey data can help shed light on strategies that might be more or less effective.

In South Africa a sample of 1,000 informal firms was surveyed, among other things, about their likelihood to register for taxation in the near future and their various attributes and attitudes. A similar analysis was conducted on perceived advantages and disadvantages of registering for taxation among the country's informal firms and correlated with those that said they were likely to register in the near future (figure 4.3). The greatest advantages were considered to be "better access to government services," "being legal," "access to and price of financing," and "better opportunities for business growth." Respondents who did not perceive any advantages (and those giving very specific and rare answers categorized as "Other") are less likely to consider registering for taxation.

Internationally, there has been a fair amount of research on peer influence when it comes to tax compliance—that is, the correlation between those who believe that most of their peers pay taxes and their own compliance. Alm and Martinez-Vazquez (2003) reinforce this message: "There is also much survey evidence from many countries that indicates that compliance is strongly affected by the strength and commitment to the social norm of compliance." Lewis (1982) also cited survey data supporting a finding that "those individuals who said they personally knew others

FIGURE 4.3 Perceived advantages of tax registration among informal firms in South Africa indicating that they were likely to do so in the near future



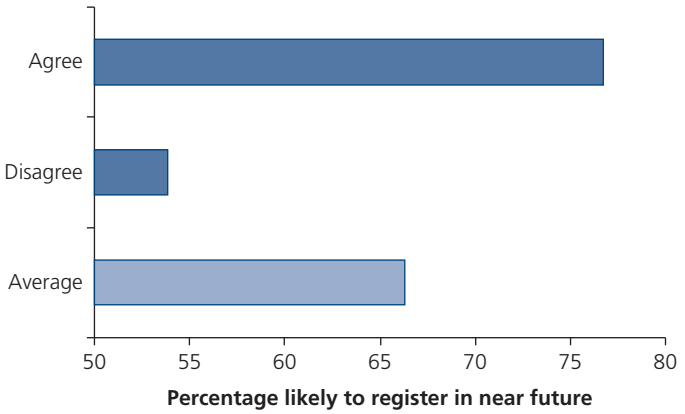
Source: Coolidge and Ilic 2009.

who practised tax fraud considered themselves to have a better-than-average chance of evasion."

The South Africa survey of informal firms included questions along these lines—whether respondents believed that everyone should pay taxes and whether they believed that most firms like their own did so (the answers to which were very strongly correlated). the answers to these questions were analyzed and correlated with the respondents' answers to the question about their likelihood to register for taxation in the near future. As above, while about two-thirds of informal businesses said they were considering registering for tax in the near future, among those who believed that "everyone should (and does) pay taxes," more than three-quarters said they were likely to register (figure 4.4). A regional analysis of the survey data, showing which parts of South Africa have informal firms that seem most receptive to the idea of registering, might help prioritize location-specific public relations campaigns.

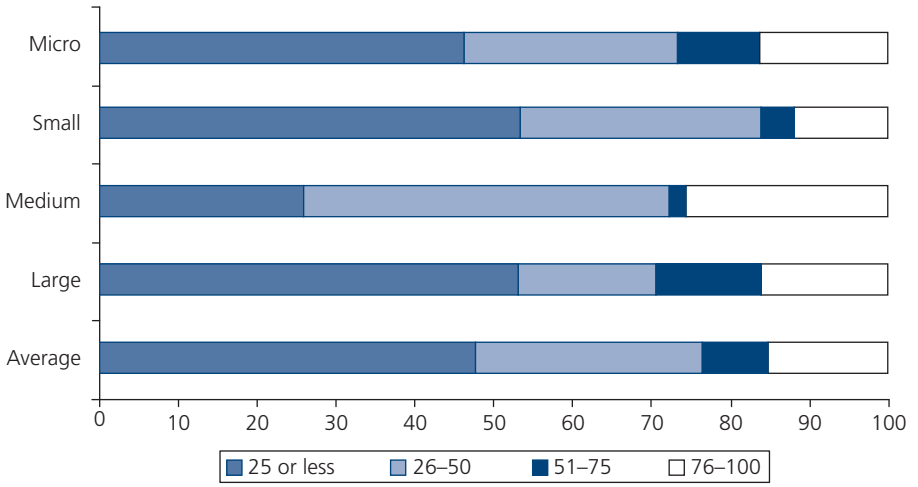
In other countries the prevalence of tax evasion is a topic of major interest to the tax authorities, who may want to target their efforts more effectively. While data on the extent of tax evasion must always be taken with skepticism, surveys by the World Bank Group's Investment Climate Advisory Services in some countries have asked business taxpayers about how much of the income of "companies like yours" they believe is normally reported for tax purposes. It is assumed that a direct question on whether or how much the respondent may have underreported may trigger fear and illwill that could jeopardize the entire survey and would almost certainly yield serious underreporting of the phenomenon, while answers about "companies like yours" have a better chance of yielding more frank responses.

FIGURE 4.4 Informal firms in South Africa that agree "everyone should (and does) pay taxes" and their likelihood of registering to do so in the near future



Source: Coolidge and Ilic 2009.

FIGURE 4.5 Percentage of profit estimated to be reported for tax purposes by "businesses like yours," by business size, in the Republic of Yemen



Source: FIAS 2008.

Firms surveyed in the Republic of Yemen were asked to estimate the compliance behavior of businesses similar to their own:

> "Having in mind businesses similar to yours (in the same line of this business, same size, and same area), what percentage of them would you say is registered for profit tax?…And out of those who are registered, what percentage of their taxable profit would you estimate they usually report for tax purposes?" (figure 4.5)

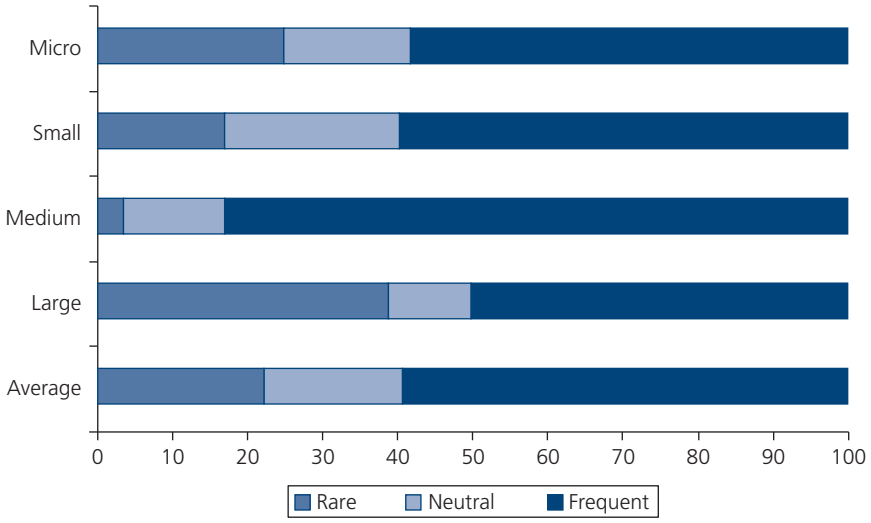
Of course, it is problematic to use answers to a question that is phrased referring to "typical behavior" by businesses rather than self-reported compliance as a proxy for compliance. Yet while this survey approach may introduce a bias toward the average of other businesses in the sector,[2] it reduces respondents' rejection rate because questions on tax compliance are extremely delicate.[3]

The data from the Republic of Yemen suggest that relatively more effort could be focused on large taxpayers, because the scale of evasion appears to be larger than for medium-size taxpayers. Although micro and small taxpayers also appear more

[2] While respondents might be expected to underreport such issues with regard to their own experiences, it is possible that they overestimate these issues among their competitors.

[3] One option for collecting higher-quality and less perception-based (that is, "typified") information is to survey tax practitioners (when financing is available) as a complement to or substitute for business surveys. Tax practitioners have first-hand knowledge about their clients' tax affairs. Existing tax practitioner surveys ask respondents about "focus clients" rather than "typical firms" or "businesses like yours." The latter approach is less biased because it uses randomization along several selection criteria (size, economic activity, legal form, and so on).

FIGURE 4.6 Perceived incidence of bribes among "businesses like yours" in the Republic of Yemen



Source: FIAS 2008.
Note: Variables from the survey were recoded. Estimates of 1–2 on a 5-point scale were recoded as being "Rare," of 3 as "Neutral," and of 4–5 as "Frequent."

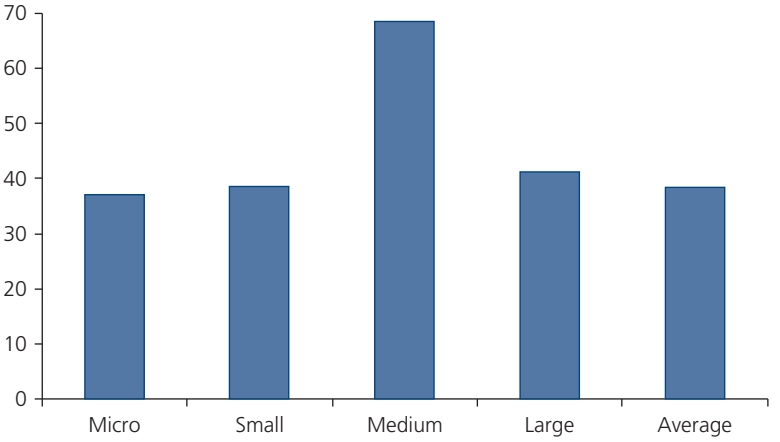
prone to evasion, the revenue yield from enhanced enforcement among such firms may not be worth the resources.

Similarly, a detailed analysis of the survey data from the Republic of Yemen shows that businesses perceive and experience extensive corruption when it comes to tax collection. The perception that bribes are common among "businesses like yours"[4] grows with firm size up to medium-size businesses but is significantly lower for large businesses (figure 4.6). Confirming these perceptions, reports on actual payments by the respondents (in cash or in kind) to smooth procedures or reduce tax liability are more frequent among medium-size businesses than among small and large ones (figure 4.7).[5] These data provide additional evidence that medium-size businesses are receiving a disproportionate amount of attention by tax officials, probably because large businesses are better protected and smaller ones have less to offer.

Informal firms in the Republic of Yemen also often pay a price for the privilege of avoiding official government attention: the cost of informality. While a bit over half appear to escape detection, the rest have either had to pay bribes to be left alone or

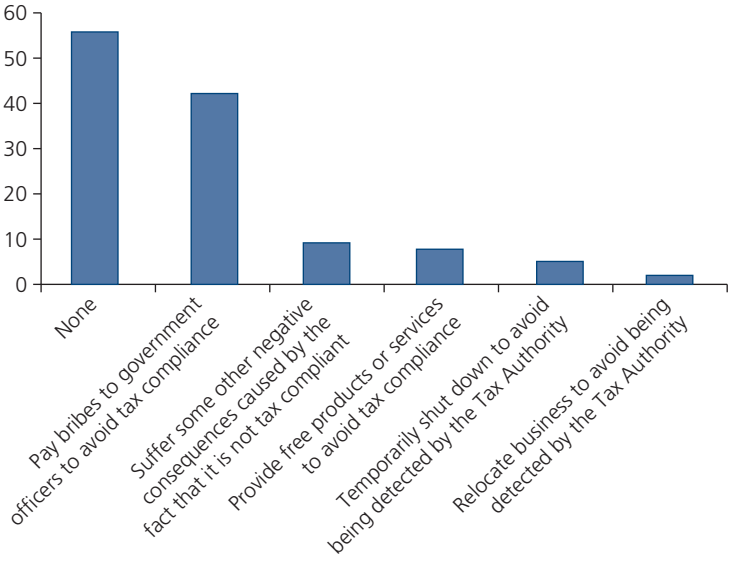
[4] The question was, "How frequently do you think that businesses like yours pay money or give gifts to speed up or smooth the tax procedures, or to pay less tax?"
[5] The questionnaire did not ask whether the suggestion of the bribe was initiated by the taxpayer or the tax official.

FIGURE 4.7 Percentage of businesses reporting an experience with bribes in the Republic of Yemen



Source: FIAS 2008.

FIGURE 4.8 Percentage of informal Yemeni businesses facing direct or indirect costs to avoid tax payments and remain informal



Source: FIAS 2008.

faced other negative consequences (figure 4.8). Such information is a useful reminder that government officials themselves may be part of the problem of informality. In a public relations campaign, reminding informal firms of the costs and risks they face maintaining the status quo, and offering a comparison of the benefits of formalization, may help encourage at least some firms to formalize.

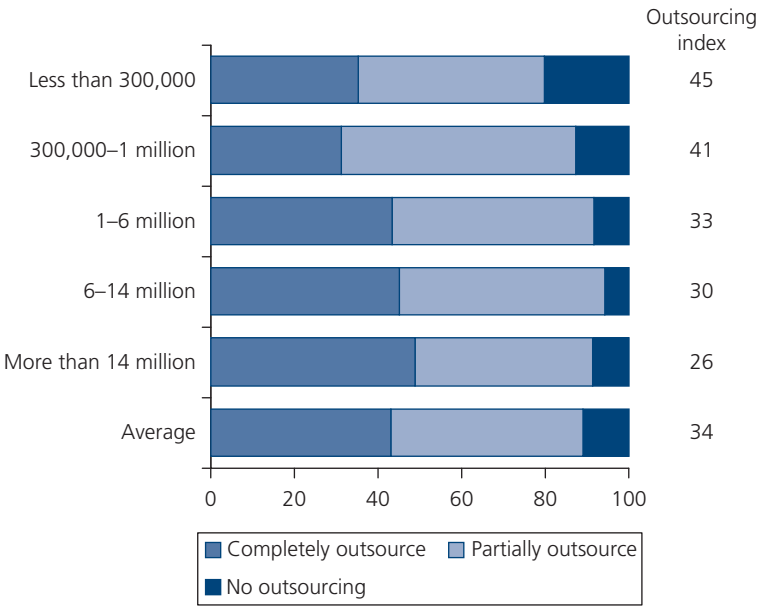
4.3 Testing Hypotheses

In most countries anecdotal stories dominate perceptions about business taxes and may even influence the policy debate. In cases of controversy, survey data can help settle disputes and clarify ambiguity.

In South Africa the National Treasury was concerned that many small businesses lacked the capacity to prepare proper tax filings and that the smallest might not be able to afford professional tax practitioners. The survey of formal SMEs showed that businesses of all sizes are concerned about getting the right skills to comply with taxes and minimizing the risk of mistakes. The survey also showed that businesses tend to use less outside help as they grow larger—mostly because, at a certain point, it becomes cost effective to hire a full-time accountant (figure 4.9).

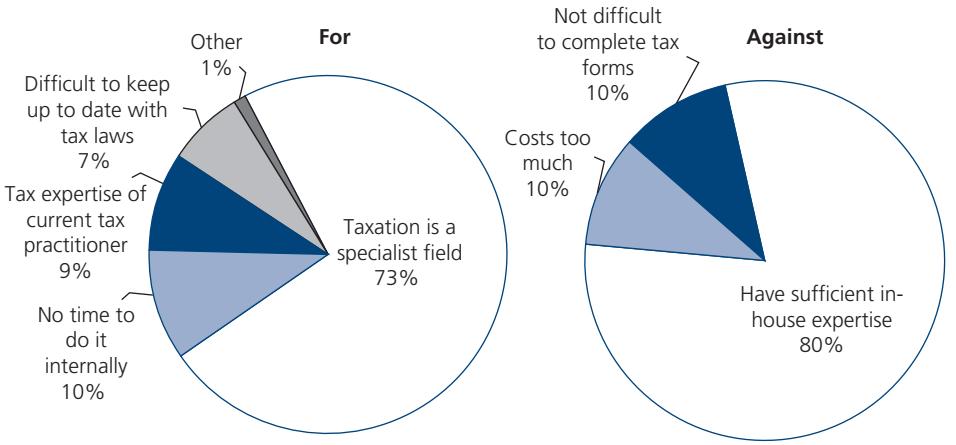
Overall, respondents said that the main reason for not using outside help for tax compliance work was usually not the cost of the services. Only 10 percent of SMEs cited the cost of tax practitioners as the main reason for not hiring them—while 80 percent said they have sufficient in-house tax expertise (figure 4.10). Conversely, 78 percent of respondents who outsource said they do it because "taxation is a

FIGURE 4.9 Outsourcing of tax compliance work by business turnover size in South Africa
Rand



Source: Coolidge, Kisunko, and Ilic 2009.
Note: A small number of firms had grown above the 14 million rand threshold by the time of the survey. The outsourcing index was calculated by assigning scores to various tasks based on whether they were performed by company employees, partially outsourced, or completely outsourced. The resulting number was standardized to achieve results on a scale ranging from 0 points (for respondents who outsourced nothing) to 100 points (for respondents who completely outsourced all tasks).

FIGURE 4.10 Reasons for and against outsourcing tax compliance expertise among small and medium-size enterprises in South Africa



Source: Coolidge, Kisunko, and Ilic 2009.

specialist field." Still, almost one in four of the smallest firms cited cost as the reason for not outsourcing, suggesting that it is a salient issue for this group.

Thus South Africa's new optional "turnover tax" regime is intended for the smallest firms who truly cannot afford to pay for the accounting skills needed for the regular tax regime, but can probably handle the bookkeeping required for a turnover tax on their own.

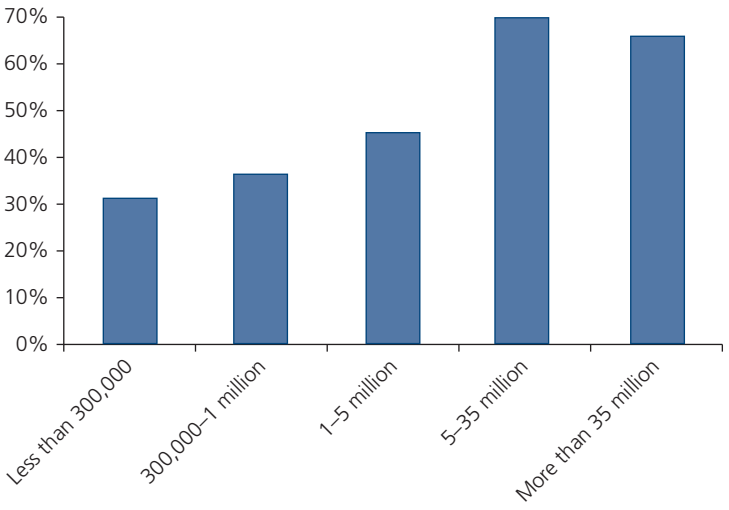
In the Kyrgyz Republic and Peru, which both have simplified regimes designed for small taxpayers, TCCSs are being used to understand why the regimes are not as popular as expected. SME respondents are being asked why they prefer other regimes or to cite the perceived advantages and disadvantages of the regimes available to them.

4.4 Ammunition for Reform

In many countries there is no consensus among stakeholders (even within government) about the need for reform. Survey data can often help tilt the balance.

In Ukraine there has been concern among businesses about the burden of tax inspections. While official data suggested that less than 30 percent of businesses are inspected in any given year, anecdotal evidence and the survey data showed much higher figures. After correcting the official data to reflect figures only for active, private, legal entities, the official data appeared somewhat closer to the survey data, but there was still a significant gap (figure 4.11). Deeper investigation revealed that

FIGURE 4.11 Percentage of active, private, legal entities in Ukraine inspected by the Tax Authority in 2007, based on turnover
Hrivnas



Source: FIAS/IFC-PEP 2009.

tax officials often make "control" visits to businesses for "simple checks of cash registers," which the Tax Authority does not consider official inspections but most private businesses consider the same as formal inspections due to the amount of time they disrupt normal business activities. Survey data can also be used to help to design a more efficient system of risk -based audits.

4.5 Monitoring and Evaluation

Monitoring and evaluation are another important use of TPCCS results. The first round of a survey collects baseline data that can be used to help design or fine-tune the reform agenda, and subsequent rounds can be used to monitor and evaluate the progress of reform. Ideally the subsequent rounds would be based on a panel dataset going back to as many of the original respondents as possible. But in most countries, especially among SMEs, entry and exit rate are so high that such options are limited.

Distinguishing the effects of reforms from overall economic development and other trends is one of many difficulties in measuring the impact of institutional interventions.[6] In an ideal setting one would use quasi-experimental design with

[6] This is particularly difficult for measuring changes in compliance versus evasion. See OECD (2001).

treatment and control groups and the like. But in the real world even the most advanced reform-minded governments in countries with highly trained and capable bureaucrats may have difficulty carving their countries into matched treatment and control groups. Doing so is politically sensitive and in many cases is not legally, fiscally, or technically possible. For example, "discriminatory treatment" in policy is unconstitutional in South Africa for any reason, so any tax reform must be uniform and countrywide.

One option may be to have pilot regions for reforms that are paired with similar regions based on predetermined socioeconomic characteristics. but the scope for such piloting might have to be confined to specific administrative procedures. For example, in South Africa, for the reasons just mentioned, only minor administrative reforms or outreach programs can be piloted. Given the sample sizes needed for statistical comparisons, it might not be cost effective to run a rigorous quasi-experimental design and associated surveys to test the impacts for such minor efforts.

A more feasible alternative may be a very detailed baseline survey with oversampling of certain groups in the general population that would be enough for both cross-sectional and panel studies and comparison in the future. These should be combined with improvements in the collection, analysis, and presentation of administrative tax compliance statistics (as described in greater detail in chapter 5).

Arguably, large sample surveys require a lot of funds. The main defense for such spending is its baseline nature—if a country has embarked on a long-term reform agenda, it is important to have an anchored measure of the situation before reforms commence. Future surveys may collect only specific subsets of baseline indicators and limit themselves to narrower subsets of the population targeted initially.

That being said, it is important to remember that TPCCSs in developing countries are a relatively new undertaking and, as such, one of their most common shortcomings is an urge to cover as much ground as possible. A delicate balance must be found between conducting an extensive baseline survey and overreaching. One time-consuming but relatively inexpensive remedy for this challenge is to hold detailed consultations with the client government. These should help to understand the medium-term reform agenda and design a TPCCS that reflects the goals of the expected reforms.

Another useful approach is in thinking about a TPCCS at the onset of reform discussions. Relative to more traditional Investment Climate Surveys and the like, TPCCSs take longer to design and implement and thus are more prone to rush-job mistakes. But the design and implementation of any survey should never be rushed through.

Chapter 5: Summary—Caveats, Warnings, and Pitfalls

This section summarizes the most important caveats and warnings associated with tax perception and compliance cost surveys (TPCCSs) and tax compliance cost surveys (TCCSs). A more detailed discussion of the pitfalls of such surveys can be found in Turner, Smith, and Gurd (1998).

5.1 Limits: What Tax Compliance Cost Surveys Can and Cannot Measure

As discussed, depending on the goal of the study, practitioners conducting a TCCS can use one of more of three surveys: of business taxpayers, of tax practitioners, and of informal businesses.

Each of these can provide crucial insights into the costs of tax compliance (surveys of tax practitioners and business taxpayers), reasons for noncompliance (surveys of informal businesses), and perceptions about tax authorities. But no survey can measure the level or extent of compliance, noncompliance, or informality with any degree of certainty or clearly establish the reasons for such behavior. Thus these surveys must be supplemented by other information such as trends in numbers of business taxpayers, reported taxable income, and collected revenues, as well as overall trends in economic growth, employment, and other data.

Ideally, these administrative statistics should be available from a country's tax authority or national statistical office, broken out by business size, tax regime, and legal form of taxpayers. (In addition, OECD 2001 covers compliance measurement.) If these statistics are not collected, it may be useful to encourage client governments to start collecting and processing tax-related data in these or similar formats. Such measurements should be taken in conjunction with tax reforms, changes in tax codes, and other reforms. For example, tax compliance cost data can be analyzed alongside

data on the cost of tax administration to identify ways to improve efficiency and strike an appropriate balance between private sector compliance costs and public sector administrative costs.

In other words, a TPCCS can provide micro-level data, while overall compliance trends often depend on variables that are exogenous to the responding establishments and tax practitioners. Thus in the long run it is important to put the survey data in the overall economic and reform context. The best way to do so is to work closely with government counterparts and tax policy experts in academia and tax practitioner associations.

One additional instrument not discussed in this manual is a survey of tax officials, which enables comparisons of perceptions between taxpayers and tax officials. Such a survey was attempted in Vietnam as part of an overall tax compliance cost estimate. The response rate to this survey was rather high, though that may be because the survey was commissioned and implemented under close government oversight—which may or may not have affected the quality of its results.

At the moment there is not enough empirical evidence on the results of surveys of tax officials, which is why this manual does not discuss the specifics of such surveys. Other, more general surveys of civil servants have shown that they are very difficult to conduct due to concerns about anonymity, respondents' trust, and government reluctance.[1]

As one of several measures of the quality of governance, tax compliance costs should also be examined in conjunction with other indicators of governance such as public expenditure and accountability indicators, global integrity indicators, and data collected by various World Bank Group surveys and assessments (including the *Doing Business* assessments and the Business Environment and Enterprise Performance Surveys conducted in Central and Eastern Europe and Turkey). At the macro level, useful data on public finance are being collected and published by the International Monetary Fund.

Finally, the most reliable facts on general compliance issues (and the most suitable for extrapolation) can be collected from companies already paying taxes (surveys of business taxpayers), and when it comes to more detailed and precise data on compliance costs (with the amount of time and money involved broken down by types of taxes and procedures) from tax practitioners (surveys of tax practitioners). Most information about the conditions and issues that prevent informal firms from registering and paying taxes (for example, from surveys of informal businesses) is based on perceptions and should be treated as such. In other words, firms that have never

[1] Thus, an STO may be a very useful addition to the above menu of TCCS, but would require serious methodological work and availability of financing for a number country pilots.

paid taxes do not really know what it would cost them to move out of the shadow. The ideal respondent to a survey about conditions and issues that might encourage informal firms to register and start paying taxes would be a firm that had been operating informally but recently registered. Although attempts have been made to identify such firms, it proved rather difficult (for example, only 12 percent of formal SMEs in South Africa fell into this category).

5.2 Comparing the State of Phenomenon with Changes in Phenomenon

It is important to distinguish from the outset of preparing a TPCCS which parts of the survey instrument are targeting the current situation and which are intended to help monitor change and progress. In other words, it is important to design questions with a clear understanding of the future of the phenomenon intended for measurement—if it is going to be present a certain number of years in the future or will be eliminated as a result of proposed reforms.

For example, if a reform agenda is calling for the elimination of direct negotiations of tax payments between businesses and tax officers, then questions aimed at measuring the time and cost of this process should be reduced to a minimum. At the same time, questions about details related to VAT compliance costs or communications, perceptions, or relations with the tax authorities should be designed so that they (or at least most of them) remain relevant for several rounds of the TCCS and allow for measuring of trends and (hopefully) improvements.

5.3 Perceptions and Reality

There is also a need to distinguish between perceptions and reality. Accusations about corruption or unfairness cannot be proven or disproven solely by using survey data collected through perception questions. In particular, no one likes to pay taxes, so complaints from the business community may be at least partly due to the "kvetch" factor. Even lowering taxes substantially may not eliminate such complaints.

Thus there is a need to balance perception questions with factual inquiries. For example, one good way to check for "kvetch" is to compare the average time it takes to receive tax refunds with the norms established by laws or regulations. In the case of the South African Revenue Service, the time taken to process income tax returns was mostly on par with its own targets in 2007, while other procedures (such as sending a VAT rebate) took somewhat longer. These results help identify where the tax authorities needed to focus their efforts to achieve their targets and counter unjustified complaints from businesses and tax practitioners.

That does not mean that established norms are always pro-business, but having clearly defined norms in the regulatory framework is definitely the first step. In countries where such norms do not exist, it is useful to advise government clients to establish them based on international good practices (which may differ significantly between countries and regions).

As noted, survey data should best be complemented by other sources of information, including qualitative interviews and focus group discussions. Such additional sources may improve understanding of the context underlying survey data.

Another useful but costly tool also mentioned earlier—conducting a complementary survey of tax officers—would allow for real life comparisons between self-perceptions of tax administrators and client perceptions of them.

5.4 Corruption, Evasion, and Other Sensitive Issues

In many surveys targeting businesses, the most interesting and revealing questions are often about sensitive aspects of dealing with governments. Unfortunately, these questions usually have the lowest response rates or least trustworthy results. There is a need to pay more attention to how, where, and when these questions should be asked and to the possibility of complementary approaches, such as qualitative interviews or focus groups.

Responses to these questions depend on a wide range of factors. For example, in Vietnam it is customary and culturally acceptable to give government officials gifts for holidays and other important events; thus responses to questions about gifts are not considered dangerous and response rates to these questions were relatively high. But in the Russian Federation questions of this nature are seen as an invasion of privacy or potentially threatening—and thus, while during in-depth interviews and focus group discussions, many respondents admit to a general tradition of bribes, admission of bribes and corruption by the respondent in structured interviews are infrequent and answers are not necessarily sincere. In South Africa preliminary inquiries and previous studies revealed that bribes are relatively rare, so TCCS questionnaires did not delve into these questions.

Suggestions about whether and how to ask sensitive questions include:

- Evaluating whether the goals of the study require sensitive questions—and if they are not a burning necessity, avoiding most or all of them
- Conducting preliminary research to understand the cultural sensitivity of specific issues and questions—for example, though in-depth interviews or focus group meetings

- If there is a need for sensitive questions, they should be asked near the end—interviewers should first establish a rapport with respondents
- Whenever possible, sensitive issues should be raised in a nonthreatening way—the most common example is to ask not about the respondent directly but about "firms in your line of business" or about competitors, or ask if "it takes more time or effort to accomplish things without paying speed money."

5.5 Difficulties for International Comparisons

Cross-country comparisons of TPCCS findings are meaningful only at the highest level of aggregation, such as the broad level captured by the World Bank Group's Doing Business indicators, which provide "by the books" tax compliance times for hypothetical medium-size manufacturing companies. These generalizations are still useful for ranking and comparing countries and often for fostering standard reforms that allow countries to improve their rankings on such indicators.

To design and track progress of more specific, country-tailored reforms, policymakers need much more detailed information to ensure that reforms are appropriately prioritized and relevant to the realities facing most businesses. This, of course, requires very detailed information about country specifics. For example, *Doing Business* 2008 estimated that complying with taxes took 2,085 hours a year in Ukraine,[2] while in Peru—which has similarly complex tax regulations—it was 424. It is unclear if this disparity was the result of advancements in Peru's or simply due to its highly qualified cadre of tax practitioners. Moreover, it was unclear whether the difference was due to the number of hoops that a business has to jump through to comply or whether those hoops have different level of complexity.

The choice of what should be measured—a country's specific features or its place in the world or its region—should be made at the outset. Attempts to achieve both simultaneously would needlessly complicate the survey questionnaire and compromise both sets of indicators.

5.6 Conclusion

A TPCCS can provide very useful data about business taxpayers, which can help prioritize and refine reforms, provide ammunition for reform, and provide a baseline against which the impact of future reforms can be measured. But a sound TPCCS

[2] This was reduced to 848 hours in *Doing Business 2009* based on definitional adjustments and assumptions about e-filing.

that can stand up to criticism from those who might be unhappy with its findings requires careful preparation and sufficient time and resources (in terms of both skills and funding) to do the job properly.

In the spirit of all manuals produced by World Bank Group's Investment Climate Advisory Services, this one is a living document that will be updated periodically based on lessons from future TCCSs and TPCCSs. In particular, next steps envisioned for future surveys include expanding and refining perception questions related to tax morale and motivations associated with tax compliance. These will be tested in the field and added to future editions of this manual.

Annex 1.1: Terms of Reference for an International Survey Expert

Background

[Information about overall project]

Specific Tasks

During the project the International Survey Expert (ISE) will participate in all survey-related activities and is expected to actively contribute to all materials required for a successful survey execution as well as all outputs from of the survey exercises. His/her tasks refer to surveys to be executed in *[country]*. More specifically, the ISE will have the following responsibilities in different project stages:

1. Preparation stage

The ISE will help identify potential contractors for survey execution in [*country*]. He/she will use knowledge of local conditions and survey companies in the market to evaluate their capacity for carrying out all necessary survey activities involved in this project. He/she will also help create a Terms of Reference for a survey contractor.

2. Selection of contractor stage

The ISE will collect and evaluate proposals from potential survey contractors. Part of this task will include critical evaluation of the technical and financial proposals of the selected contractors, followed by negotiations to achieve satisfactory coverage of all survey responsibilities by the selected survey contractors as well as realistic price for contracted tasks.

3. Survey initiation stage

When the survey contractors have been selected and their tasks have been thoroughly defined, the ISE will work with the contractors to prepare survey activities. More specifically, this will involve:

a. Defining the appropriate survey approaches for the survey planned under this project, including the survey methods to be used and resources needed to execute the survey through these methods.

b. Defining the sample strategy and sample size for the survey under this project by analyzing available alternatives and selecting the optimal one. This sub-stage should result in composition of a thorough "sampling plan" covering sampling techniques to be used.

c. Construction or adaptation of necessary instruments to be used in the survey under this project. During the construction of the instrument(s) the consultants will work with the selected survey contractors, but will also consult with the experts in the tax field to create meaningful instruments answering the real needs of this project.

d. Participation in and supervision of constructing all other necessary materials (such as manuals) needed for a successful execution of the survey. During this task consultant will also consult the experts from the specific tax field.

e. The ISE will participate in training of selected contractors' staff and interviewers to be engaged in this project.

f. Specification of necessary outputs as well as their content, quality, and format—that is, work with the selected contractors on the definition of a data analysis plan, cross-tabulation format, and the format of the final survey report.

4. Survey execution stage

During the survey execution the ISE will actively participate in resolving eventual problems occurring in the field. The ISE will also follow the progress of the survey and work with the selected contractors to evaluate the quality of fieldwork.

5. Data evaluation stage

On the completion of the fieldwork and data entry, the ISE will receive the raw databases from the contractors and evaluate their quality. If necessary, the ISE will work with the contractors to resolve problems.

6. Report stage

As specified in point 3f, the ISE will work with the contractors to define the format and content of the survey reports. On delivery of the draft reports the ISE will evaluate its quality and provide thorough comments and suggestions for improvements. Commenting may go through several stages.

To complete all mentioned tasks, the ISE will dedicate [*number of days*] working days.

Annex 1.2: Terms of Reference for a Tax Accountant

Background

[Information about overall project]

Scope of Work

The World Bank Group plans to conduct a tax compliance cost survey appropriate for businesses in [*country*], taking into account the following considerations:

- Build on the experience, databases, and expertise of previous projects and other surveys related to tax compliance in [*country*]

Ensure inclusion of [*number*] target groups of businesses

- Firms required to use the regular tax regime (CIT, VAT, and so on)
- Firms under the Simplified Tax System (STS)
- Sole proprietors registered for taxation

Specific taxes to be covered by the survey:

- CIT
- VAT
- Payroll taxes and income tax withholding
- Simplified Tax System (small business tax)

Tax procedures to be covered by the survey:

- Tax registration
- Tax preparation

- Tax filing and payment
- Tax inspection and audit
- Tax refunds (including especially VAT refunds)
- Queries and objections

Perception questions about:

- Different tax regimes
- Tax morale
- Competence, consistency, integrity, and helpfulness of tax officials
- Estimated compliance of "firms similar to yours" with regard to reporting of revenues, profits, and payroll

Mode of Work

The tax accountant consultant will be expected to liaise with World Bank Group staff during missions and participate in various meetings, videoconferences, and workshops before, during, and after the missions. The consultant will follow up on the project, working closely with the staff of the Ministry of Finance and State Revenue Service as well as private sector stakeholders, and under the guidance and supervision of the task team leader and other World Bank Group staff and consultants on the project to develop draft survey instruments and sampling methodology for the surveys.

The consultant should solicit feedback on the draft questionnaire from representatives of both the public and private sectors (including diverse groups in the business community) and help develop a consensus on the approach. This work should take into account previous related studies about businesses in [*country*], international best practice examples provided by the World Bank Group, and the inputs from [*country*] stakeholders.

The consultant will work with World Bank Group staff and the contracted survey company, including assistance with field testing of the questionnaire, liaising with representatives of the Ministry of Finance and the most important business and accounting associations in [*country*] to launch the survey, and analysis of the survey data.

The consultant will prepare a draft report about the results of the survey and the implications of the data regarding possible recommendations to the government of [*country*] to reduce the burden of tax compliance on businesses.

The final version of the report should be revised based on comments from the World Bank Group and the government of [*country*].

Outputs

- A questionnaire covering the groups and topics listed above, agreed with the World Bank Group as well as the Ministry of Finance.
- A draft report summarizing the results and implications of the survey of tax compliance costs for businesses in [*country*].

Level of Effort

This consultancy is expected to take up to a maximum of [*number*] working days starting [*date*] and ending [*date*].

Skills

The consultant should have a minimum of a university degree in economics, business, accounting, or finance, and at least five years of practical experience with business taxes in [*country*]. The consultant should be able to work with a diverse range of both public and private sector representatives in [*country*], have experience with accounting and finance, and good writing skills.

Annex 2.1: Resource Requirements for a Tax Compliance Cost Survey

An example of resources needed for a "typical" TCCS and how are they influenced by various problems:[1]

Assumptions:

- Two surveys—survey of formal businesses with a sample of 1,000 respondents and survey of informal businesses with a sample of 800
- Questionnaire length—formal questionnaire of about 45 minutes and an informal questionnaire of about 30 minutes
- Method—face to face interviewing
- Country and local capacity—low-income country with the consultant company capable of executing the survey but without extensive experience in similar projects

Resource type	Needed	Issues that may increase the need for a particular resource
Task team leader	10 days	Lack of political will and increased differences in public and private sector views
Task manager	25 days	Lack of political will and increased differences in public and private sector views Lack of local contractor's analytical capacity may increase need for task manager's time for analytical tasks
Survey expert	25 days	Lower survey capacity in the country may cause higher need for this resource to be used for training, supervising, and analyzing the results Unavailability of high quality business database Low response rate during the fieldwork

[1] The table below presents only a sample of various issues and should, by no means, be taken as a final list of all issues that might present themselves as obstacles during a project.

Survey contractor	Not less than $50 000[2]	Low survey capacity of selected contractor Higher income country/ higher living costs Lack of business database Limited transportation infrastructure in the country Lack of choice when selecting a contractor (that is, monopoly situation) Change in survey approach Low response rate Lack of support from private and public sector

Any change in the assumptions has immediate consequences on the resources required. Increasing the sample size will increase the price, as will increasing the questionnaire length. Changing the method (say, to telephone interviews) may reduce survey contractor costs but imposes limitations on interview duration (not longer than 20–25 minutes); survey contractor cost and capacity varies greatly across countries and has significant influence on all other resource types. The less capacity by the local survey contractor, the greater the need for training and supervision by the survey expert.

[2] It is very difficult to estimate how much a survey of this kind can cost in a particular country. The figure presented here is the usual minimum. For instance, in a similar survey in Yemen the figure was more than double, while in South Africa more than five times bigger. This figure is presented only to show that significant resources should be allocated for this purpose. The figure was lower for Bihar, India (a single state in India).

Annex 3.1: Questionnaire Used in Online Tax Compliance Cost Survey of Tax Practitioners in South Africa

Opening Screen Wording

The 2006 tax practitioner survey, carried out under the supervision of the World Bank Group at the request of the National Treasury and the South African Revenue Service (SARS), aims to establish the tax compliance burden for small and medium enterprises (SMEs) in South Africa. This survey (along with two related surveys targeted directly for formal SMEs and informal firms) is being conducted on a nationwide basis. The National Treasury and SARS plan to use the results of this study, in cooperation with the World Bank Group, as a strategic input into policy formulation with regard to the tax compliance cost of SMEs.

Your input is therefore of national importance, as it will provide the necessary data required by SARS and National Treasury for design and enactment of reforms in the area of SME tax administration by the government and Parliament, as relevant.

In order to do this, you are requested to answer the following questions that will cover areas such as:

- The nature of your business and your experience with taxation matters and SARS;
- The time and costs incurred by you when dealing with SARS on behalf of your clients; and
- Your experience with SARS regarding the tax compliance process and how SARS can make this process easier.

PRIZES: Should you complete this survey, you will be entered into the draw to win ***one of the following in either computer or travel vouchers:***

* ***First prize - R7,000***

* ***Second prize - R3,500*** *(2 such prizes available)*

* ***Third prize - R1,500*** *(3 such prizes available)*

A. Profile of Respondent

1. Are you providing professional services related to taxation matters to individuals or businesses in South Africa, other than the enterprise for which you work?

   Yes
   No

2. Do you interact with SARS while providing these services?

   Yes
   No

3. Are you registered as a tax practitioner with SARS?

   Yes
   No

4. Do any of your clients for whom you are providing services related to taxation matters have a turnover of less than R14 million?

   Yes
   No

5. Please state the number of full-time professional employees, **other than yourself**, in your establishment, that perform the tax compliance function for the clients of your establishment:

   0
   1
   2
   3
   4
   5
   6 – 10
   11 – 15
   16 – 20
   21 – 50

51 – 100
More than 100 (please specify)

6. Which province is your establishment **primarily** situated in?

Gauteng
Mpumalanga
Limpopo
Free State
North West
Kwazulu Natal
Eastern Cape
Northern Cape
Western Cape

7. Which city is your establishment's main office located in?

Gauteng
Alberton
Benoni
Boksburg
Brakpan
Germiston
Johannesburg
Krugersdorp
Nigel
Pretoria
Randburg
Randfontein
Roodepoort
Springs
Vereeniging
Other (don't specify)
Mpumalanga
Nelspruit
Standerton
Witbank
Other (don't specify)
Limpopo
Giyani
Lebowogomo
Polokwane
Sibasa
Other (don't specify)

Free State
Bloemfontein
Kroonstad
Welkom
Other (don't specify)
North West
Klerksdorp
Mmabatho
Rustenburg
Other (don't specify)
Kwazulu Natal
Durban
Mount Edgecomb
Pietermaritzburg
Umlazi
Other (don't specify)
Eastern Cape
East London
Port Elizabeth
Uitenhage
Umtata
Worcester
Other (don't specify)
Northern Cape
Kimberley
Other (don't specify)
Western Cape
Beaufort West
Belville
Cape Town
George
Oudshoorn
Other (don't specify)

8. Would you consider your office to be situated in an:

Urban area
Rural area

9. How many years of professional experience do you personally have in assisting clients with taxation matters?

   Less than 2 years
   2 – 5 years
   6 – 10 years
   11 – 20 years
   More than 20 years

B. Client Information

Establishment details

10. Please state the approximate total number of **clients** that the **establishment** for whom you work has:

    1 – 10
    11 – 50
    51 – 100
    101 – 500
    501 – 1,000
    More than 1,000 (please specify)

Respondent details

11. Please state the approximate total number of the clients that **you personally** worked with **since 1 January 2006:**

    1 – 10
    11 – 20
    21 – 30
    31 – 40
    41 – 50
    51 – 100
    More than 100 (please specify)

12. With what types of clients, according to their turnover, do **you personally** work with (please tick **all** the applicable blocks):

    R1 – R300,000
    R300,001 – R1,000,000
    R1,000,001 – R6,000,000
    R6,000,001 – R14,000,000
    R14,000,000 and above

13. Of your personal clients with a turnover of <<…>>, what is the legal form in which these clients conduct their business (please tick **all** the applicable blocks)? [Note: here and in Q14, 15a, and 15b, empty brackets were filled in the online survey based on the respondent's answers to previous questions.]

    Individuals/sole proprietorships
    Companies
    Close corporations
    Trusts
    Partnerships
    Nonprofit organizations
    Other (please specify)

14. Of your personal clients with a turnover of <<…>> and who trade as <<>>, what are the activities in which these clients conduct their business (please tick **all** the applicable blocks)?

    Agriculture, forestry and fishing
    Mining and quarrying
    Manufacturing
    Construction
    Wholesale and retail trade, hotels and restaurants
    Transport, storage and communication
    Finance, real estate and business services
    Personal services
    Other (please specify)

15a) Based on your answers, you have at least one client who has a turnover of <<>>, who trades as <<>> and has <<>> as its primary activity. Is this correct?

    Yes
    No

15b) Focusing on your personal clients with a turnover of <<>> who trade as <<>> and have <<>> as their primary activity, do you assist them with the following taxes (please tick **all** the applicable blocks)?

    Income tax
    Provisional tax
    Employees' tax
    Value added tax
    None of the above

15c) Do you assist **ANY** of your personal clients with income tax, provisional tax, employees' tax or value added tax?

Yes
No

15d) Please select the type of client, from the lists below, that you have the most experience with from an income tax, provisional tax, employees' tax and/or value added tax perspective.

Turnover

R1 – R300,000
R300,001 – R1,000,000
R1,000 001 – R 6,000,000
R6,000,001 – R14,000,000

Legal entity

Individuals/sole proprietors
Companies
Close corporations
Trusts
Partnerships
Other (specify)

Activity

Agriculture, forestry and fishing
Mining and quarrying
Manufacturing
Construction
Wholesale and retail trade, hotels and restaurants
Transport, storage and communication
Finance, real estate and business services
Personal services
Other (specify)

C. Income Tax

Registration

16. How long does it take you to complete the necessary procedures, prepare and submit all the necessary forms in order to register your FOCUS client for income tax? (This includes all staff time spent on this activity)

1 hour or less
1.01 hours – 2 hours

2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)

The following should be taken into consideration before answering this question:

- Time taken to collect/retrieve the IT 77 for registration
- Time taken to judge the relevance of all the sections of the IT 77
- Time taken to complete and submit the IT 77 for the first time assuming that everything is correct
- Time taken to copy/record the IT 77
- Time taken to provide additional information or to repeat the submission if the first submission was rejected is **excluded** from this time period

17. How long does it take you to receive an income tax registration number from SARS for your FOCUS client once all of the necessary documentation has been submitted and the necessary procedures have been completed correctly?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

18. How much do you charge your FOCUS client to register for income tax?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1 000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Tax return

19. How long does it take you to prepare, complete and submit the income tax return (IT 12 SS/ IT 12 S/ IT SB/ IT 12 BU/ IT 12 EI/ IT 12 TR (collectively referred to as ("IT 12")) and IT14 for your FOCUS client? (This includes all staff time spent on this activity)

    The following should be taken into account when answering this question:

    - Time taken to collect/retrieve the IT 12 or IT 14
    - Time taken to judge the relevance of all the sections of the IT 12 or IT 14 and be familiar with the form if changed
    - Time taken to collect the information to fill in the IT 12 or IT 14 assuming that the client already has all the information needed ready
    - Time taken to prepare and complete the IT 12 or IT 14 & supporting schedules
    - Time taken to submit the IT 12 or IT 14
    - Time taken to copy/record the IT 12 or IT 14
    - This **excludes** the time taken to familiarize yourself with the obligation

    1 hour or less
    1.01 hours – 2 hours
    2.01 hours – 3 hours
    3.01 hours – 4 hours
    4.01 hours – 5 hours
    5.01 hours – 6 hours
    6.01 hours – 7 hours
    7.01 hours – 8 hours
    More than 8 hours (please specify)
    I do not perform this service

20. How much do you charge your FOCUS client to prepare, complete and submit their income tax return?

    R0 – R100
    R101 – R200
    R201 – R300
    R301 – R500
    R501 – R1,000
    R1,001 – R2,000
    R2,001 – R3,000
    More than R3,000 (please specify)

21. How long does it take SARS to process a tax return for your FOCUS client assuming the form is completed correctly and submitted on time?

Less than 2 weeks
2 weeks – 1 month
1.01 months – 2 months
2.01 months – 3 months
3.01 months – 6 months
6.01 months – 12 months
More than 12 months (please specify)

Thank you for providing information about your FOCUS client, now we would like to concentrate on ALL your clients you assist with income tax matters.

Refunds

22. How long on average does it take your client to receive an income tax refund in his bank account?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)
I have no experience with this

Assessment /Objection and appeals

23. How long on average does it take you to prepare and submit an objection to an assessment on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to compare/reconcile the assessment to the return
- Time taken to request reasons for the assessment should it differ from the return
- Time taken to collect the information to fill in the ADR 1
- Time taken to complete the ADR 1 & supporting schedules
- Time taken to submit the ADR 1
- Time taken to copy/record the ADR 1

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7hours
7.01 hours – 8 hours
More than 8 hours (please specify)
I do not perform this service

24. How much on average do you charge your client to prepare and submit an objection to an assessment?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1 000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

25. How long on average does it take SARS to respond to the objection prepared by yourself on behalf of your client?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

26. Please rate the following aspects of the of the **objection** process (please tick one answer in **each** row):

	Not burdensome	Burdensome	N/A
Time available to object to the assessment			
Lack of acknowledgement of receipt of objection by SARS			
Time taken by SARS to respond to objection			

Besides the aspects mentioned above, would you say that there are other burdensome aspects in the objection process?

Yes
No

27. Please rate the following aspects of the **alternative dispute resolution (ADR)** process (please tick one answer in **each** row):

	Not burdensome	Burdensome	N/A
Time available to **prepare** for the ADR process			
Time spent on the ADR process			
Time taken to **finalize** the ADR process			
Time taken by SARS to **respond** to the ADR process			

Besides the aspects mentioned above, would you say that there are other burdensome aspects in the ADR process?

Yes
No

Penalties and interest

28. What percentage of **ALL** your clients registered for income tax, and whose turnover is less than R14,000,000, have had to pay penalties and interest on the late submission or payment of their income tax return since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

29. How much on average did you charge your client to object to, or request that the interest and penalties be waived?

R0 – R100
R101 – R200
R201 – R300
R301 – R500

R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

29b) How often in your opinion are the penalties and interest raised as a result of processing errors made by SARS?

Very often Often Sometimes Rarely Never

Audits/Inspections by SARS

30. What percentage of **ALL** your clients that you have worked with, and whose turnover is less than R14,000,000, have been subject to a SARS audit or inspection regarding income tax since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

31. How long on average did it take you to prepare for an income tax audit/inspection by SARS on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to receive and read audit/inspection notification
- Time taken to collect information for audit/inspection
- Time taken to file/copy/record the responses in a format required by SARS

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours

24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)
I have not performed this service

31b) How long on average did the audit/inspection last?

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)

32. How much on average do you charge your clients to prepare and to be present for a SARS audit/inspection on their income tax affairs (this question refers specifically to an audit in respect of the income tax return)?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

33. How long on average did it take your client to receive a response from SARS in respect of the audit/inspection performed by it?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months

3 months – less than 6 months
6 months or more (please specify)
Never

Written queries received from SARS

34. What percentage of **ALL** your clients registered for income tax, and whose turnover is less than R14,000,000, have received written queries from SARS in respect of income tax since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

35. How long on average did it take you to prepare and submit the response(s) to the written income tax queries received from SARS on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to receive and read the written queries
- Time taken to collect information for the queries
- Time taken to file/copy/record the responses in a format required by SARS

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)
I did not perform this service

36. How much on average do you charge your clients to prepare the responses in respect of the written income tax queries (that relate specifically to the income tax return) received from SARS?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Keeping abreast of tax changes

37. How much time on average does it take you **PER YEAR** to familiarize yourself with all the obligations and changes in the income tax laws and regulations?

Less than 1 day
1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
More than 30 days (please specify)

Communication with SARS

38. Please rate the following aspects of SARS' services: (please select one answer in **each row**).

	Very poor	Poor	Average	Good	Very good	No experience
Personal communication						
Written communication by post						
Written communication by fax						
Telephonic communication						
E-mail communication						

	Very poor	Poor	Average	Good	Very good	No experience
Technical knowledge of SARS personnel						
Timeliness in communications of changes in regulations						

D. Provisional Tax

Registration

39. How long does it take you to complete the necessary procedures, prepare and submit all the necessary forms in order to register your FOCUS client for provisional tax? (This includes all staff time spent on this activity)

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)
I do not perform this service

The following should be taken into account when answering this question:

- Time taken to write the necessary letter for registration
- Time taken to complete the necessary letter and submit it
- Time taken to copy/record the necessary letter
- Time taken to provide additional information or to repeat the submission if the first submission was rejected is **excluded** from this time period

40. How much do you charge your FOCUS client to register for provisional tax?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000

R2,001 – R3,000
More than R3,000 (please specify)

Tax return

41. How long does it take you to prepare, complete and submit each of the following for your FOCUS client: (This includes all staff time spent on this activity)

First provisional tax payment	Second provisional tax payment	Third provisional tax payment

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the IRP 6
- Time taken to judge the relevance of all the sections of the IRP 6 and be familiar with the IRP 6 if changed
- Time taken to collect the information to fill in the IRP 6 assuming that the client already has all the information needed ready
- Time taken to complete the IRP 6 & supporting schedules
- Time taken to submit the IRP 6
- Time taken to copy/record the IRP 6
- This **excludes** the time taken to familiarize yourself with the obligation

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)
I do not perform this service

42. How much do you charge your FOCUS client to prepare, complete and submit each of the following provisional tax returns?

First provisional tax payment	Second provisional tax payment	Third provisional tax payment

R0 – R100
R101 – R200

R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Thank you for providing information about your FOCUS client, we now would like you to concentrate on ALL your clients you assist with provisional tax matters.

Penalties and interest

43. What percentage of **ALL** your clients registered for provisional tax, and whose turnover is less than R14,000,000, have had to pay penalties and interest on the late submission, payment or underestimation of their provisional tax return/s since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

44. How much on average did you charge your client to object to, or request that the interest and penalties be waived?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

44b) How often in your opinion are the penalties and interest raised as a result of processing errors made by SARS?

Very often Often Sometimes Rarely Never

Keeping abreast of tax changes

45. How much time on average does it take you **PER YEAR** to familiarize yourself with all obligations and changes in the provisional tax laws and regulations?

Less than 1 day
1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
More than 30 days (please specify)

Communication with SARS

46. How long on average does it take SARS to update its records if there has been a change in the taxpayer's provisional tax status – that is if you are or are not required to be registered as a provisional taxpayer?

1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
31 – 60 days
More than 60 days (please specify)
No experience with this matter

47. Please rate the following aspects of SARS' services: (please select one option in **each row**).

	Very poor	Poor	Average	Good	Very good	No experience
Personal communication						
Written communication by post						
Written communication by fax						
Telephonic communication						
Email communication						

	Very poor	Poor	Average	Good	Very good	No experience
Technical knowledge of SARS personnel						
Timeliness in communications of changes in regulations						

Deregistration for provisional tax

48. How long on average does it take you to assist your client to deregister for provisional tax? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to draft the de-registration letter to SARS
- Time taken to collect the information to complete the letter
- Time taken to complete and submit the letter
- Time taken to copy/record the letter
- Time take to follow up with SARS the status of the deregistration application
- This **excludes** the time taken to familiarize yourself with the obligation

1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
31 – 60 days
More than 60 days (please specify)
No experience with this matter

E. Value Added Tax

Registration

49. How long does it take you to complete the necessary procedures, prepare and submit all the necessary forms in order to register your FOCUS client for value added tax? (This includes all staff time spent on this activity)

1 hour or less
1.01 hours – 2 hours

2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 48 hours
48.01 hours – 72 hours
More than 72 hours (please specify)
I do not perform this service

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the VAT 101 for registration
- Time taken to judge the relevance of all the sections of the VAT 101
- Time taken to complete and submit the VAT 101
- Time taken to copy/record the VAT 101
- Time taken to provide additional information or to repeat the submission if the first submission was rejected is **excluded** from this time period

50. How long does it take you to receive a VAT registration number from SARS for your FOCUS client once all of the necessary documentation has been submitted and all the necessary procedures have been completed correctly?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

51. How much do you charge your FOCUS client to register for value added tax?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000

R2,001 – R3,000
More than R3,000 (please specify)

52. How much do you charge your FOCUS clients to notify SARS of any changes in your clients VAT registration period?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

Tax return

53. How long does it take you to prepare, complete and submit the value added tax return (VAT 201) for your FOCUS client per VAT period? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the form
- Time taken to judge the relevance of all the sections of the form and be familiar with the form if changed
- Time taken to collect the information to fill in the form assuming that the client already has all the information needed ready
- Time taken to complete the form & supporting schedules
- Time taken to submit the form
- Time taken to copy/record the form
- This **excludes** the time taken to familiarize yourself with the obligation

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours

8.01 hours – 16 hours
More than 16 hours (please specify)
I do not perform this service

54. How much do you charge your FOCUS client to prepare, complete and submit one value added tax period's return?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

55. How long does it take SARS to process a VAT return for your FOCUS client assuming the form is completed correctly and submitted on time?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

Thank you for providing information about your FOCUS client, now we would like to concentrate on ALL of your clients you assist with value added tax matters.

Refunds

56. Among **ALL** your VAT registered clients what percentage has had a VAT refund due to them as calculated on their VAT returns, since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

57. How long on average does it take your client to receive a VAT refund in his bank account should your client legally be entitled to a refund?

1 – less than 2 weeks
2 – less than 3 weeks
3 – less than 4 weeks (1 month)
1 month to less than 2 months
2 months to less than 3 months
3 months to less than 6 months
6 months to less than 1 year
1 year to less than 2 years
2 years or more (please specify)
I have no experience with this

58. How much on average do you charge your clients to assist in following up a VAT refund that is due to them?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I have no experience with this

Assessment /Objection and appeals

59. How long on average does it take you to prepare and submit an objection to an assessment on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to compare/reconcile the assessment to the return
- Time taken to request reasons for the assessment should it differ from the return
- Time taken to collect the information to fill in the ADR 1 form
- Time taken to complete the ADR 1 & supporting schedules
- Time taken to submit the ADR 1
- Time taken to copy/record the ADR 1

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours or more (please specify)
I do not perform this service

60. How much on average do you charge your client to prepare and submit an objection to an assessment?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

61. How long on average does it take SARS to respond to the objection prepared by yourself on behalf of your client?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

62. Please rate the following aspects of the **objection** process (please tick one option in **each row**):

	Not burdensome	Burdensome	N/A
Time available to object to the assessment			
Lack of acknowledgement of receipt of objection by SARS			
Time taken by SARS to respond to objection			

Besides the aspects mentioned above, would you say that there are other burdensome aspects in the objection process?

Yes
No

63. Please rate the following aspects of the **alternative dispute resolution (ADR)** process (please tick one option in **each row)**:

	Not burdensome	Burdensome	N/A
Time available to **prepare** for the ADR process			
Time available to **attend** the ADR process			
Time taken to **finalize** the ADR process			
Time taken by SARS to **respond** to the ADR process			

Besides the aspects mentioned above, would you say that there are other burdensome aspects in the appeal process?

Yes
No

Penalties and interest

64. What percentage of ALL your VAT registered clients that you have personally worked with, and whose turnover is less than R14,000,000, have had to pay penalties and interest on the late submission or payment of their value added tax return since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

65. How much on average did you charge your client to object to, or request that the interest and penalties be waived?

R0 – R100
R101 – R200
R201 – R300
R301 – R500

R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

65b) How often, in your opinion, are the penalties and interest raised as a result of processing errors made by SARS?

Very often Often Sometimes Rarely Never

Audits/Inspections by SARS

66. What percentage of **ALL** your VAT registered clients, and whose turnover is less than R14,000,000, have been subject to a SARS audit or inspection regarding VAT since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

67. How long on average did it take you to prepare for a VAT audit/inspection by SARS on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to be receive and read audit/inspection notification
- Time taken to collect information for audit/inspection
- Time taken to file/copy/record the responses in a format required by SARS

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours

36.01 hours – 48 hours
48.01 hours or more (please specify)
I do not perform this function

67b) How long on average did the inspection/audit last?

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)

68. How much on average do you charge your clients to prepare and be present for a SARS audit/inspection on their value added tax affairs (specifically value added tax return)?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

69. How long on average did it take you to receive a response from SARS about the audit/inspection performed by it?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)
Never

Written queries received from SARS

70. What percentage of ALL your VAT registered clients, and whose turnover is less than R14,000,000, have received written queries from SARS in respect of VAT since 1 January 2006?

    0%
    1 – 2%
    3 – 5%
    6 – 10%
    11 – 20%
    21 – 30%
    More than 30% (please specify)

71. How long on average did it take you to prepare the response/s to the written VAT queries received from SARS on behalf of your client? (This includes all staff time spent on this activity)

    The following should be taken into account when answering this question:

    - Time taken to receive and read the written queries
    - Time taken to collect information for the queries
    - Time taken to file/copy/record the responses in a format required by SARS

    1 hour or less
    1.01 hours – 2 hours
    2.01 hours – 3 hours
    3.01 hours – 4 hours
    4.01 hours – 5 hours
    5.01 hours – 6 hours
    6.01 hours – 7 hours
    7.01 hours – 8 hours
    More than 8 hours (please specify)
    I did not perform this service

72. How much on average do you charge your clients to prepare a response to the written queries on their value added tax affairs (specifically value added tax return)?

    R0 – R100
    R101 – R200
    R201 – R300
    R301 – R500
    R501 – R1,000
    R1,001 – R2,000

R2,001 – R3,000
More than R3,000 (please specify)

Keeping abreast of tax changes

73. How much time on average does it take you PER YEAR to familiarize yourself with all the obligations and changes in the VAT laws and regulations?

Less than 1 day
1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
More than 30 days (please specify)

Communication with SARS

74. Please rate the following aspects of SARS' services: (please select **one** option in **each row**).

	Very poor	Poor	Average	Good	Very good	No experience
Personal communication						
Written communication by post						
Written communication by fax						
Telephonic communication						
Email communication						
Technical knowledge of SARS personnel						
Timeliness in communications of changes in regulations						

Deregistration for value added tax

75. What percentage of **ALL** your VAT registered clients that you have personally worked with have deregistered for VAT since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%

21 – 30%
More than 30% (please specify)

76. How long on average does it take you to assist your client to deregister for value added tax? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the de-registration form (VAT 123) from SARS
- Time taken to collect the information to fill in the form
- Time taken to complete and submit the form
- Time taken to copy/record the form
- Time take to follow up on the status of the deregistration with SARS
- This **excludes** the time taken to familiarize yourself with the obligation

1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
31 – 60 days
More than 60 days (please specify)
I do not perform this service

F. Employees' Tax

Registration

77. How long does it take you to complete the necessary procedures, prepare and submit all the necessary forms, in order to register your FOCUS client for employees' tax? (This includes all staff time spent on this activity)

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the EMP 101 form for registration
- Time taken to complete and submit the EMP 101
- Time taken to copy/record the EMP 101

78. How long does it take you to receive a registration number for employees' tax from SARS for your FOCUS client once all of the necessary documentation has been submitted and the necessary procedures have been completed correctly?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)

79. How much do you charge your FOCUS client to register for employees' tax?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Tax return (EMP 201)

80. How long does it take you to prepare, complete and submit the monthly employees' tax return for your FOCUS client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the EMP 201
- Time taken to judge the relevance of all the sections of the EMP 201 and be familiar with it if changed
- Time taken to collect the information to fill in the EMP 201

- Time taken to complete the EMP 201 & supporting schedules assuming that the client already has all the information needed ready
- Time taken to submit the EMP 201
- Time taken to copy/record the EMP 201
- This **excludes** the time taken to familiarize yourself with the obligation

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)
I do not perform this service

81. How much do you charge your FOCUS client to prepare, complete and submit their monthly employees' tax return?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

82. How long does it take you to prepare, complete and submit your FOCUS client's employees' tax reconciliation at the end of February each year? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the form
- Time taken to judge the relevance of all the sections of the form
- Time taken to collect the information to fill in the form
- Time taken to prepare and complete the form & supporting schedules assuming that the client has all the information needed ready for you

- Time taken to submit the form
- Time taken to copy/record the form

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
More than 8 hours (please specify)
I do not perform this service

83. How much do you charge your FOCUS client to prepare, complete and submit their annual employees' tax reconciliation?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1 000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Thank you for providing information about your FOCUS client, now we would like you to concentrate on ALL your clients you assist with employees' tax matters.

Penalties and interest

84. What percentage of **ALL** your clients registered for employees' tax, and whose turnover is less than R14,000,000, have had to pay penalties and interest on the late submission or payment of their employees' tax return since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

85. How often, in your opinion, are the penalties and interest raised as a result of processing errors made by SARS?

Very often Often Sometimes Rarely Never

86. How much on average did you charge your client to object to, or request that the interest and penalties be waived?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

Audits/Inspections by SARS

87. What percentage of **ALL** your clients registered for employees' tax, and whose turnover is less than R14,000,000, have been subject to a SARS audit or inspection regarding employees' tax since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

88. How long on average did it take you to prepare for an employees' tax audit/inspection by SARS on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to receive and read audit/inspection notification
- Time taken to collect information for audit/inspection
- Time taken to file/copy/record the responses in a format required by SARS

1 hour or less
1.01 hours – 2 hours

2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 48 hours
48.01 hours or more (please specify)
I do not perform this service

88b) How long on average did the inspection/audit last?

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours
7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)

89. How much on average do you charge your clients to prepare and be present for a SARS audit/inspection on their employees' tax affairs (specifically in respect of the employees' tax return)?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)
I do not perform this service

90. How long on average did it take you to receive a response from SARS about the audit/inspection performed by it?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)
Never

Written queries received from SARS

91. What percentage of **ALL** your clients registered for employees' tax that you have worked with, and whose turnover is less than R14,000,000, have received written queries from SARS in respect of employees' tax since 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

92. How long on average did it take you to prepare the response/s to the written employees' tax queries received from SARS on behalf of your client? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to receive and read the written queries
- Time taken to collect information for the queries
- Time taken to file/copy/record the responses in a format required by SARS

1 hour or less
1.01 hours – 2 hours
2.01 hours – 3 hours
3.01 hours – 4 hours
4.01 hours – 5 hours
5.01 hours – 6 hours
6.01 hours – 7 hours

7.01 hours – 8 hours
8.01 hours – 16 hours
16.01 hours – 24 hours
24.01 hours – 36 hours
36.01 hours – 48 hours
48.01 hours or more (please specify)
I did not perform this service

93. How much on average do you charge your clients to prepare the responses in respect of the written employees' tax queries (specifically EMP 201) received from SARS?

R0 – R100
R101 – R200
R201 – R300
R301 – R500
R501 – R1,000
R1,001 – R2,000
R2,001 – R3,000
More than R3,000 (please specify)

Keeping abreast of tax changes

94. How much time on average does it take you **PER YEAR** to familiarize yourself with all the obligations and changes in the employees' tax laws and regulations?

Less than 1 day
1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
More than 30 days (please specify)

Communication with SARS

95. Please rate the following aspects of SARS' services: (please select **one** option in **each row**).

	Very poor	Poor	Average	Good	Very good	No experience
Personal communication						
Written communication by post						
Written communication by fax						

	Very poor	Poor	Average	Good	Very good	No experience
Telephonic communication						
E-mail communication						
Technical knowledge of SARS personnel						
Timeliness in communications of changes in regulations						

Deregistration for employees' tax

96. What percentage of ALL your clients that you have personally worked with, have deregistered for employees' tax as from 1 January 2006?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
More than 30% (please specify)

97. How long on average does it take you to assist your client to deregister for employees' tax? (This includes all staff time spent on this activity)

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the de-registration form (EMP 123/T) from SARS
- Time taken to collect the information to fill in the form
- Time taken to complete and submit the form
- Time taken to copy/record the form
- Time taken to follow up on the status of the deregistration with SARS

Less than 1 day
1 – 2 days
3 – 5 days
6 – 10 days
11 – 20 days
21 – 30 days
More than 30 days (please specify)
I do not perform this service

G. Additional Information

Record keeping

98. What percentage of your FOCUS clients have requested you to assist them with completing/maintaining their accounting and bookkeeping records?

    0
    1% – 10%
    11% – 30%
    31% – 50%
    51% – 70%
    71% – 90%
    More than 90% (please specify)

99. How much on average did you charge your FOCUS client PER MONTH for assisting it to complete/maintain its accounting and bookkeeping records?

    R0 – R100
    R101 – R200
    R201 – R300
    R301 – R500
    R501 – R1,000
    R1,001 – R2,000
    R2,001 – R3,000
    More than R3,000 (please specify)

Retainer

100. Do any of your FOCUS clients pay you in the form of a retainer for all taxation services?

    Yes
    No

101. How much on average is the retainer per month received from your FOCUS client?

    Less than R500
    R500 – R1,000
    R1,001 – R1,500
    R1,501 – R2,000
    R2,001 – R3,000
    R3,001 – R4,000

R4,001 – R5,000
R5,001 – R10,000
R10,001 – R20,000
R20,001 – R30,000
R30,001 – R40,000
R40,001 – R50,000
Above R50,000

We now would like you to provide us with your perceptions of SARS in respect of your general day to day operations with them

Communication with SARS

102. How long on average does it take SARS to update its records after notification of a change in the taxpayers' address has been submitted?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)
No experience

103. What is the average time you are "on hold" before a SARS representative answers your telephone calls?

Never put on hold
Less than 5 minutes
5 – 10 minutes
11 – 15 minutes
16 – 20 minutes
21 – 30 minutes
31 minutes or more
I never call SARS

104. What is the average number of calls to SARS prior to an enquiry being addressed sufficiently?

1
2
3
4

5
6
7
8
9
10
More than 10

105. What is the average time waited at SARS' premises prior to being attended to by a SARS official without an appointment?

I never go to SARS
Less than 5 minutes
5 – 10 minutes
11 – 15 minutes
16 – 20 minutes
21 – 30 minutes
31 – 60 minutes (1 hour)
More than 60 minutes (1 hour) (please specify)
N/A – I always make appointments

106. How long on average does it take SARS to respond to written correspondence?

Less than 1 week
1 week – less than 2 weeks
2 weeks – less than 3 weeks
3 weeks – less than 4 weeks (1 month)
1 month – less than 2 months
2 months – less than 3 months
3 months – less than 6 months
6 months or more (please specify)
No experience

Other information

107a) What do you think would be the **single** most effective **reform** to reduce the **VAT** compliance burden?

No experience with this tax
Reduce penalties and interest charges
Simplified registration procedures
Simplified deregistration procedures
Ability to register and change personal details online

Direct access to SARS assessors
Higher mandatory VAT registration thresholds
Lower optional VAT registration thresholds
Decentralize most of the SARS decision-making powers to SARS regional offices
Other (specify)

107b) What do you think would be the **single** most effective **reform** to reduce the **Income Tax** compliance burden?

No experience with this tax
Reduce penalties and interest charges
Ability to register and change personal details online
Direct access to SARS assessors
Special simplified income tax regime for small businesses
Decentralize most of the SARS decision-making powers to SARS regional offices
Other (specify)

107c) What do you think would be the **single** most effective **reform** to reduce the **Provisional Tax** compliance burden?

No experience with this tax
Reduce penalties and interest charges
Ability to register and change personal details online
Direct access to SARS assessors
Special simplified tax regime for small businesses
Decentralize most of the SARS decision-making powers to SARS regional offices
Other (specify)

107d) What do you think would be the **single** most effective **reform** to reduce the **Employees' Tax** compliance burden?

No experience with this tax
Reduce penalties and interest charges
Ability to register and change personal details online
Direct access to SARS assessors
Special simplified tax regime for small businesses
Decentralize most of the SARS decision-making powers to SARS regional offices
Other (specify)

108. What tax do you think is the most burdensome for taxpayers with a turnover **under** R14,000,000?

Income Tax
Value Added Tax
Provisional Tax
Employees' Tax
Other (specify)

109. What do you think would be the **single** most effective reform to reduce the **total tax compliance burden** for small businesses?

110. Select the single most burdensome aspect of dealing with SARS on behalf of any one of your clients in terms of the:

- Income tax

No experience in dealing with this tax
Cannot register if the person does not have a bank account
Call centre inefficiencies and lack of knowledge by call centre personnel
Capturing and processing errors by SARS and time taken to correct these errors
Loss of documentation by SARS when proof of receipt has been obtained by taxpayer
Penalties and interest incorrectly imposed by SARS
Waiting period for assessments and refunds from SARS
Reconciling assessments to tax returns
Other (specify)

- Provisional tax

No experience in dealing with this tax
Deregistration process – time taken to deregister and/or deregistering by SARS without notification thereof to the taxpayer
Call centre inefficiencies and lack of knowledge by call centre personnel
Capturing and processing errors by SARS and time taken to correct these errors
Loss of documentation by SARS when proof of receipt has been obtained by taxpayer
Penalties and interest incorrectly imposed by SARS
No confirmation received from SARS when estimates used by the taxpayer are changed by SARS
Reconciling assessments to tax returns
Other (specify)

- VAT

No experience in dealing with this tax
Deregistration process – time taken to deregister
Period taken to register as a VAT vendor and time taken to be notified of such registration
Call centre inefficiencies and lack of knowledge by call centre personnel
Capturing and processing errors by SARS and time taken to correct these errors
Loss of documentation by SARS when proof of receipt has been obtained by taxpayer
Waiting period for assessments and refunds from SARS
Reconciling the assessment to the tax return
Other (specify)

- Employees' tax

No experience in dealing with this tax
Time taken to receive IRP 5 and IT3(a) books from SARS
Call centre inefficiencies and lack of knowledge by call centre personnel
Capturing and processing errors by SARS and time taken to correct these errors
Loss of documentation by SARS when proof of receipt has been obtained by taxpayer
Penalties and interest incorrectly raised by SARS
SARS contacts your client directly regarding "missing" returns
Reconciling the assessment to the tax return
Other (specify)

111. In practically all countries around the world, some businesses prefer to stay informal, that is, to avoid registering for and paying taxes. If it is assumed that the total number of businesses – both formal (i.e. registered for taxes and submitting returns) and informal (i.e. not registered for taxes) - in each of the below mentioned turnover categories is 100%, what percentage of businesses in South Africa would you estimate stay informal?

Turnover	%
R72,000 – R300,000	
R300,001 – R1,000,000	
More than R1,000,000	

112. Could you please estimate what percentage of South African businesses (firms and sole proprietors who are registered with SARS) in the following turnover categories use tax practitioners to assist them with taxation matters?

%

R72,000 – R300,000
R300,001 – R1,000,000
R1,000,001 – R6,000,000
R6,000,001 – R14,000,000
R14,000,001 and above

113. Why do you think those that opt not to use tax practitioners do so?

114. What percentage of your efforts generally relate to re-work as a result of errors, inadequate information, incomplete disclosures, lack of the correct supporting documentation, etc. on the part of taxpayers?

0%
1 – 2%
3 – 5%
6 – 10%
11 – 20%
21 – 30%
31% – 40%
41% – 50%
61% – 70%
71% – 80%
81% – 90%
More than 90% (please specify)

Overall comments

115. Do you want to send a message to SARS?

Yes
No

116. Do you want to send a message to the authors of this survey?

Yes
No

117. We would like to have your opinion about the length of this survey. Would you say this survey is:

Not too long
Somewhat long but manageable
A little too long

Too long
Extremely long

118. Would you be interested to become a part of a group of experts who will be asked to respond to similar survey questionnaires on a regular basis (approximately once a year)?

Yes
No

Thank you for completing the tax practitioner survey 2006. Your name and details have been entered into the lucky draw. If you are willing to provide us with your valuable answers concerning another tax type, please click on one of the options below:

Income Tax
Provisional Tax
Employees' Tax
Value Added Tax

Annex 3.2: Questionnaire Used in Telephone Tax Compliance Cost Survey of Formal Businesses in South Africa

Citizen Surveys
1st Floor De Waal House
172 Victoria Road
Woodstock, Cape Town, 7925
Tel: 021 4474484 Fax 021 4486312
Email: info@citizensurveys.com

OFFICE USE ONLY

	Name	***Code***		***Yes***	***No***	***Date***
Field supervisor check			***Validation check***	1	2	YYYY-MM-DD
Edited by			***Back-checked by***			
Coded by			***Captured by***			

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Company type		***Province***	
Sole proprietorship / Partnership	1	Gauteng	1
Company (PTY LTD) / Close corporation (CC)	2	Western Cape	2
Gross income band		Eastern Cape	3
		Kwazulu Natal	4
	1	North West	5
	2	Limpopo	6
	3	Mpumalanga	7

Gross income band		*Province*	
	4	Free State	8
	5	Northern Cape	9

Respondent name		
Business name		
Address		
Telephone	**Cell**	**(Please ensure correct number)**
Other contact numbers	**Home**	**Work**
	Fax	

Interviewer name		**Interviewer number**	

Response details	**Date**	**Time**	**Comments**	**Next call (planned)**
First call				
Second call				
Third call				
Final interview		**Please record all numbers called to conduct interview with respondent including landlines etc.**		

Date of final interview:	YYYY-MM-DD	**Time interview start:**	HH : MM

Good day. My name is_____. I am from Citizen Surveys, an independent market research company. We are conducting a survey on behalf of the World Bank. The World Bank is currently assisting the South African Government to improve the environment and operating conditions for small businesses in the country. As part of this process, the World Bank is interested to know and understand some of the constraints and challenges experienced by small businesses such as yours. The purpose of this survey is to obtain your input so that proper initiatives can be developed to address your business needs and requirements. Please note that all information provided by you will be treated in the strictest confidence, to be used for research purposes only.

A. Company Information

1. Are you the most knowledgeable person concerning the administration and financial management of this business? ***Circle appropriate code.***

Yes	1	Continue
No	2	Arrange interview with most knowledgeable person

2a. Please tell me what is this business's ***main activity/ main sector of activity? Read out and circle appropriate code.***

Agriculture, forestry, and fishing	1	Transport (taxis), storage, and communication	7
Construction	2	Wholesale and retail trade (spazas)	8
Finance, real estate, and business services	3	Hotels and restaurants	9
Manufacturing	4	Catering	10
Mining and quarrying	5	Professional services (specify)	11
Personal services such as barber shops, nails, and grooming	6	Other (specify)	

2b. Which of the following best describes this business? ***Single mention.***

Sole proprietorship (individual)	1
Partnership	2
Company (PTY LTD)	3
Close corporation (CC)	4
Other (specify)	5

3. Including yourself and family members, how many full time staff are employed by this business? ***Write in space below.***

4. In total, how many people work at this business? This includes you, family members, part-time and casual workers. ***Write in space below.***

5. Into which one of the following categories do the typical annual sales or turnover for this business fall? ***Read out and circle appropriate code.***

Less than R70,000	1
R70,000 to R300,000	2
R300,001 to R1,000,000	3
R1,000,001–R6,000,000	4
R6,000,001–R14,000,000	5
Over R14,000,000	6
Don't know/Unsure/Refusal	7

6a. Did this company operate for a while before registering for tax? ***Circle appropriate code.***

Yes	1	Ask Q6b
No	2	Skip To Q7

6b. How long did this company operate before registering for tax ? ***Circle appropriate code.***

Less than 1 year	1
1 – 2 years	2
3 – 5 years	3
More than 5 years	4

7. How long has this company been in operation since registering for tax? ***Write in space below.***

	years

8. For which of the following taxes is this business registered? ***Read out and circle appropriate code next to each response.***

	Yes	**No**
Company income tax	1	2
Personal income tax ***(Only for sole proprietorships or partnerships - refer back to Q2b)***	2	2
VAT	3	2
PAYE	4	2
UIF (Unemployment Insurance Fund)	5	2
SDL (Skills Development Levy)	6	2

9. What are the main reasons for registering this business for tax? ***Record verbatim, then ask:*** What are the other reasons for registering this business for tax? ***Probe in detail and record in appropriate spaces below.***

Main reasons ----------

Other reasons ----------

10a. Now I would like to talk to you specifically about what you think are the advantages and disadvantages of registering for tax. Let's start with the **advantages**. What, if anything, would you say is the biggest advantage of registering for tax? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Record verbatim. Then ask, "Are there any other advantages"? Probe for up to five advantages, recording in appropriate spaces below.***

Biggest advantage ----------

2nd biggest advantage ----------

3rd biggest advantage ----------

4th biggest advantage ----------

5th biggest advantage ----------

10b. And what, if anything, would you say is the biggest **disadvantage** to registering for tax? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Record verbatim. Then ask, "Are there any other disadvantages"? Probe for up to five disadvantages, recording in appropriate spaces below.***

Biggest disadvantage ----------

2nd biggest disadvantage ----------

3rd biggest disadvantage ----------

4th biggest disadvantage ----------

5th biggest disadvantage ----------

11a. If you had to compare VAT-registered versus non-VAT-registered businesses, what would you say is the biggest advantage to registering for VAT? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Write in space below, recording verbatim. Then ask, "Are there any other advantages"? Probe for up to five advantages, recording in appropriate spaces below.***

Biggest advantage ----------

2nd biggest advantage ----------

3rd biggest advantage ----------

4th biggest advantage ----------

5th biggest advantage ----------

11b. And If you had to compare VAT-registered versus non-VAT-registered businesses, what would you say is the biggest disadvantage to registering for VAT? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Probe for up to five disadvantages, recording in appropriate spaces below.***

Biggest disadvantage ----------

2nd biggest disadvantage ----------

3rd biggest disadvantage ----------

4th biggest disadvantage ----------

5th biggest disadvantage ----------

---

12. I would now like to read some statements about record-keeping in this business. Using a scale of 1 to 7, where 1 is "Not at all" and 7 is "All the time," to what extent does your business . . . ***Circle appropriate response.***

	1 Not at all	**2**	**3**	**4**	**5**	**6**	**7 All the time**	**Don't know or N/A**
Keep all physical receipts in an organized manner (such as sales slips, invoices, receipts, and so on)	1	2	3	4	5	6	7	0
Practice physical book-keeping to record income and expenses in an organized manner	1	2	3	4	5	6	7	0
Record income and expenses in an organized manner using a computer and specialized software	1	2	3	4	5	6	7	0

13. I am now going to read a list of tax-related tasks. Again using a scale of 1 to 7, where 1 is "Extremely problematic" and 7 is "Not at all problematic," how problematic is it to . . . ***Circle appropriate responses.***

	1 Extremely problematic	**2**	**3**	**4**	**5**	**6**	**7 Not at all problematic**	**Don't know or N/A**
Keep physical receipts of the business up-to-date (such as sales slips, invoices, receipts, and so on)	1	2	3	4	5	6	7	0
Keep accounting records of the business up-to-date (such as its books)	1	2	3	4	5	6	7	0
Fill out and submit VAT	1	2	3	4	5	6	7	0

Fill out and submit personal income tax as a sole proprietor/ partnership ***(only for sole proprietors or partnerships; refer to Q2b)***	1	2	3	4	5	6	7	0
Fill out and submit company income tax	1	2	3	4	5	6	7	0
Fill out and submit PAYE	1	2	3	4	5	6	7	0
Fill out and submit UIF (Unemployment Insurance Fund)	1	2	3	4	5	6	7	0
Fill out and submit SDL (Skills Development Levy)	1	2	3	4	5	6	7	0
Find the time to complete tax forms	1	2	3	4	5	6	7	0
Understand what is required from the questions in tax forms	1	2	3	4	5	6	7	0
Compile required documentation	1	2	3	4	5	6	7	0

B. Completion of Tax Tasks

14. Who completes each of the following tasks for this business? ***Read out and circle appropriate codes.***

	Self	**Employee**	**Outsourced**	**Both self or employee and outsourced**	**Do not pay that tax or N/A**
General keeping of books and record-keeping	1	2	3	4	5
Compiling annual financial statements	1	2	3	4	5
Compiling necessary documentation for provisional and company income tax	1	2	3	4	5
Filling out provisional and company tax returns	1	2	3	4	5
Personal income tax ***(only for sole proprietors or partnerships; refer to Q2b)***	1	2	3	4	5
Compiling necessary documentation for VAT	1	2	3	4	5
Filling out VAT returns	1	2	3	4	5
Compiling necessary documentation for PAYE	1	2	3	4	5
Filling out PAYE returns	1	2	3	4	5
Compiling necessary documentation for SDL	1	2	3	4	5
Filling out SDL returns	1	2	3	4	5
Obtaining refunds from SARS	1	2	3	4	5

Representing the company in appeals to SARS	1	2	3	4	5
Representing the company during SARS inspections / audits	1	2	3	4	5
Lodging appeal if you disagreed with a tax assessment	1	2	3	4	5
Pursuing waivers of penalties and interest on late submissions or payments	1	2	3	4	5
Applying for tax clearance certificates	1	2	3	4	5
Interviewer: code each column where a code is circled	***1***	***2***	***3***	***4***	***5***

15a. If the business does not outsource any tax compliance tasks (no codes 3 or 4 circled in Q14), ask: What are the main reasons that this business does not outsource some of its tax tasks? ***Circle relevant code below.***

Have sufficient in-house tax expertise	1
It costs too much to outsource	2
It is not difficult to complete tax forms for my business	3
Other (please specify)	9

15b. If the business outsources any tax compliance tasks (any codes 3 or 4 circled in Q14), ask: What the main reasons that this business **outsources** some of its tax tasks? ***Circle relevant code below.***

Tax is a specialist field	1
No time to do it internally	2
Tax expertise of my current tax practitioner	3
It is difficult to keep up-to-date with changes in tax laws	4
Other (please specify)	9

16a. If the business outsources any tax compliance tasks (any codes 3 or 4 circled in Q14), ask: How much did this business spend on outsourced tax tasks in the last complete financial year? ***Record verbatim in space below***

R

Prompt with categories below
if respondent cannot remember exact amount

Less than R1,000	1
R1,001 – R2,400	2
R2,401 – R4,800	3
R4,801 – R6,000	4
R6,001 – R12,000	5
R12,001 – R18,000	6

R18,001– R24,000	7
R24,0001 – R36,000	8
R36,001 – R48,000	9
R48,001 – R60,000	10
R60,001 – R120,000	11
R120,001 or more	12

16b. Is this amount that the business paid for outsourced tasks only for completing its tax documentation and information requirements, or for doing both its tax and bookkeeping?

Only for completing all tax documentation and information requirements	1
For doing both the tax and bookkeeping	2
Other	3

16c. If the business outsources any of the tax compliance tasks (any codes 3 or 4 circled in Q14), ask: How would you describe the person or people who are involved with, or assist, this business to complete its tax requirements? ***Read out and circle appropriate code, if mentioned. Multiple mentions allowed.***

An independent certified bookkeeper	2
A friend or relative who is a certified bookkeeper	3
An independent non-certified bookkeeper	4
A friend or relative who is not a certified bookkeeper	5
An independent certified accountant	6
A friend or relative who is a certified accountant	7
An independent non-certified accountant	8
A friend or relative who is not a certified accountant	9
An independent certified tax consultant	
A friend or relative who is a tax consultant	10
An independent non-certified tax consultant	11
A friend or relative who is not a certified tax consultant	12
Other (please specify)	99

INTERVIEWER NOTE: Please circle the correct option below

All tax tasks are outsourced (only codes 3 and 5 are circled, and none of the codes 1, 2, or 4 were circled in Q14)	***01***	***INTERVIEWER: Continue interview with this respondent, going to Q47a***
The respondent him/herself, or an employee of the business, is doing at least some of the tax tasks (at least one of the codes 1, 2, or 4 are circled in Q14)	***02***	***Ask filter question 16d***

Q16d. Who would you say is the most knowledgeable person in your business when it comes to tax compliance tasks? ***Record single code below.***

1. You	1	***Proceed with interview, asking Q17a***
2. Some other employee of the business	2	***Go to Q54a***

17a. If any employees are used (Q14, codes 1 and 2), ask: How many employees work on this business's tax accounting? ***Write in space below.***

17b. If any employees are used (Q14, codes 1 and 2), ask: You said there are (number) employees working on this business's tax accounting. On average, what percentage of their time would you say is spent on tasks relating to tax accounting? ***Write in space below.***

%

17c. If any employees are used (Q14, codes 1 and 2), ask: Thinking of the main tax tasks, please indicate in percentage terms what proportion of employees' time is taken to complete each of the following tasks. ***Read out, and record percentages below – make sure that percentages sum to 100%.***

Tax Tasks	**%**
Keeping all physical receipts in an organized manner (such as sales slips, invoices, receipts, and so on)	
Physical book-keeping to record income and expenses in an organized manner	
Recording income and expenses in an organized manner using a computer and specialized software	
Filling out and submitting tax forms	
Make sure that percentages sum to	100%

18. For each of the following taxes, please tell me how many times or cycles **per annum** this business has to complete and submit forms for. ***Read out each type of tax below and record number of cycles per annum next to each type of tax that business submits, under Q18.***

19. ***For each type of tax complied with, ask:*** How long does it take this business to prepare, complete, and submit the forms for each? This includes all staff time spent on this activity. ***Record under Q19 in the grid below.***

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the forms
- Time taken to judge the relevance of all the sections of the forms
- Time taken to collect the information to fill in the forms
- Time taken to prepare and complete the supporting schedules
- Time taken to submit the forms
- Time taken to copy/record the information

	Q18 No. of times/cycles per annum	Q19 Time taken per cycle/ submission
Income tax – IT14		
Provisional tax – IRP6		
VAT – VAT 201E		
PAYE, UIF, SDL – EMP201		

C. VAT (Value Added Tax)

INTERVIEWER: Check Q8. If the Business pays VAT, Ask Q20 – Q 24; Otherwise, skip to section D.

20. How often does this business pay VAT? ***Read out and circle appropriate code below.***

Monthly (twelve times a year)	1
Every two months (six times a year)	2
Every three months (four times a year)	3
Every six months (twice a year)	4
Once a year (annually)	5
Other (please specify)	6
(Do not read out) Don't know	7

21. Which VAT payment method is this business on? ***Read out and circle appropriate code below.***

VAT on all relevant invoices to date	1
VAT on relevant payments actually received to date	2
Don't know	3

22. Are you aware that you can apply to have your VAT payment method changed to a payment method that is more suitable to this business? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q23a
No	2	Skip to Q24a

23a. Have you ever applied to have the VAT payment method changed for this business? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q23b and Q23c
No	2	Skip to Q24a

23b. Why did you apply to have the VAT method changed for this business? ***Write in space below.***

23c. Using a 7-point scale, where 1 is "Not at all satisfied" and 7 is "Completely satisfied," please indicate how satisfied or dissatisfied you were with the procedure for change application. ***Circle appropriate code below.***

1 Not at all satisfied	**2**	**3**	**4**	**5**	**6**	**7 Completely satisfied**	**Don't know or N/A**
1	2	3	4	5	6	7	0

24a. Was this business eligible for a VAT refund in the last two years? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q24b
No	2	Skip to Q25
Don't know	3	Skip to Q25

24b. How long did it take to receive the VAT refund (VAT 201E) after submitting the VAT return for this business? ***Record verbatim under appropriate columns below.***

Months	**Weeks**	**Days**	**Don't know**
			0

D. Assessments And Appeals

25. How long did this business wait to receive its most recent income tax assessment from SARS, after submission? ***Record response verbatim in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

26. If this business was due for an Income Tax refund, how long after receiving the income tax assessment did you have to wait for the most recent refund? ***Record response Verbatim in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

27a. Since January 2005, have you disagreed with a SARS assessment for this business? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q27b
No	2	Skip to Q30a

27b. Did you lodge an objection related to your SARS assessment for this business? ***Circle appropriate code and take note of routing.***

Yes	1	Skip to Q28
No	2	Ask Q27c

27c. Why did you not lodge an objection related to the SARS assessment disagreement for this business? ***Write in space below. Probe fully.***

---

28. Are you aware of the appeals procedure and alternative dispute resolution methods? ***Circle appropriate code.***

Yes	1
No	2

29a. For which of the following did you lodge an appeal for this business? ***Read out and circle appropriate code under Q29a in the grid below.***

29b. For each relevant tax that an appeal was lodged, ask: How much did the appeal process cost the business? Please include the cost of employees' time and labor and/or a specialist tax consultant, **but exclude the actual penalties the business had to pay**.

Record under Q29b in the grid below. If respondent provides an actual cost, write it under column A heading, otherwise prompt with

the cost categories below, recording appropriate code under column B heading if respondent cannot remember exact amount.

Q29a		Q29b	
Tax for which appeal was lodged		**A. Actual cost**	**B. Category of cost**
Income tax	1	R	
Provisional tax	2	R	
VAT	3	R	
PAYE	4	R	
UIF	5	R	
SDL	6	R	

Prompt with categories below if respondent cannot remember exact amount

R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5
R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

29c. Now we would like to talk about the appeal process. Please indicate how satisfied you were with the following aspects of the appeal process for this business, using a 7-point scale where 1 is "Not at all satisfied" and 7 is "Completely satisfied." ***Read out and circle appropriate code next to each response below.***

	1 Not at all satisfied	**2**	**3**	**4**	**5**	**6**	**7 Completely satisfied**	**Don't know or N/A**
The deadline to submit an appeal	1	2	3	4	5	6	7	0
The time taken by SARS to respond to the appeal	1	2	3	4	5	6	7	0
Steps to be followed in the appeal process	1	2	3	4	5	6	7	0
Cost to this business of the full appeal process	1	2	3	4	5	6	7	0

30a. Since January 2005, has this business been subjected to . . . ? ***Read out statements and write in applicable response space next to each under Q30a in the grid below.***

30b. And how many of these . . . (***read out***) resulted from an appeal to SARS? ***Read out applicable statements and write in space next to each under Q30b in the grid below.***

30c. And how many of these . . . (***read out***) resulted in fines and penalties? ***Read out applicable statements and write in space next to each under Q30c in the grid below.***

Statements	Q30a No. of times	Q30b Resulted from appeal to SARS	Q30c Resulted in fines and penalties
Queries from SARS			
Inspections/audits from SARS			

E. Penalties and Interest

31. Since January 2005, has this business incurred penalties or interest as a result of ..... ***Read out and circle appropriate code next to each response below.***

	Yes	No
Late submission of provisional tax	1	2
Late submission of VAT	1	2
Late submission of PAYE, SDL, or UIF	1	2
Late payment of income tax	1	2

If no to all, skip to section F

32. Did you ever request to have penalties or interest waived for this business? ***Read out options and circle appropriate code(s). Take note of routing. Multiple mentions allowed.***

Yes, requested for penalties to be waived	1	Ask Q33
Yes, requested for interest to be waived	2	Ask Q33
No requests to have penalties or interest waived	3	Skip to Q36a

33. ***For each relevant request, ask:*** How many times did you request a waiver? ***Read out and record under Q33 in the grid below.***

34. ***For each relevant request, ask:*** How many times were you successful in receiving a waiver? ***Read out and record under Q34 in the grid below.***

	Q33 No. of times requested	Q34 No. of times successful
Penalties to be waived for this business		
Interest to be waived for this business		

35. How much did all these penalties and/or interest waivering processes cost the business? In answering this question please include the cost of an external accountant or specialist tax consultant, if used. ***Write in space below.***

R

Prompt with categories below if respondent cannot remember exact amount

R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5
R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

F. Tax Clearance Certificates

36a. How many times have you applied for a tax clearance certificate for this business in the past year? ***Write in space below.***

times	Ask Q36b	
Never	99	Go to Q39

36b. How many of these tax clearance certificate applications were successful? ***Write in space below.***

36c. How much did all of these tax clearance certificate application processes cost this business? Please include the cost of a specialist tax consultant services if used. ***Write in space below.***

R

Prompt with categories below if respondent cannot remember exact amount

R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5

R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

37. On average, how many visits to SARS offices does it take to obtain a batch of tax clearance certificates? ***Write in space below.***

38. On average, how long does it take from an initial application to receiving the final tax clearance certificate? ***Record verbatim under appropriate column below.***

Weeks	Days	Hours

G. Access to SARS

39. How many business tax-related visits to SARS did you and/or any other staff members of this business make in the past year? ***Write in space below.***

No. of visits	None/Don't know	0

40. How long does it typically take you to travel from your business to the SARS office and back (round trip) with your regular transport? Please exclude the time spent at the SARS office. ***Estimate if necessary and record under appropriate column below.***

Hours	Minutes

41. What percentage of the time in the past year did you and/or employees of this business have to stand in a queue for more than 5 minutes at SARS before being attended to, if you or they did not make an appointment? ***Estimate if necessary and write in space below.***

% of the time

42a. When you and/or employees of this business did not have an appointment, how long, on average, did you or they have to wait in a queue at SARS before being attended to? ***Record verbatim under appropriate column below.***

Hours	Minutes

42b. What percentage of the time in the past year did you and/or employees of this business have to stand in a queue for more than 5 minutes at SARS before

being attended to, if you or they had made an appointment? ***Estimate if necessary and write in space below.***

% of the time

42c. When you and/or employees of this business had an appointment, how long, on average, did you or they have to wait in a queue at SARS before being attended to? ***Estimate if necessary and record under appropriate column below.***

Hours	Minutes

H. Communication

43a. What information sources do you use to find out about tax? ***Multiple response – do not read out, record under Q43a in the grid below***

43b. For each mention in Q43a: Using a 7-point scale, where 1 is "Not at all useful" and 7 is "Extremely useful," how would you rate ..... (***Ask for each of the sources used***). ***Read out and circle appropriate code.***

		Q43b							
Q43a Sources used		**1 Not at all useful**	**2**	**3**	**4**	**5**	**6**	**7 Extremely useful**	**Don't know or N/A**
SARS brochures/ newsletters/booklets	1	1	2	3	4	5	6	7	0
SARS website	2	1	2	3	4	5	6	7	0
SARS seminars	3	1	2	3	4	5	6	7	0
SARS road shows	4	1	2	3	4	5	6	7	0
SARS billboards	5	1	2	3	4	5	6	7	0
Bulletin boards at SARS offices	6	1	2	3	4	5	6	7	0
Newspapers	7	1	2	3	4	5	6	7	0
Radio	8	1	2	3	4	5	6	7	0
TV	9	1	2	3	4	5	6	7	0
Email	10	1	2	3	4	5	6	7	0
Specialist tax consultants/ accountants/bookkeepers	11	1	2	3	4	5	6	7	0
Friends and family	12	1	2	3	4	5	6	7	0
Community members	13	1	2	3	4	5	6	7	0
Telephone	14	1	2	3	4	5	6	7	0
SMS	15	1	2	3	4	5	6	7	0
Other (please specify)	16	1	2	3	4	5	6	7	0
None	99	1	2	3	4	5	6	7	0

44. How would you like SARS to provide tax information to you? ***Record first mention under 1st mention column, second mention under 2nd mention column, etc.***

Source	1st Mention	2nd Mention	3rd Mention	4th Mention	5th Mention
SARS brochures/newsletters/ booklets	1	1	1	1	1
SARS website	2	2	2	2	2
SARS seminars	3	3	3	3	3
SARS road shows	4	4	4	4	4
SARS billboards	5	5	5	5	5
Bulletin boards at SARS offices	6	6	6	6	6
Newspapers	7	7	7	7	7
Radio	8	8	8	8	8
TV	9	9	9	9	9
Email	10	10	10	10	10
Specialist tax consultants/ accountants/bookkeepers	11	11	11	11	11
Friends and family	12	12	12	12	12
Community members	13	13	13	13	13
Telephone	14	14	14	14	14
SMS	15	15	15	15	15
Other (please specify)	16	16	16	16	16
None	99	99	99	99	99

45a. Who in this business, if ever, communicates with SARS regarding inquiries, to provide information, and so on? Is it . . .? ***Read out and circle appropriate code under Q45a in the grid below. Multiple mentions allowed.***

45b. For each person mentioned, ask: how often does ..... communicate with SARS regarding inquiries, information, and so on? ***Read out and circle appropriate code under Q45b in the grid below.***

Q45a Person		Q45b At least monthly	Every two to six months	Once or twice a year	Less than once a year	Never
Business owner	1	1	2	3	4	5
Outside tax consultant	2	1	2	3	4	5
Accountant	3	1	2	3	4	5
Bookkeeper	4	1	2	3	4	5
Employee of business	5	1	2	3	4	5
Other (please specify)	9	1	2	3	4	5

46a. Do you know of the SARS Services Monitoring Office? The SARS Services Monitoring Office acts as a final complaints office, after the relevant SARS procedures and processes to address service issues have failed. ***Circle appropriate code below and follow routing.***

Yes	1	Ask Q46b
No	2	Skip to Q47a

46b. Has this business ever contacted the Service Monitoring Office? ***Circle appropriate code below.***

Yes	1	Ask Q46c
No	2	Skip to Q47a

46c. If yes, ask: For what reason, or reasons, did this business contact the Service Monitoring Office? ***Write in space below. Probe fully.***

I. E-Filing

47a. Does this business have a personal computer? ***Circle appropriate code***

Yes	1
No	2

47b. Does this business have Internet access? ***Circle appropriate code.***

Yes	1
No	2

47c. Are there other businesses in the vicinity that have internet access? ***Circle appropriate code.***

Yes	1
No	2
Don't know	9

48a. Is this company registered for electronic filing of returns (via the Internet)? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q48b
No	2	Skip to Q49

48b. Which of the following returns does the business currently submit electronically? ***Read out and circle appropriate codes under Q48b in the grid below.***

48c. Ask only for taxes mentioned in Q48b: How long ago did you start submitting the following tax returns online for this business? ***Write in relevant spaces below under Q48c.***

	Q48b Submit electronically	**Q48c Recency of commencing electronic submissions**
Income tax	1	months
VAT	2	months
PAYE	3	months
UIF / SDL	4	months
None	9	

49. How much, if anything, does this business have to pay per annum in terms of staff, time, consultation fees, and other "red tape" to comply with the regulation requirements of the industry it operates in? An example of such a requirement is ISO 9000. These compliance costs would relate to any licensing, association membership, equipment upgrades and training costs required to operate in the industry. ***Record in space below.***

R

50a. If the business's turnover is less than R1,000,000 (check Q5) ask: Are you aware of Category F VAT assessment? ***Read out and circle appropriate code below.***

Yes, I am aware and know what it is	1	Ask Q50b
Yes, I've heard of it, but don't know what it is	2	Skip to Q51
No, I have never heard of it	3	
Not applicable (turnover more than R1m)	4	

50b. If respondent is aware of and knows what a Category F VAT assessment is, ask: Why do you think so few businesses take up the Category F VAT assessment offer? ***Write in space below.***

---

51. What do you think SARS can do to simplify tax compliance for small businesses is in general? ***Write in space below. Probe fully.***

---

52. To what extent do you think the following will help small businesses like yours comply with tax in general? Please use a scale of 1 to 7 where 1 means "Not helpful at all" and 7 means "Extremely helpful" to rate the following. ***Read out each statement and record rating.***

	1 Not helpful at all	**2**	**3**	**4**	**5**	**6**	**7 Extremely helpful**	**Don't know**
Register and change personal/ company details online	1	2	3	4	5	6	7	0
Most SARS decision-making powers are decentralized to SARS regional offices to make access and communication easier	1	2	3	4	5	6	7	0
More SARS offices in remote areas	1	2	3	4	5	6	7	0
Direct access to SARS assessors via email, telephone, or in person	1	2	3	4	5	6	7	0
A higher turnover threshold for compulsory VAT registration	1	2	3	4	5	6	7	0
Reduced penalties and interest charges	1	2	3	4	5	6	7	0
Simplified tax registration procedures	1	2	3	4	5	6	7	0
A community-based person or ombudsman to assist you confidentially with tax matters	1	2	3	4	5	6	7	0

53. In order to assist small, micro, and medium-size businesses, SARS now runs workshops on tax in your area. When would it be most convenient for you or the people who assist your business with tax to attend such workshops? ***Read out and record a single response.***

Weekday mornings	1
Weekday afternoons	2
Weekday evenings	3
Saturday mornings	4

Saturday afternoons	5
Saturday evenings	6
Sunday mornings	7
Sunday afternoons	8
Sunday evenings	9
Other (please specify)	

J. General

54a. Ask all: Now I would like to talk to you about some of the obstacles that small businesses might face. Which if any of the following issues are a problem for the operation and growth of this business? ***Read issues one by one and circle appropriate code under each applicable heading under Q54a below.***

54b. For each issue that is a problem, ask: How would you rate this obstacle? Would you say it is a minor, moderate, or severe obstacle? ***Circle appropriate response under Q54b below.***

	54a. Is the issue an obstacle?				54b. Severity of obstacle			
	Yes	No	Don't know	N/A	Minor	Moderate	Severe	Don't know
Telecommunications	1	2	8	9	1	2	3	8
Electricity	1	2	8	9	1	2	3	8
Transportation	1	2	8	9	1	2	3	8
Tax rates	1	2	8	9	1	2	3	8
Skills and education of available workers	1	2	8	9	1	2	3	8
Access to financing (e.g. collateral)	1	2	8	9	1	2	3	8
Cost of financing (e.g. interest rates)	1	2	8	9	1	2	3	8
Labor regulations	1	2	8	9	1	2	3	8
Inflation or exchange rate instability	1	2	8	9	1	2	3	8
Not being registered for VAT	1	2	8	9	1	2	3	8
Not being registered for UIF	1	2	8	9	1	2	3	8
Bribery and corruption	1	2	8	9	1	2	3	8
Crime, theft, and disorder	1	2	8	9	1	2	3	8
Competitors not paying tax or undercutting prices	1	2	8	9	1	2	3	8

	54a. Is the issue an obstacle?				54b. Severity of obstacle			
	Yes	No	Don't know	N/A	Minor	Moderate	Severe	Don't know
15. Legal system/ conflict resolution	1	2	8	9	1	2	3	8
16. Business licensing and operating permits	1	2	8	9	1	2	3	8

55. And finally, what is the annual turnover or sales of this business? ***Write in space below.***

R

INTERVIEWER: Please circle the correct option below.

All tax tasks are outsourced (only codes 3 and 5 are circled, and none of the codes 1, 2, or 4 are circled in Q14)	***1***	***INTERVIEWER: Continue collecting information about the outsourced tax practitioner by continuing the interview with him or her. (Get contact details from the initial respondent.)***
The main respondent was the most knowledgeable person about this business's tax compliance work (code 1 on Q16d and has already answered Q17 – 55)	***2***	***End the interview – go to pledge on last page***
An employee of the business is the most knowledgeable person about tax compliance work (code 2 on Q16d)	***3***	***Collect contact information about this employee and continue the interview by going back to Q17a***

If a tax professional is used to complete ALL taxes, ask: Some of the issues that we want to understand, such as the amount of time and effort involved in filling out and submitting tax forms, need to be answered by the tax professional you use to complete these tasks. Would you be willing for us to conduct the rest of this interview with that person?

Yes	**1**	**Obtain details of tax professional:**	**Name:**	**Telephone number:** **.....** **Cell phone number:** **.....**
No	**2**	**Provide reason:** **----------** **----------**		

INTERVIEWER: All the remaining questions are to be asked to the tax professional for this business.

56a. How many employees in this business, including yourself, work on tax accounting? ***Write in space below.***

56b. On average, what percentage of their time would you say is spent on tasks relating to tax accounting? ***Write in space below.***

%

56c. Thinking of the main tax tasks, please indicate in percentage terms what proportion of your and any relevant employees' time is taken to complete each of the following tasks. ***Read out, and record percentages below – make sure that percentages sum to 100%.***

Tax Tasks	**%**
Keeping all physical receipts in an organized manner (such as sales slips, invoices, receipts, and so on)	
Physical book-keeping to record income and expenses in an organized manner	
Recording income and expenses in an organized manner using a computer and specialized software	
Filling out and submitting tax forms	
Make sure that percentages sum to:	100%

57a. Thinking of each of the following taxes, please tell me how many times or cycles **per annum** you have to complete and submit forms for each. ***Read out each type of tax below and record number of cycles per annum next to each type of tax that business submits, under Q57a.***

57b. For each type of tax complied with, ask: How long does it take you to prepare, complete, and submit each? This includes all staff time spent on this activity. ***Record under Q57b in the grid below.***

The following should be taken into account when answering this question:

- Time taken to collect/retrieve the forms
- Time taken to judge the relevance of all the sections of the forms
- Time taken to collect the information to fill in the forms
- Time taken to prepare and complete the supporting schedules
- Time taken to submit the forms
- Time taken to copy/record the information

	Q57a No. of times/cycles per annum	Q57b Time taken per cycle/ submission
Income tax – IT14		
Provisional tax – IRP6		
VAT – VAT 201E		
PAYE, UIF, SDL – EMP201		

58a. How long did it take for this business to receive its most recent income tax assessment from SARS, after submission? ***Record response verbatim in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

58b. If this business was due for an income tax refund, how long after receiving the income tax assessment did it take to receive the most recent refund? ***Write in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

C1. VAT (Value Added Tax)

INTERVIEWER: Check Q8. If the business pays VAT, Ask Q59 – Q63; otherwise, skip to section D1, Q64.

59. How often does this business pay VAT? ***Read out and circle appropriate code below.***

Monthly (twelve times a year)	1
Every two months (six times a year)	2
Every three months (four times a year)	3
Every six months (twice a year)	4
Once a year (annually)	5
Other (please specify)	6
(Do not read out) Don't know	7

60. Which VAT payment method is this business on? ***Read out and circle appropriate code below.***

VAT on all relevant invoices to date	1
VAT on relevant payments actually received to date	2
Don't know	3

61. Are you aware that you can apply to have the VAT payment method changed to a payment method that is more suitable to this business? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q62a
No	2	Skip to Q63a

62a. Have you ever applied to have the VAT payment method changed? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q62b and Q62c
No	2	Skip to Q63a

62b. Why did you apply to have the VAT method changed? ***Write in space below.***

62c. Using a 7-point scale, where 1 is "Not at all satisfied" and 7 is "Completely satisfied," please indicate how satisfied or dissatisfied you were with the procedure for change application. ***Circle appropriate code below.***

1 Not at all satisfied	**2**	**3**	**4**	**5**	**6**	**7 Completely satisfied**	**Don't know or N/A**
1	2	3	4	5	6	7	0

63a. Was this business eligible for a VAT refund in the last two years? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q63b
No	2	Skip to Q64
Don't Know	3	Skip to Q64

63b. How long did it take to receive the VAT refund (VAT 201E) after submitting the VAT return for this business? ***Record verbatim under appropriate columns below.***

Months	**Weeks**	**Days**	**Don't know**
			0

D1. Assessments and Appeals

64. How long did this business wait to receive its most recent income tax assessment from SARS, after submission? ***Record response verbatim in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

65. If this business was due for an income tax refund, how long after receiving the income tax assessment did you have to wait for the most recent refund? ***Record response verbatim in appropriate space below.***

Number of days, weeks, or months	
Don't know	0

66a. Since January 2005, have you disagreed with a SARS assessment for this business? ***Circle appropriate code and take note of routing.***

Yes	1	Ask Q66b
No	2	Skip to Q69a

66b. Did you lodge an objection related to any such SARS assessment? ***Circle appropriate code and take note of routing.***

Yes	1	Skip to Q67
No	2	Ask Q66c

66c. Why did you not lodge an objection related to the SARS assessment disagreement? ***Write in space below. Probe fully.***

---

67. Are you aware of the appeals procedure and alternative dispute resolution methods? ***Circle appropriate code.***

Yes	1
No	2

68a. For which of the following did you lodge an appeal for this business? ***Read out and circle appropriate code under Q68a in the grid below.***

68b. For each relevant tax that an appeal was lodged, ask: How much did the appeal process cost to complete? Please include the cost of your time and labor, **but exclude the actual penalties the business had to pay**.

Record under Q68b in the grid below. If respondent provides an actual cost, write it under column A heading, otherwise prompt with the cost categories below, recording appropriate code under column B heading if respondent cannot remember exact amount.

Q68a		Q68b	
Tax for which appeal was lodged		**Actual cost**	**Category of cost**
Income tax	1	R	
Provisional tax	2	R	
VAT	3	R	
PAYE	4	R	
UIF	5	R	
SDL	6	R	

Prompt with categories below if respondent cannot remember exact amount	
R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5
R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

68c. Now we would like to talk about the appeal process. Please indicate how satisfied you were with the following aspects of the appeal process, using a 7-point scale where 1 is "Not at all satisfied" and 7 is "Completely satisfied." ***Read out and circle appropriate code next to each response below.***

	1 Not at all satisfied	**2**	**3**	**4**	**5**	**6**	**7 Completely satisfied**	**Don't know or N/A**
The deadline to submit an appeal	1	2	3	4	5	6	7	0
The time taken by SARS to respond to the appeal	1	2	3	4	5	6	7	0
Steps to be followed in the appeal process	1	2	3	4	5	6	7	0
Cost to this business of the full appeal process	1	2	3	4	5	6	7	0

69a. Since January 2005, has this business been subjected to . . . ? ***Read out statements and write in applicable response space under Q69a in the grid below.***

69b. And how many of these . . . (***read out)*** resulted from an appeal to SARS? ***Read out applicable statements and write in applicable response space under Q69b in the grid below.***

69c. And how many of these . . . (***read out***) resulted in fines and penalties? ***Read out applicable statements and write in applicable response space under Q69c in the grid below.***

Statements	Q69a No. of times	Q69b Resulted from appeal to SARS	Q69c Resulted in fines and penalties
Queries from SARS			
Inspections/Audits from SARS			

E1. Penalties and Interest

70. Since January 2005, has this business incurred penalties or interest as a result of . . . . ***Read out and circle appropriate code next to each response below.***

	Yes	No
Late submission of provisional tax	1	2
Late submission of VAT	1	2
Late submission of PAYE, SDL, or UIF	1	2
Late payment of income tax	1	2

If no to all, skip to section F1.

71. Did you ever request to have penalties or interest waived for this business? ***Read out options and circle appropriate code(s). Take note of routing. Multiple mentions allowed.***

Yes, requested for penalties to be waived	1	Ask Q72
Yes, requested for interest to be waived	2	Ask Q72
No requests to have penalties or interest waived	3	Skip to Q75a

72. For each relevant request, ask: How many times did you request a waiver? ***Read out and record under Q72 in the grid below.***

73. For each relevant request, ask: How many times were you successful in receiving a waiver? ***Read out and record under Q73 in the grid below.***

	Q72 No. of times requested	Q73 No. of times successful
Penalties to be waived		
Interest to be waived		

74. How much did all these penalties and/or interest waivering processes cost this business? This must include your cost as an external accountant or specialist tax consultant. ***Write in space below.***

R

Prompt with categories below if respondent cannot remember exact amount	
R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5
R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

F1. Tax Clearance Certificates

75a. How many times has this business applied for a tax clearance certificate in the past year? ***Write in space below.***

No. of times	Ask Q75b	
Never	99	End interview

75b. How many of these tax clearance certificate applications were successful? ***Write in space below.***

75c. How much did all of these tax clearance certificate application processes cost this business? Please include your cost as an external accountant or specialist tax consultant. ***Write in space below.***

R

Prompt with categories below if respondent cannot remember exact amount	
R0 – R100	1
R101 – R200	2
R201 – R300	3
R301 – R500	4
R501 – R1,000	5
R1,001 – R2,000	6
R2,001 – R3,000	7
More than R3,000 (please specify)	8

76. On average, how many visits to SARS offices does it take to obtain a batch of tax clearance certificates? ***Write in space below.***

77. On average, how long does it take from initial application to receiving the final tax clearance certificate? ***Record verbatim under appropriate column below.***

Weeks	Days	Hours

Thank you for your time and effort.

Interviewer record:	Time interview ended	H H : M M

Interviewer/Supervisor pledge: I hereby certify that this interview has been completed in full with the respondent and according to the instructions I received from Citizen Surveys. Furthermore, this interview has been thoroughly checked.

Interviewer:		Date:		Supervisor:		Date:	

Annex 3.3: Questionnaire Used in Face-to-Face Tax Compliance Cost Survey of Informal Businesses in South Africa

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1st Floor De Waal House,
172 Victoria Road
Woodstock, Cape Town, 7925
Tel: 021 4474484 Fax 021 4486312
Email: info@citizensurveys.com

OFFICE USE ONLY

	Name	***Code***		***Yes***	***No***	***Date***	
Field supervisor check		Code	***Validation check***	1	2	YYYY-MM-DD	
Edited by		Code	***Back-checked by***				Code
Coded by		Code	***Captured by***				Code

Date of interview:	YYYY-MM-DD

Time interview start:	HH : MM

Good day. My name is _____. I am from Citizen Surveys, an independent market research company. We are conducting a survey on behalf of the World Bank to determine the needs of small businesses in South Africa. To do this, we need input from small businesses owners, like yourself, to identify how best to provide assistance. This interview should only take about 20 minutes of your time, and all information provided by you will be treated in the strictest confidence.

Note: Only informal businesses above the turnover threshold of R70,000, but that are not registered for tax, should participate.

A. Filter Questions

1. Can you please tell me which of the following best describes who the owner of this business is? ***Read out and circle appropriate code below.***

You alone	1
Your family members (without you)	2
You and family members	3
Non-family partners (without you)	4
You and non-family partners	5
Other (please specify)	6

2. How long has this business been in operation? ***Write in space below.***

years

3. What is this business's main activity/main sector of operation? ***Read out and circle appropriate code.***

Agriculture, forestry, and fishing	1	Transport (taxis), storage, and communication	7
Construction	2	Wholesale and retail trade (spazas)	8
Finance, real estate, and business services	3	Hotels and restaurants	9
Manufacturing	4	Catering	10
Mining and quarrying	5	Professional services	11
Personal services such as barber shops, nails, and grooming	6	Other (please specify)	

4. Is this business registered with or for any of the following? ***Read out and circle appropriate code for each.***

	Yes	**No**	
CIPRO (Company Registration Office) or DTI (Department of Trade and Industry)	1	2	
Chamber of Commerce	2	2	
Tax or VAT	3	2	**If Yes, end Interview**
Business associations in your industry	4	2	
Workmen's compensation (Department of Labour)	5	2	
Any other organization (please specify)	6		

5. Are you the most knowledgeable person concerning the administration and financial management of this business? ***Circle appropriate code.***

Yes	1	**Continue**
No	2	**Establish who is the most knowledgeable person and arrange interview with him/her**

Interviewer, explain to respondent: Please answer all remaining questions for this business only.

6. Would you say that the typical annual sales or turnover for this business is . . .? ***Read out and circle appropriate code(s).***

Less than R70,000	1	**End interview**
R70,000-R300,000	2	**Continue**
R300,001-R1,000,000	3	**Continue**
R1,000,001-R6,000,000	4	**Continue**
R6,000,001-R14,000,000	5	**Continue**
Over R14 million	6	**End interview**
DO NOT READ OUT *Don't know/Unsure*	7	**Continue**
DO NOT READ OUT Refusal	8	**Continue**

B. Level of Formalization

7. Where do you conduct most of your business and its operations? ***Hand respondent card and circle appropriate code below.***

At the same premises where you live	1
At separate premises that you own	2
At separate premises that you rent	3
Your place of business changes	4
Other (please specify)	5

8. Including yourself and family members, how many people work at this business? ***Write in space below.***

9. Please tell me what assets this business has? ***Hand respondent card and circle appropriate code(s) below.***

Land (ground)	1
Premises (buildings)	2
Furniture	3
Industrial machinery (tools or equipment)	4
Vehicles and other movable assets	5
Office equipment (computers, printers, copiers and so on)	6

Cash	7	
Stock	8	
Debtors (people who owe you money)	9	
None	10	**Skip to Q11**

10. What would you estimate the total value of all those assets to be? ***Write in space below.***

R

11. Do you have? ***Read out and circle appropriate code for each statement.***

	Yes	**No**
A personal postal address	1	2
A separate business postal address	1	2
A personal bank account	1	2
A separate business bank account	1	2
A personal computer (for yourself)	1	2
Internet access (for yourself)	1	2
A personal computer (for the business)	1	2
Internet access (for the business)	1	2

12. Do you know if any other businesses in your vicinity have Internet access? ***Circle appropriate code.***

Yes, other businesses have access	1
No, other businesses don't have access	2
Don't know	9

13. In general, how do your clients/customers pay you? Is it . . . ? ***Read out and circle appropriate code.***

Cash only	1
Account only	2
Mostly cash and some account	3
Equal account and cash	4
Mostly account and some cash	5
Other (please specify)	8

14. How do you keep record of your business's income and expenditure? ***Hand respondent card and circle appropriate code below. Multiple responses allowed.***

No records at all	1	**Skip to Q16a**
Keep informal notes or journals only, and no backup documentation, such as original receipts and invoices	2	**Skip to Q16a**
Only keep original receipts and invoices	3	**Skip to Q16a**
Keep complete financials on paper (including balance sheet) and all related backup documentation, such as receipts, invoices, and balance sheet	4	**Ask Q15**
Keep complete financials on computer system and all related backup documentation, such as receipts, invoices, and balance sheet	5	**Ask Q15**
Other (please specify)	6	**Skip to Q16a**

15. You said that you keep financials on paper and/or computer. Do you do this on a daily, weekly, or monthly basis? ***Circle appropriate code below.***

Daily	1
Weekly	2
Monthly	3
Other (please specify)	4

16a. Now I would like to talk to you about some of the obstacles that small businesses might face. Which, if any, of the following issues are an obstacle to the running and growth of **your** business? ***Read issues one by one and circle appropriate code under each applicable heading under Q16a in grid below.***

16b. ***For each issue that is an obstacle, ask:*** Would you say it is a minor, moderate, or severe obstacle? ***Circle appropriate response under Q16b in grid below.***

	16a. Is the issue an obstacle?				**16b. Severity of obstacle**			
	Yes	**No**	**Don't know**	**N/A**	**Minor**	**Moderate**	**Severe**	**Don't know**
Telecommunications	1	2	8	9	1	2	3	8
Electricity	1	2	8	9	1	2	3	8
Transportation	1	2	8	9	1	2	3	8
Skills and education of available workers	1	2	8	9	1	2	3	8
Access to financing (e.g. collateral)	1	2	8	9	1	2	3	8
Cost of financing (e.g. interest rates)	1	2	8	9	1	2	3	8
Not being registered for income tax	1	2	8	9	1	2	3	8

Not being registered for VAT	1	2	8	9	1	2	3	8
Not being registered for UIF	1	2	8	9	1	2	3	8
Bribery and corruption	1	2	8	9	1	2	3	8
Crime, theft, and disorder	1	2	8	9	1	2	3	8
Hiding from tax authorities to avoid paying tax	1	2	8	9	1	2	3	8
Legal system / conflict resolution	1	2	8	9	1	2	3	8
Labor regulations	1	2	8	9	1	2	3	8

17. How much, if anything, does your business pay per annum in terms of staff, time, consultation fees, and other "red tape" to satisfy the compliance or regulation requirements of the industry you operate in? An example of such a requirement is ISO 9000. These compliance costs would relate to any licensing, association membership, required equipment upgrades, and training costs required to operate in your industry. ***Record in space below.***

R

18. I am now going to read you some statements about various aspects of business operations. For each statement, please tell me how much you agree or disagree with it, by using a scale of 1 to 7, where 1 means that you "Strongly disagree" and 7 means that you "Strongly agree". ***Hand respondent card and read out each statement, circling appropriate code corresponding to the statement in the grid below.***

	1 Strongly disagree	**2**	**3**	**4**	**5**	**6**	**7 Strongly agree**	**Don't know or N/A**
Government is doing a good job of providing services to your business	1	2	3	4	5	6	7	9
There are many benefits for businesses that pay taxes	1	2	3	4	5	6	7	9
Tax rates for businesses such as yours are too high	1	2	3	4	5	6	7	9
Businesses registered for tax are often subjected to SARS audits and inspections	1	2	3	4	5	6	7	9
Keeping records for tax purposes is time-consuming and expensive	1	2	3	4	5	6	7	9
Professional bookkeepers or accountants are too expensive	1	2	3	4	5	6	7	9
Tax authorities are unfair	1	2	3	4	5	6	7	9
Every business should pay taxes	1	2	3	4	5	6	7	9
Most businesses do pay taxes	1	2	3	4	5	6	7	9
Tax procedures are too complicated	1	2	3	4	5	6	7	9
All information about tax compliance is easily available	1	2	3	4	5	6	7	9

SARS officials are corrupt	1	2	3	4	5	6	7	9
You know exactly what to do to register for income tax	1	2	3	4	5	6	7	9
You are seriously considering registering for tax	1	2	3	4	5	6	7	9

19a. Now I would like to talk to you specifically about what you think are the advantages and disadvantages of registering for tax. Let's start with the **advantages**. What, if anything, would you say is the biggest advantage of registering for tax? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Record verbatim. Then prompt "Are there any other advantages"? Probe for up to five advantages, recording in appropriate spaces below.***

Biggest advantage ----------

2nd biggest advantage ----------

3rd biggest advantage ----------

4th biggest advantage ----------

5th biggest advantage ----------

19b. And what, if anything, would you say is the biggest **disadvantage** to registering for tax? And the 2nd? And the 3rd? And the 4th? And the 5th? ***Record verbatim. Then ask, "Are there any other disadvantages"? Probe for up to five disadvantages, recording in appropriate spaces below.***

Biggest disadvantage ----------

2nd biggest disadvantage ----------

3rd biggest disadvantage ----------

4th biggest disadvantage ----------

5th biggest disadvantage ----------

---

20. Of your major competitors in your line of business, what proportion do you think . . .? ***Read out and write in spaces below.***

Pay all taxes	%
Pay some of their taxes, but evade a certain portion	%
Do not pay tax at all	%
Must sum to:	**100%**

21a. Based on your opinion or what you have heard from businesses that are registered and paying tax, how easy or difficult do you think it is to do the following. Using a 7-point scale where 1 is "Very difficult" and 7 is "Very easy," how easy or difficult do you think it is to . . . ? ***Read out and circle appropriate codes.***

Tax tasks	1 Very difficult	2	3	4	5	6	7 Very easy	Don't know or N/A
Keep accounting records and books for the business	1	2	3	4	5	6	7	9
Fill out and submit tax forms	1	2	3	4	5	6	7	9
Afford a bookkeeper/accountant to prepare tax information and submit tax returns	1	2	3	4	5	6	7	9

21b. Again using the 7-point scale, where 1 means "Not at all capable" and 7 means "Completely capable," how would you rate your business's ability to compile tax information and submit tax returns in terms of . . .? ***Read out and circle appropriate codes.***

Tax tasks	1 Not at all capable	2	3	4	5	6	7 Completely capable	Don't know or N/A
The required skills and expertise	1	2	3	4	5	6	7	9
The cost to your business	1	2	3	4	5	6	7	9

C. Tax Amnesty

22. Do you know where the nearest SARS office is to you? ***Circle appropriate code below.***

Yes	1	**Ask Q23**
No	2	**Skip to Q24a**

23. How long would it take you to travel from your business to the SARS office and back with your regular transport? ***Write in spaces below.***

Hours	**Minutes**

24a. Are you aware that SARS is offering a tax amnesty to small businesses?

Yes	1	**Ask Q24b**
No	2	**Skip to Q28**

24b. Now I would like to talk to you in more detail about the tax amnesty that SARS is offering to small businesses. On a 7-point scale, where 1 means "You know nothing" and 7 means "You know a lot," how would you rate your knowledge about . . .? ***Hand respondent card and read out each statement, circling appropriate code per statement.***

Tax tasks	**1 Know nothing**	**2**	**3**	**4**	**5**	**6**	**7 Know a lot**	**Don't know or N/A**
Details on who qualifies for the amnesty	1	2	3	4	5	6	7	9
Details on what the amnesty is offering	1	2	3	4	5	6	7	9
Details on how to apply for the amnesty	1	2	3	4	5	6	7	9
Details on how the amnesty procedure is carried out	1	2	3	4	5	6	7	9
Details on when the amnesty expires	1	2	3	4	5	6	7	9

25. Have you applied or considered applying for this tax amnesty? ***Circle appropriate code below.***

Yes, applied	1	**Skip to Q28**
Have not applied, but considering applying	2	**Ask Q26**
Not even considered	3	**Ask Q26**

26. What is stopping you from applying for tax amnesty?

---

27. What would encourage or persuade you to consider applying for tax amnesty?

---

28. What do you think SARS can do to make it easier for small businesses to register for tax or to complete and return tax forms? ***Write in space below.***

---

29. To what extent do you think the following will help small businesses like yours comply with tax in general? Please use a scale of 1 to 7, where 1 means "Not helpful at all" and 7 means "Extremely helpful" to rate the following. ***Read out each statement and record rating.***

	1 Not helpful at all	**2**	**3**	**4**	**5**	**6**	**7 Extremely helpful**	**Don't know**
Register and change personal/ company details online	1	2	3	4	5	6	7	0
Most SARS decisionmaking powers are decentralized to SARS regional offices to make access and communication easier	1	2	3	4	5	6	7	0

More SARS offices in remote areas	1	2	3	4	5	6	7	0
Direct access to SARS assessors via email, telephone, or in person	1	2	3	4	5	6	7	0
A higher turnover threshold for compulsory VAT registration	1	2	3	4	5	6	7	0
Reduced penalties and interest charges	1	2	3	4	5	6	7	0
Simplified tax registration procedures	1	2	3	4	5	6	7	0
A community-based person or ombudsman to assist you confidentially with tax matters	1	2	3	4	5	6	7	0

30a. In order to assist small businesses, SARS now runs workshops on tax in your area. How likely would you to be to attend such workshops? ***Hand respondent card.***

Very unlikely	1	**Ask Q30b**
Unlikely	2	
Undecided	3	**Go to Q31**
Likely	4	
Very likely	5	
Other (please specify)	9	

30b. When would it be most convenient for you or a member of your staff to attend such a workshop? ***Hand respondent card. Multiple mentions allowed.***

Weekday mornings	1
Weekday afternoons	2
Weekday evenings	3
Saturday mornings	4
Saturday afternoons	5
Saturday evenings	6
Sunday mornings	7
Sunday afternoons	8
Other (please specify)	9

31. What type of information, knowledge, support, or assistance do small businesses such as yours require from SARS? ***Probe fully. Write in space below.***

---

32. And how would you like SARS to provide this information to you? ***Hand respondent card. Record first mention under 1st mention column, second mention under 2nd mention column, etc.***

	1st mention	2nd mention	3rd mention	4th mention	5th mention
SARS brochures/ newsletters/ booklets	1	1	1	1	1
SARS website	2	2	2	2	2
SARS seminars	3	3	3	3	3
SARS road shows	4	4	4	4	4
SARS billboards	5	5	5	5	5
Bulletin boards at SARS offices	6	6	6	6	6
Newspapers	7	7	7	7	7
Radio	8	8	8	8	8
TV	9	9	9	9	9
Email	10	10	10	10	10
Specialist tax consultants/ accountants/ bookkeepers	11	11	11	11	11
Friends and family	12	12	12	12	12
Community members	13	13	13	13	13
Telephone	14	14	14	14	14
SMS	15	15	15	15	15
Other (please specify)	16	16	16	16	16
None	99	99	99	99	99

Tax tasks	2% or less	3–5 %	6–10 %	11–15 %	16–25 %	26–50 %	More than 50%	Don't know or N/A
33a. Thinking of unregistered businesses, what proportion do you think were caught by SARS last year? ***Hand respondent card. Would you say it was. . . ? Read out options on the card, and circle appropriate code.***	1	2	3	4	5	6	7	9

33b. And now, thinking of tax-registered businesses, what proportion do you think face audits or inspections each year by SARS? ***Circle appropriate code.***	1	2	3	4	5	6	7	9
33c. What proportion of tax-registered businesses do you think have to pay fines or penalties to SARS each year? ***Circle appropriate code.***	1	2	3	4	5	6	7	9

34a. In the last 12 months, did your business experience any of the problems listed in the grid below? ***Read out and record below.***

34b. ***For each problem experienced in Q34a, ask:*** What cost do you estimate your business had to pay for this?

	Q34a Problem	**Q34b Cost**
Pay bribes to government officers to sustain informal status	1	R
Provide free products or services to sustain informal status	2	R
Temporarily shut down the business to avoid being detected by SARS	3	R
Relocate the business to avoid being detected by SARS	4	R
None	5	

35. How much do you think it would cost you per annum to hire a bookkeeper or accountant to do your business's taxes? ***Record in space below.***

R

36. How likely are you to register for income tax in the next two years? Please use a scale from 1 to 7, where 1 means "Not at all likely" and 7 means "Certainly, " ***Hand respondent card and record response below.***

1 Not at all likely	**2**	**3**	**4**	**5**	**6**	**7 Certainly**	**Don't know or N/A**
1	2	3	4	5	6	7	9

Interviewer: please ensure that you fill in the respondent details on the sheet entitled "SMME – INFORMAL BUSINESS RESPONDENT DETAILS".

Thank you for your time and effort.

Interviewer record:	Time interview ended	HH : MM

Interviewer/Supervisor pledge: I hereby certify that this interview has been completed in full with the respondent and according to the instructions I received from Citizen Surveys. Furthermore, this interview has been thoroughly checked.

Interviewer:		**Date:**		**Supervisor:**		**Date:**	

Annex 3.4: Questionnaire Used in Face-to-Face Tax Perception and Compliance Cost Survey of Formal Businesses in the Republic of Yemen

A. Company Information

Q1. When did this business start operation?

Year

Q2. When did you register for Tax and got your Tax Identification Number?

Year

Q3. Including yourself and family members, how many:

1- Full-time workers are employed by this business *(A worker is considered to be work*ing *full time if he/she works 40 hours a week or more, regardless of whether paid or not)*? _____

2- Part-time workers are employed by this business *(A worker is considered to be working part time if he/she works less than 40 hours a week, regardless of whether paid or not)*? _____

Q4. What is the current legal status of this business? (*Interviewer: Accept only one answer.*)

Sole Proprietorship	1
Partnership	2
Limited Liability Company	3
Closed Stock Company	4
Public Company	5
Other (specify): _____	99

Q5. We are interested in the ownership structure of your business. What percentage of your business is owned by.....?

Domestic private sector		%
Foreign private sector		%
Government		%
Other owners		%
Total *(Interviewer: Must sum to 100%)*	100	**%**

Q6. We would also like to know what sector your company is operating in. What would you say is the main activity of your business? *(Interviewer: Accept only one answer)*

Manufacturing	1
Wholesale and retail trade	2
Construction	3
Agriculture, hunting, and related service activities	4
Tourism	5
Financial intermediation	6
Other services	7
Mining/quarrying/oil	8
Other (specify)_____	99
Don't know	0

Q7. And what would you name as your business' main product or service?

_____

B. General Tax Compliance

Q8. What taxes is this business filing or paying? *(Interviewer: Multiple answers are acceptable, but Option 1 and Option 2 cannot be chosen simultaneously.* ***Do not prompt!)***

Profit Tax	1
Professional Taxes	2
General Sales Tax (GST)	3
Pay As You Earn (PAYE)	4
Real Estate Tax	5
Other taxes	6

Q9. How many

a. Full-time accountants and tax professionals does this business have on its payroll? *(Interviewer: Number can be zero or more)* _____

b. Part-time accountants and tax professionals does this business have on its payroll? *(Interviewer: Number can be zero or more)* _____

Q10. I would now like to read out some statements about record-keeping in this business. Using a scale of 1 to 5, where 1 is "Not at all" and 5 is "All the time," to what extent does your business . . . *(Interviewer: Give respondent card, then read out and circle appropriate responses)*

	1 Not at all	**2**	**3**	**4**	**5 All the time**
Keep all physical receipts in an organized manner (such as sales slips, invoices, receipts, and so on)	1	2	3	4	5
Practice manual book-keeping to record revenue and expenses in an organized manner	1	2	3	4	5
Record income and expenses in an organized manner using a computer	1	2	3	4	5

(Interviewer: If respondent circled all 1s in the previous question, then go to Q13.)

Q11. How many working days a month on average do you or your staff spend on bookkeeping (including tax accounting)?

_____ working hours per month
Or
_____ working days per month

Q12. Did you in 2007 hire outside help (excluding part-time employees) for regular bookkeeping and accounting activities?

Yes. And how much did you pay for that outside help in total in 2007? YR———— *(Interviewer: Go To Q14)*	1
No *(Interviewer: Go To Q14)*	2

Q13. If this business does not do any type of bookkeeping, ask: Why? *(Interviewer: More than one answer is acceptable.* ***Do not prompt!)***

It is too expensive for our business	1
I do not know how to do it	2
Why should I? Nobody is forcing me!	3
I do not want to keep books because of the risk of books falling in the Tax Authority's hands	4
Other: (specify)_____	99

Q14. Under which tax regime is this business?

Statutory Regime (*Interviewer: Go To Q16*)	1
Presumptive Regime: Fixed Amount	2
Presumptive Regime: Percentage of Revenue	3
Presumptive Regime: Estimation	4

Q15. What, if anything, would encourage you to start keeping regular books and file and pay taxes based on your books (i.e., join the statutory regime)?

_____

_____

_____

Q16. Did you in 2007 hire professional outside help (excluding part-time employees) specifically for tax-related activities?

Yes	1
No *(Interviewer: Go To Q18)*	2

Q17. How much did you pay in total in 2007 for such help? Then, how would you split that total among all taxes that you paid or filed during 2007? *(Interviewer:*

first, ask for the total, put it in the total cell, then ask the respondent to break it down on taxes paid or filed during 2007.)

Interviewer: First, Check here all taxes that apply (Check Q8)

		Cost (YR)
	Profit Tax or Professional Tax	
	General Sales Tax (GST)	
	Pay As You Earn (PAYE)	
	Other taxes	
	Total cost *(Interviewer: Add up paid cost)*	

Q18. Did you have any other costs related to tax activities (e.g., equipment, transport, travel, stationery, runners, etc.) excluding informal costs and fines in 2007?

Yes. And how much in 2007? YR_____	1
No. *(Interviewer: Go To Q19)*	2

Q19. Could you please tell me how much of your staff working time (including your own), excluding time spent on general accounting for the business, was spent on the following tax-related activities including traveling and waiting at the Tax Authority (for all taxes you file and/or pay)? Can you please tell me how many working days or hours all of your staff is spending annually on such activities? *(Interviewer: Give card and read options. If the respondent finds it difficult to estimate, tell him/her the following: we are aware that it is difficult to give us an exact figure, but we would appreciate your estimate at least)*

(Interviewer: Mark from Q8)	☐	☐	☐	☐
	Profit or Professional Tax	**GST**	**PAYE**	**All other taxes**
	Working hours per year			
Working time spent on tax declaration: preparing and filing the tax declaration forms (including time spent on mistake correction and additional clarification with regards to tax declaration upon tax office's request)				
Working time spent on preparation for tax payment and payment mistakes coverage				

Working time spent on tax refund preparation and execution: preparing and submitting tax refund document to tax office (excluding waiting time for tax office to issue tax refund decision)				
Working time spent on invoices book procurement or printing including filing and additional documentation				
Working time spent on providing information to tax officials for auditing purposes				
Working time spent on objections, appeals, and tax-related court appeals				
Total				

Q20. How many times in 2007:

a. Has this business been visited by tax officials (*Interviewer: Explain difference between Tax Authority officials and other officials that might visit a business such as Public Works Office, Local Council, etc.*)? _____

b. Out of these visits, how many times has this business been audited by tax officials (i.e., they asked to see accounts or supporting documents)? _____

c. Has this business been fined by the Tax Authority or suffered other negative consequences after a visit by a tax official? _____

Q21. Sometimes tax officials demand money or gifts from businesses like yours to speed up or smooth tax procedures or to pay less taxes. Using a scale of 1 to 5, where 1 is "Never" and 5 is "All the time," how frequently do you think that businesses like yours experienced any cost of this nature in 2007?

	1 Never	**2**	**3**	**4**	**5 All the time**	**Don't Know**
Extent of informal payments	1	2	3	4	5	0

Q22. What do you think are the main reasons businesses like yours give gifts or bribes to tax officers? First tell me what the main reason in your opinion. How about the second most important reason? Third? *(Interviewer:* ***Do not prompt!****)*

	Main reason	**Second reason**	**Third reason**
To prevent excessive tax payment	1	1	1
To reduce the amount of tax they should pay	2	2	2
To stop Tax Authority officers' harassment	3	3	3

To reduce time and money spent on various tax compliance tasks	4	4	4
None of the above, tax officer was nice and fair, and generally they are underpaid	5	5	5
Other (please specify): _____	99	99	99
None	0	0	0

Q23. Sometimes tax officials demand money or gifts from businesses like yours to speed up or smooth tax procedures or to pay less taxes. Did you experience any cost of this nature in 2007? *(Interviewer: It is important to point out that sometimes respondents do not know exact figures they are asked for. In that case, ask for an estimate.)*

Yes	1
No *(Interviewer: Go To Q25)*	2
Refused to answer *(Interviewer: Go To Q25)*	88

Q24. How much tax did you pay in total in 2007? Then, how would you split that total among all taxes that you paid or filed during 2007? (*Interviewer: first, ask for the total, put it in the total cell, then ask the respondent to break it down on taxes paid or filed during 2007*).?

Interviewer: First, Check here all taxes that apply (Check Q8)		
↓		**Cost (YR)**
	Profit Tax or Professional Tax	
	General Sales Tax (GST)	
	Pay As You Earn (PAYE)	
	Other taxes	
	Total cost (*Interviewer: Add up paid cost*)	

Q25. Does your business use the Internet for any purpose?

Yes *(Interviewer: Go To Q27)*	1
No	2

Q26. If not, is an Internet connection available at your location?

Yes	1
No	2

Q27. Do you have a business bank account (could be mixed with personal also)?

Yes	1
No	2

(Interviewer: If the respondent is filing or paying only one type of tax (see Q8), then go to Q29).

Q28. You told me that your business files and/or pays the following taxes *(Interviewer: Check all taxes that apply from Q8, then complete the question)*. If you take into consideration the annual tax compliance burden (filing, communicating with the Tax Authority, etc.) for all taxes that you file or pay, how would you split 100% of this compliance burden among these taxes? (*Interviewer: Ask the respondent to express the relative burden of each type of taxes by distributing 100 points over all types of taxes. If the interviewer finds it difficult to do that, ask the respondent to identify the most burdensome type of tax for them, to give it points, then to distribute the rest of the points on other tax types).*

Interviewer: first, Check here all taxes that apply (Check Q8)

	Profit Tax or Professional Tax	%
	General Sales Tax (GST)	%
	Pay As You Earn (PAYE)	%
	Total *(Interviewer: Must sum to 100%)*	100%

Q29. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree." *(Interviewer: Give the respondent a card, then read out and circle appropriate responses.)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
If I saw more public services, not necessarily directly benefiting myself, I would be willing to pay more taxes	1	2	3	4	5	0
Powerful business people pay their taxes like everyone else	1	2	3	4	5	0
Government should tax the rich and subsidize the poor to build a fairer and more politically stable society	1	2	3	4	5	0
The public services I receive are a good value for the taxes I pay	1	2	3	4	5	0
I have access to reliable information on the tax rates, laws, and regulations relevant to my business	1	2	3	4	5	0
If it were simpler to pay tax, business people would be more willing to pay taxes	1	2	3	4	5	0
The central government is using tax revenues efficiently	1	2	3	4	5	0
The tax system in Yemen is predictable. I can accurately predict what my tax burden will be in the next year	1	2	3	4	5	0

Q30. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree." *(Interviewer: Give the respondent a card, then read out and circle appropriate responses. Rotate statements, tick start point.)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
Tax officers are competent	1	2	3	4	5	0
Tax officers are fair	1	2	3	4	5	0
Taxes as applied in Yemen are in line with Islamic regulations	1	2	3	4	5	0

C. Profit Tax Module

I will now ask you questions specifically related to the Profit Tax.

Q31. Which of the following profit tax procedures did you go through in 2007? (*Interviewer: Multiple answers are acceptable)*

a. Submit an administrative objection to the Tax Authority: _____

b. File an appeal to an Appeals Committee (or Tax Authority filed against you): _____

c. File an appeal to a tax court (or Tax Authority filed against you): _____

d. File an appeal to the appeals court (or Tax Authority filed against you): _____

e. File an appeal to the Supreme Court (or Tax Authority filed against you): _____

Q32. Having in mind businesses similar to yours (in the same line of business, same size, and same area), what percentage of them would you say is registered for the Profit Tax? _____% of similar businesses

Q33. And out of those who are registered, what percentage of their taxable profit would you estimate they usually report for tax purposes? _____% of taxable profit

D. General Sales Tax (GST) Module

Interviewer: If the respondent is not registered for General Sales Tax (from Q8) ask Q34 , then skip to Module E

Now let us turn to General Sales Tax. I will ask you a few questions about GST.

Q34. What, if anything, would encourage you to register for General Sales Tax?

_____

_____

_____

Q35. How many times did this business go through the following procedures in 2007?

a. Submit an administrative objection to the Tax Authority: _____

b. File an appeal to an Appeals Committee (or Tax Authority filed against you): _____

c. File an appeal to a tax court (or Tax Authority filed against you): _____

d. File an appeal to the appeals court (or Tax Authority filed against you): _____

e. File an appeal to the Supreme Court (or Tax Authority filed against you): _____

Q36. Having in mind businesses similar to yours (in the same line of business, same size, and same area), what percentage of them would you say is registered for GST? _____% of similar businesses

Q37. And out of those who are registered, what percentage of their taxable revenue would you estimate they usually report for tax purposes? _____% of taxable revenue

Q38. If you compare businesses registered for GST to businesses not registered for GST, would you say that registered businesses are overall *(Interviewer: Read out and circle appropriate response.)*

In a much worse position	1
In a worse position	2
In the same position	3
In a better position	4
In a much better position	5

Q39. And in your opinion, why is that so?

_____

_____

_____

E. PAYE Tax Module

I will now ask you questions specifically related to payroll taxes (excluding social security).

Q40. How many times did this business go through the following procedures in 2007?

a. Submit an administrative objection to the Tax Authority: _____

b. File an appeal to an Appeals Committee (or Tax Authority filed against you): _____

c. File an appeal to a tax court (or Tax Authority filed against you): _____

d. File an appeal to the appeals court (or Tax Authority filed against you): _____

e. File an appeal to the Supreme Court (or Tax Authority filed against you): _____

Q41. If you think of other companies in your line of business, what percentage of their workers would you estimate they report to the government, and thus pay all necessary payroll taxes for them? _____% of workers are reported

Q42. And for those employees reported to the government, could you please try to estimate what percentage of their salary is being reported for payroll tax purposes? _____% of salary

Q43. What, if anything, would encourage businesses like yours to report more of their employees to the Tax Authority and report accurate salary data?

_____

_____

_____

F. Access to Information

Q44. Have you ever used the services of the Taxpayer Service Office in the Tax Authority (e.g., for getting information, submitting a compliant, etc.)?

Yes	1
No *(Interviewer: Go To Q46)*	2

Q45. Using a scale of 1 to 5, where 1 is "Poor" and 5 is "Excellent," how do you rate the tax information and services provided by the Tax Authority with regard to...

	Poor	Fair	Good	Very Good	Excellent
Quality of service (i.e., providing the right information, answering questions adequately, handling complains seriously, etc.)	1	2	3	4	5
Accessibility	1	2	3	4	5
Courtesy/friendliness	1	2	3	4	5

Q46. We would like to know a little bit about channels of communication through which you find out about tax laws, regulations, and practical tax information and advice. What channels do you get information through? *(Interviewer: Give the respondent a card, then read out and circle appropriate responses in grid below.)*

Q47. What would be the most important one?

Q48. And what would be your most preferred channel through which you would like to get the information about government laws and regulations?

	Q46 All channels	Q47 Most important	Q48 Preferred channel
TV	1	1	1
Radio	2	2	2
Newspapers and magazines	3	3	3
Internet	4	4	4
Friends and family	5	5	5
Talking to other people in my community	6	6	6
Billboards	7	7	7
Trainings and seminars	8	8	8
Official gazette	9	9	9
Our lawyer	10	10	10
Email	11	11	11
SMS	12	12	12
Telephone	13	13	13
Specialist tax consultants/accountants/bookkeepers	14	14	14
Taxpayer Service Office in the Tax Authority	15	15	15
Other (please specify): _____	99	99	99
None	0	0	0

G. More Perception and Attitude Questions

Q49. Out of all of the taxes you are paying, which one would you say is most contradicting Islamic regulations as usually implemented?

_____

Q50. What percentage of tax revenues that businesses pay to government do you think the business community gets back through government services? *(Interviewer: Ask for a grade out of 100)* _____%

Q51. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree." *(Interviewer: Give the respondent a card, then read out and circle appropriate responses.)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
It is justifiable if a business underreports income in order to pay less tax	1	2	3	4	5	0
The government taxes all businesses fairly	1	2	3	4	5	0
If I saw less corruption I would be willing to pay more tax	1	2	3	4	5	0
When business people believe a tax is fair, they are always willing to pay it	1	2	3	4	5	0
I trust the Tax Authority to calculate my taxes accurately	1	2	3	4	5	0
If the tax system was more transparent with better information available on tax rules/laws, business people would pay more tax	1	2	3	4	5	0
Information about tax regulations and laws is much more available now than 2 years ago	1	2	3	4	5	0
Local councils are using tax revenues efficiently	1	2	3	4	5	0

H. Additional Company Information

Q52. What is the gender of the person in your business that most frequently deals with the Tax Authority or the Tax Office?

Male	1
Female	2

Q53. What is the percentage of female full-time workers in this business (*A worker is considered to be working full time if he/she works 40 hours a week or more, regardless of whether paid or not)?* _____%

Q54. What is the highest level of education attained:

a. By the person in your business that most frequently deals with the Tax Authority or the Tax Office?

b. By the general manager or head of business (if there is no general manager, then the owner)?

	a	**b**
Illiterate	1	1
No formal education	2	2
Elementary school	3	3
Secondary school	4	4
Vocational/ technical education	5	5
Two-year diploma	6	6
Bachelors degree	7	7
Postgraduate degree	8	8
Other (specify)_____	99	99

Q55. We would also like to know about the size of your business. Is the number of workers in your company the same as a year ago, or has it increased or decreased? (*Interviewer: if the number changed, ask by how much in percentage points.*)

Increased	1	by _____	%
Remained the same	2		
Decreased	3	by _____	%
Don't know or N/A	9		

Q56. What was the sales turnover (revenue) of this business in 2007?

Do not know	0
Less than YR500,000	1
YR500,001–YR1,000,000	2
YR1,000,001–YR5,000,000	3
YR5,000,001–YR25,000,000	4
YR25,000,001–YR50,000,000	5
YR50,000,001–YR75,000,000	6
YR75,000,001–YR100,000,000	7

More than YR100,000,000	8
Refused to answer	88

Q57. We are planning to conduct the same survey in 2–3 years to find out if tax reforms are successful in making the compliance burden lower on businesses like yours. Are you willing to participate in such a survey in the future?

Yes	1
No	2

Thank you for your time and effort.

Q58. In which governorate is this business located? *(Interviewer: Do not ask, answer based on observation)*

Sana'a	1
Aden	2
Taiz	3
Ibb	4
Hodiedah	5
Hadramawt	6

Q59. Where is this business located? *(Interviewer: Do not ask, answer based on observation. The answer to this question must be based on where the responding firm is supposed to file or pay their taxes, if they file or pay taxes)*

Urban area	1
Suburban/ rural area	2

Annex 3.5: Questionnaire Used in Face-to-Face Tax Perception and Compliance Cost Survey of Informal Businesses in the Republic of Yemen

A. Company Information

Q1. Please tell me if you have provided information about your business activity to any government agency/institution, on any level (central, governorate, or local)? *(INTERVIEWER: IF THE RESPONDENT DOES NOT UNDERSTAND, CLARIFY: In other words, does the government know about your business operation?)*

Yes	1	
No	2	Skip to Q6

Q2. Is this business registered with or for the following? *(Interviewer: Read out and circle appropriate code for each.)*

	Yes	**No**	
Ministry of Industry and Trade (has commercial registration)	1	2	Skip to Q6
Chamber Of Commerce	1	2	
Tax or GST	1	2	Skip to Q6
Business associations in your industry	1	2	
Social Security	1	2	
Any other organization (please specify):.....	1	2	

Q3. Have you ever filed or paid any type of taxes?

Yes	1	
No	2	Skip to Q6

Q4. When was the last time you filed for or paid any tax?

Year

(Interviewer: If the answer to the previous question is January 2007 or after, then end the interview)

Q5. Under which tax regime is this business?

Do not know	0
Statutory Regime	1
Presumptive Regime: Fixed Amount	2
Presumptive Regime: Percentage of Revenue	3
Presumptive Regime: Estimation	4

Q6. What kind of taxes have you heard about? *(Interviewer: Multiple answers are acceptable.* ***Do not prompt!)***

Tax! What is that? (i.e., they do not know the word tax)	0	**End interview**
Profit Tax	1	
Professional Taxes	2	
General Sales Tax (GST)	3	
Pay As You Earn (PAYE) (payroll tax)	4	
Real Estate Tax	5	
Personal Income Tax	6	
Something that one pays to the government	7	
Zakat	8	
Other fees/levies/taxes/licenses	9	

Q7. Can you please tell me which of the following best describes the owner of this business? *(Interviewer: Read out and circle appropriate code below)*

You alone	1
Your family members (without you)	2
You and family members	3
Non-family partners (without you)	4
You and non-family partners	5
Other (please specify).....	6

Q8. When did this business start operation?

Year

Q9. Including yourself and family members, how many:

1. Full-time workers are employed by this business *(A worker is considered to be working full time if he/she works 40 hours a week or more, regardless of whether paid or not)?* _____

2. Part-time workers are employed by this business *(A worker is considered to be working part time if he/she works less than 40 hours a week regardless of whether paid or not)?* _____

Q10. What is the current legal status of this business? *(Interviewer: Accept only one answer.)*

Sole Proprietorship	1
Partnership	2
Limited Liability Company	3
Closed Stock Company	4
Public Company	5
No commercial registration	6
Other (specify) _____	99

Q11. We would also like to know what sector your company is operating in. What would you say is the main activity of your business? *(Interviewer: Accept only one answer)*

Manufacturing	1
Wholesale and retail trade	2
Construction	3
Agriculture, hunting, and related service activities	4
Tourism	5
Financial intermediation	6
Other services	7
Mining/quarrying/oil	8
Other (specify)_____	99
Don't know	0

Q12. And what would you name as your business' main product or service?

_____

B. Knowledge and Awareness about Taxes

Q13. For what purposes do you think that government is currently and actually using tax revenues? *(Interviewer: This question is asking about the status quo, not what is supposed to happen. Record only the first five responses. If the respondent goes on listing uses of taxes, then interrupt politely and move on.)*

_____

_____

_____

C. Perception Questions

Q14. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree." *(Interviewer: Give the respondent a card, then read out and circle appropriate responses.)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
If I saw more public services, not necessarily directly benefiting myself, I would be willing to pay taxes	1	2	3	4	5	0
The government taxes all businesses fairly	1	2	3	4	5	0
If I saw less government corruption I would be willing to pay tax	1	2	3	4	5	0
Tax rates for businesses such as yours are too high	1	2	3	4	5	0
Government should tax the rich and subsidize the poor to build a fairer and better society	1	2	3	4	5	0
When business people believe a tax is fair, they are always willing to pay it	1	2	3	4	5	0
The central government is using tax revenues efficiently	1	2	3	4	5	0
Local councils are using tax revenues efficiently	1	2	3	4	5	0

Q15. What percentage of tax revenues that businesses pay to government do you think the business community gets back through government services? *(Interviewer: Ask for a grade out of 100)* _____%

Q16. Do you know where the nearest Tax Authority office is to you?

Yes	1	Ask Q17
No	2	Skip to Q18

Q17. How long would it take you to travel from your business to the tax office and back with your regular transport?

Hours	Minutes

D. Perception of Tax Compliance Burden

Q18. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree." *(Interviewer: Give the respondent a card, then read out and circle appropriate responses.)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
Businesses registered for tax are often subjected to Tax Authority audits and inspections	1	2	3	4	5	0
Keeping records for tax purposes is time-consuming and expensive	1	2	3	4	5	0
Tax procedures are too complicated	1	2	3	4	5	0
Government measures to detect and penalize informal businesses pose a serious risk for my business	1	2	3	4	5	0

Q19. Using the 5-point scale, where 1 means "It costs much more to avoid taxes than to pay them" and 5 means "It costs much more to pay taxes than to avoid them," if you compare the cost that you are incurring right now to avoid paying taxes to the actual cost of paying taxes, what would you say?

1 It costs much more to avoid taxes than to pay them	2	3 The cost of avoiding and paying taxes is about the same	4	5 It costs much more to pay taxes than to avoid them	Don't know or N/A
1	2	3	4	5	0

E. Advantages and Disadvantages of Being a Taxpayer

Q20. If you compare the situation of a business similar to yours that files and pays taxes and a business that does not, would you say that. . . . *(Interviewer: Read out and circle appropriate code below.)*

Businesses that do not file or pay taxes are in a much better situation	1
Businesses that do not file or pay taxes are in a better situation	2
Their position is about the same	3
Businesses that file or pay taxes are in a better situation	4
Businesses that file or pay taxes are in a much better situation	5
Don't know or N/A	0

Q21. Not paying or filing for taxes can have advantages. Please tell me from your own view, what would be the most important advantage of not complying with tax requirements? (*Interviewer: WAIT FOR AN ANSWER. . . then ask: And what would be second and third most important advantages?*)

	Most important	**2nd most important**	**3rd most important**
No advantages whatsoever	1	1	1
Avoidance of labor regulations/more flexible work force	2	2	2
No labor taxes (PAYE)/social security contributions	3	3	3
No income/profit taxes	4	4	4
No inspections/ audits from tax authorities	5	5	5
Access to broader (informal) market	6	6	6
Cheaper utilities (electricity, water, etc.)	7	7	7
No additional costs associated with corruption of tax officers	8	8	8
No need to keep books	9	9	9
No costs associated with tax procedures (not tax itself, but complying)	10	10	10
Other (please specify): _____	99	99	99
DK/NA	0	0	0

Q22. Not paying or filing for taxes can also have disadvantages. Please also tell me in your own view, the most important disadvantage of not paying or filing taxes. *(Interviewer: WAIT FOR AN ANSWER. . . then ask: And what would be second and third most important disadvantage?)*

	Most important	**2nd most important**	**3rd most important**
No disadvantages whatsoever	1	1	1
Limited access to finance (loans)	2	2	2
Inability to grow	3	3	3
Need to pay bribes to sustain informal status	4	4	4
No access to and insecurity of premises/land/legal rights	5	5	5
Large labor turnover/limited skills development	6	6	6
Inability to sell to/buy from formal enterprises (wholesale)	7	7	7
Theft by employees/suppliers/buyers	8	8	8
Fear of government retribution (formal or informal)	9	9	9
No access to utilities (electricity, water, etc.)	10	10	10

	Most important	2nd most important	3rd most important
No access to broader market	11	11	11
No tax refunds	12	12	12
No access to government programs	13	13	13
Other (please specify): _____	99	99	99
Don't know or N/A	0	0	0

Q23. What would be the main reason behind your decision not to be tax compliant?

Finding necessary information is too complicated and difficult	1
Tax laws and regulations are not clear fair, or appropriate	2
I don't want to deal with the tyranny/corruption of public officers	3
Lack of enforcement	4
Financial burden of being formal (including taxes and fees)	5
Religious convection that taxes are against Islamic law (Sharia)	6
Lack of trust in government to use tax revenues productively	7
I have no knowledge and/or capacity to deal with tax-related procedures	8

Q24. What single government action, if any, would stimulate you to become tax compliant?

_____

_____

_____

Q25. Having in mind businesses similar to yours (in the same line of business, same size, and same area), what percentage of them would you say is registered for tax? _____% of similar businesses.

Q26. And out of those that are registered, what percentage of their taxable profit would you estimate they usually report for tax purposes? _____% of taxable profit.

Q27. Please rate your agreement with the following statements using a scale of 1 to 5, where 1 is "Completely disagree" and 5 is "Completely agree" *(Interviewer: Give the respondent a card, then read out and circle appropriate response)*

	Completely disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Completely agree	Don't know or N/A
There are many benefits for businesses that pay taxes	1	2	3	4	5	0
If it were simpler to pay tax, more business people would be willing to pay taxes	1	2	3	4	5	0
Every business should pay taxes	1	2	3	4	5	0
Most businesses do pay taxes	1	2	3	4	5	0
The tax system in Yemen is predictable. I can accurately predict what my tax burden would be	1	2	3	4	5	0
All information about tax compliance is easily available	1	2	3	4	5	0
The government is exerting efforts to persuade businesses to pay taxes	1	2	3	4	5	0
Tax Authority officials are corrupt	1	2	3	4	5	0
I am seriously considering registering for tax	1	2	3	4	5	0

F. Bookkeeping Practices

Q28. How do you keep record of your business's income and expenditure? *(Interviewer: Give the respondent a card and circle appropriate code below.)*

Q29. *Interviewer: If the answer to Q28 is option 2, 3, or 4, then ask,* How much did that activity cost you in 2007?

Q30. *Interviewer: If the answer to Q28 is option 1 (No records at all), then ask the respondent this question for options 2, 3, and 4:* How much do you think the following activities would have cost you in 2007 if you did them?

	Q28	Q29	Q30
No records at all	1	N/A	N/A
Keep informal notes or journals without backup documentation such as receipts or invoices	2	YR	YR
Keep original receipts and/or invoices, but without keeping informal notes or journals	3	YR	YR
Keep informal notes or journals and supporting documentation such as original receipts and/or invoices	4	YR	YR

Keep complete financials manually, and keep all related supporting documentation, such as receipts, invoices, and balance sheet	5		
Keep complete financials on computer system and all related supporting documentation, such as receipts, invoices, and balance sheet	6		
Other (please specify) _____	99		

G. Access to Information

Q31. We would like to know a little bit about channels of communication through which you find out about laws and regulations. What channels do you get information through? *(Interviewer: Give the respondent a card, then read out and circle appropriate responses in grid below.)*

Q32. What would be the most important one?

Q33. And what would be your most preferred channel through which you would like to get the information about government laws and regulations?

	Q31 All channels	**Q32 Most important (one answer)**	**Q33 Preferred channel (one answer)**
TV	1	1	1
Radio	2	2	2
Newspapers and magazines	3	3	3
Internet	4	4	4
Friends and family	5	5	5
Talking to other people in my community	6	6	6
Billboards	7	7	7
Trainings and seminars	8	8	8
Official gazette	9	9	9
Our lawyer	10	10	10
Email	11	11	11
SMS	12	12	12
Telephone	13	13	13
Specialist tax consultants/accountants/ bookkeepers	14	14	14
Taxpayers Service Department	15	15	15
Other (please specify): _____	99	99	99
None	0	0	0

H. Additional Company Information

Q34. What is the gender of the head of this business (if there is no head of business, ask about the owner)?

Male	1
Female	2

Q35. What is the percentage of female full-time workers in this business *(A worker is considered to be working full time if he/she works 40 hours a week or more, regardless of whether paid or not)?* _____%

Q36. What is the highest level of education attained by the head of this business (if there is no head of business, ask about the owner)?

Illiterate	1
No formal education	2
Elementary school	3
Secondary school	4
Vocational/ technical education	5
Two-year diploma	6
Bachelors degree	7
Postgraduate degree	8
Other (specify)_____	99

Q37. We would also like to know something about the size of your business. Is the number of workers in your company the same as a year ago, or has it increased or decreased? (*Interviewer: if the number changed, ask by how much in percentage points.*)

Increased	1	by _____	%
Remained the same	2		
Decreased	3	by _____	%
Don't know or N/A	9		

Q38a. In the last 12 months, did your business experience any of the following problems? *(Interviewer: Read out and record in the grid below.)*

Q38b. For problems experienced in column "a," What do you estimate your business had to pay for these problems in total?

	Q38a Problem	Q38b Total cost (YR)
Pay bribes to government officers to avoid tax compliance	1	
Provide free products or services to avoid tax compliance	2	
Temporarily shut down the business to avoid being detected by Tax Authority	3	
Relocate the business to avoid being detected by Tax Authority	4	
Suffer some other negative consequences caused by the fact that the business is not tax compliant	5	
None	6	

Q39. What was the sales turnover (revenue) of this business in 2007?

Do not know	0
Less than YR250,000	1
YR250,001-YR500,000	2
YR500,001-YR750,000	3
YR750,001-YR1,000,000	4
YR1,000,001-YR2,500,000	5
YR2,500,000-YR5,000,000	6
YR5,000,001-YR25,000,000	7
YR25,000,001-YR50,000,000	8
YR50,000,001-YR75,000,000	9
YR75,000,001-YR100,000,000	10
More than YR100,000,000	11
Refused to answer	88

Q40. In which governorate is this business located? *(Interviewer: Do not ask, answer based on observation)*

Sana'a	1
Aden	2
Taiz	3
Ibb	4
Hodiedah	5
Hadramawt	6

Q41. Where is this business located? *(Interviewer: Do not ask, answer based on observation. The answer to this question must be based on where the responding firm is supposed to file or pay their taxes, if they file or pay taxes)*

Urban area	1
Suburban/ rural area	2

Thank you for your time and effort.

Annex 4.1: Sampling Technique Used in Tax Compliance Cost Survey of Formal Businesses in South Africa

1.1. Sampling Frame

To properly investigate issues relating to tax compliance and the costs associated with this, it was necessary to draw a sample of formal small, medium-size, and micro enterprises (SMMEs) that would ensure adequate generalizability to the population of formal SMMEs in the country. Furthermore, it was decided that the obtained sample should a ensure sufficient number of cases according to the identified stratification variables to permit disaggregated analysis.

According to the Income Tax Act, the gross income of an entity was defined as "the total amount in cash or otherwise received by or accrued to or in favor of a resident." For the purposes of this study, this gross income was deemed to be the most accurate proxy for the turnover of formal SMMEs. Hence, and following from the definition of formal SMMEs as being small businesses registered for/paying tax and with a turnover of R70,000 to R14 million per annum, it was decided that the SARS registry of tax filings by formal SMMEs would be employed to define the sampling frame. Furthermore, 2005 tax year data were deemed to be the most complete and thus were employed to determine the sampling frame.

1.1.1. Gross income

Based on this sampling methodology, SARS furnished the research team with an analysis of gross income for formal SMMEs. This analysis was disaggregated according to the entity type: 1) Sole Proprietors and Partnerships, and 2) PTY (Ltd) and Close Corporations. Of the 287,856 Sole Proprietors and Partners registered with SARS (where tax returns had been captured), 70,626 firms fell within the R70,000 to R14,000,000 gross income range. Of the 493,058 PTY (Ltd) and Close Corporations, 173,192 fell within the stipulated gross income range.

The quintiles for the Sole Proprietor and Partnership SMME gross income distribution were established as:

- Quintile 1: R70,000 to R99,206
- Quintile 2: R99,207 to R141,553
- Quintile 3: R141,554 to R211,518
- Quintile 4: R211,519 to R361,389
- Quintile 5: R361,390 to R14,000,000

The quintiles for the PTY (Ltd) and Close Corporations gross income distribution were established as:

- Quintile 1: R70,000 to R225,824
- Quintile 2: R225,825 to R526,360
- Quintile 3: R526,361 to R1,225,956
- Quintile 4: R1,225,957 to R3,149,742
- Quintile 5: R3,149,743 to R14,000,000

1.1.2. Regional (provincial) distribution

A key requirement for this study was ensuring provincial distribution of formal SMMEs in accordance with the actual provincial distribution of such SMMEs in the country. SARS does not capture the provincial location of registered SMMEs, but does record the postal code in the address details for each SMME. These postal codes were thus used in order to establish the provincial location of the SMMEs. Once the provincial distribution had been determined, the gross income bands were identified within each of the provinces, thereby ensuring the stratification framework for the drawing of the sample. The two stratification frameworks are provided below.

TABLE A4.1 Number of Sole Proprietor and Partnership Firms (by Province and Gross Income Band)

Gross income band	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpuma-langa	North West	North-ern Cape	Western Cape	Total
R70,000 to R99,206	1,116	1,142	3,590	2,118	425	737	865	784	3,338	14,115
R99,207 to R141,553	1,028	1,128	3,676	2,038	479	755	847	818	3,347	14,116
R141,554 to R211,518	1,043	1,162	3,840	1,959	466	726	854	773	3,276	14,099
R211,519 to R361,389	912	1,076	4,188	1,916	457	669	909	690	3,273	14,090
R361,390 to R14,000,000	677	832	5,564	1,767	256	561	712	500	3,337	14,206
Total	4,776	5,340	20,858	9,798	2,083	3,448	4,187	3,565	16,571	70,626

TABLE A4.2 Number of PTY (Ltd) and Close Corporation Firms (by Province and Gross Income Band)

Gross income band	Eastern Cape	Free State	Gauteng	KwaZulu Natal	Limpopo	Mpuma-langa	North West	North-ern Cape	Western Cape	Total
R70,000 to R225,824	1,750	1,296	15,714	3,590	796	1,568	1,413	599	7,731	34,457
R22,5825 to R526,360	1,856	1,298	15,830	3,392	770	1,700	1,369	550	7,849	34,614
R526,361 to R1,225,956	1,920	1,436	15,264	3,480	852	1,912	1,417	660	7,823	34,764
R1,225,957 to R3,149,742	2,157	1,441	14,921	3,628	842	1,959	1,441	694	7,711	34,794
R3,149,743 to R14,000,000	2,028	1,308	15,696	3,555	763	1,940	1,377	648	7,248	34,563
Total	9,711	6,779	77,425	17,645	4,023	9,079	7,017	3,151	38,362	173,192

1.2. Sample Extraction

The sample size for this study was fixed at 1,000 cases. To ensure the extraction of this number of cases with due consideration to the two key stratification variables, a sampling cluster of 90 sample clusters was established, composed of a matrix of five turnover bands by nine provinces by two firm categories. The realized sample was extracted employing equal probability selection methods (EPSEM) for sampling of and within each cluster. Given the difficulties experienced with securing respondent participation, the high number of incomplete questionnaires due to the length of the interview, and surveys that were spoiled due to incomplete/inaccurate information, it was anticipated that there would be some measure of discrepancy between the realized and obtained samples. Based on the final returns, this deviation rate was established as being less than 3 percent, which was wholly acceptable for a survey of this nature.

Following the completion and vetting of all interviews, the final sample was then reweighted to ensure adequate national probability estimates and therefore, generalizability to the national population of formal SMMEs.

Annex 4.2: Sampling Technique Used in Tax Compliance Cost Survey of Informal Businesses in South Africa

1.1. Sampling Frame

A key challenge in this study was defining the sampling frame to be employed for the sampling of the 1,000 cases deemed necessary for a proper analysis of this sector. This was primarily because there were few if any authoritative figures of the size and shape of this sector in South Africa, meaning that a definition of the general population was largely impossible. The absence of general population parameters also implied that stratification of the sample would be problematic, and such stratification, as with the study of formal SMMEs, was deemed important for obtaining a properly differentiated view of this sector.

The lack of reliable data on the national and provincial distribution of informal SMMEs posed distinct challenges for sampling, and it was agreed among the key stakeholders that some measure of innovation was required to ensure that a sound sample was obtained.

1.1.1. Provincial/regional distribution

To compensate for the absence of reliable national norms, it was decided to employ available norms for formal SMMEs as a proxy for the sampling of informal SMMEs, thereby ensuring that geographical distribution was accounted for in the obtained sample. Provincial distribution of the informal SMMEs was undertaken by assessing the quota of formal SMMEs per province, and then employing this provincial distribution as a stratification criterion for sampling of informal SMMEs. The assumption underlying this stratification strategy was that provincial/regional economies capable of supporting a particular quantum of formal SMMEs could be considered capable

of supporting an equivalent if not greater quantum of informal SMMEs. Based on this, the national realized sample was appropriately stratified to ensure probability proportionate to size (PPS) distribution according to province.

1.1.2. Entity type and turnover

Having fulfilled the first level of stratification (provincial distribution), it was then necessary to ensure that the criteria for inclusion were properly developed. The key components of these inclusion criteria were turnover and entity type. To ensure satisfaction of both these inclusion criteria, data on the gross income distribution of formal SMMEs (the proxy variable for turnover) was extracted from the SARS tax registry. These formal SMMEs were evaluated in terms of the nature of the legal entity, specifically Sole Proprietors and Partnerships (SP+P), and PTY (Ltd) as well as Close Corporations (PTY + CC). In terms of entity type, it was determined that Informal SMMEs were most similar to SP+P.

Furthermore, in terms of turnover, the upper limit of the gross income range for informal SMMEs was set to the 80^{th} percentile of the formal SP+P distribution as informal SMMEs generally had a lower level of turnover than formal SMMEs. The formal SMME gross income distribution of SP+P was then analyzed to determine the distribution of informal SMMEs within each of the nine provinces, and this data was used to determine the final provincial sample quotas set for the fieldwork.

1.2. Sampling Strategy

Having developed the sampling frame, which guided the quotas applicable to the different stratification variables, the sampling strategy was then formulated. The survey of formal SMMEs indicated that securing participation could be a challenge because respondents often believed that such participation would lead to them having greater exposure to the tax authorities, and that this might possibly result in unwanted attention from such authorities. The situation was much more compounded for informal SMMEs, given that they were, by definition, illegal as they were operating their businesses without being registered for tax. This implied that securing participation would be considerably more difficult in this survey than it was for the formal SMME survey.

To improve the prospects of securing participation, three primary strategies were employed:

1. Fieldworker Profiles. Fieldworkers were recruited specifically on the basis of their profile within specific social networks and the physical areas in which sampling was to occur. This meant that fieldworkers and/or fieldwork supervisors were

selected because they were sufficiently respected and trusted to enable potential respondents to feel confident about participating in the study without fear that they would suffer sanctions as a result of such participation.

2. Snowballing. Having obtained the services of fieldworkers, trusted by potential respondents, to obtain the first batch of respondents for successfully completed interviews, the referral technique was then employed to obtain further respondents. In general, respondents who felt confident about participating were content to provide referrals to other informal SMMEs with whom they traded as a supplier or customer and/or whom they knew of by virtue of social relationships or proximal locations.

3. Confidentiality. Strong confidentiality agreements and parameters were established and provided to respondents so that they could feel assured that their participation would in no way compromise them and their enterprises. Using this sampling strategy, fieldworkers were deployed using the established stratification quotas. Stratification according to sector of operation was indeterminate; hence this was not controlled in the study.

Annex 4.3: Sampling Technique Used in Tax Perception and Compliance Cost Survey of Formal and Informal Businesses in the Republic of Yemen

Sampling Technique

We used clustered sampling.[1] We clustered the sample based on tax regime and governorate.[2] We assumed that this clustering method would reduce the dominance of trade businesses in the sample, and would also reduce the dominance of small businesses in our sample. The governorates we covered are Sana'a, Aden, Taiz, Ibb, Hodiedah, and Hadramawt. To the extent possible, we used simple random selection within each cluster. The method we used to do random selection within each cluster was as follows:

1. For firms that maintain regular books and file on time: We obtained the taxpayer database from the Tax Authority. Then, we contacted every business in this category and tried to meet as many of them as possible. All interviews were arranged in advance by phone. This interviewing arrangement is referred to in this report as the "Screening-Based Survey."
2. For all other clusters: We used area-based sampling in the targeted governorates. We first chose sampling points in each governorate. Then we deployed interviewing teams in these points according to a detailed plan

[1] Clustered sampling tends to provide better results when the elements within the clusters are heterogeneous. We are here making an assumption that there are indeed important differences between the elements in each cluster.

[2] In the survey of informal firms, we artificially controlled the sample so that it does not include more than 50 percent trade businesses.

prepared before the field work started. This interviewing method is referred to in this report as the "area-based survey."

Sample Size and Clustering

The table below depicts the actual sample size per governorate per tax regime for both surveys.

	Survey of formal firms			Survey of informal firms
	Statutory tax regime	**No books but file on time**	**No declarations or fixed amount**	
Sana'a	65	105	221	299
Aden	21	30	62	75
Taiz	15	64	87	146
Ibb	0	29	53	114
Hodiedah	49	52	53	132

Annex 5.1: Terms of Reference for Tax Perception and Compliance Cost Survey in the Republic of Yemen

Background

The Investment Climate Advisory Services (IC) recently launched a Tax Simplification Project at the request of the Republic of Yemen's Ministry of Finance and Tax Authority. The project is intended to help the government improve its business tax regime, enhance transparency and predictability, and reduce unnecessary tax compliance costs. The project's overall goal is to encourage greater compliance and broaden the tax base.

To measure the success of the project, it is necessary to establish a baseline against which reform progress can be measured. IC is therefore contracting with a local survey company to help design and carry out a baseline survey of tax compliance costs for businesses in the Republic of Yemen that are registered for tax and to gather information about the time and financial cost of complying with the tax obligations (and to help quantify "non-traditional payments"). A second survey will be of a sample of informal firms (i.e., those not registered for tax), aimed at determining the causes of non-compliance. Both surveys will include taxpayer perceptions of the tax authority and corruption issues.

Scope of Work

The CONTRACTOR will work on behalf of the World Bank to implement the Tax Compliance Cost Survey, covering 1,000 formal, tax-registered enterprises and 800 enterprises either not registered for tax or not filing tax return in the last three years. The CONTRACTOR will:

- Comment on the survey substance and develop the survey design, including communication with experts in the Republic of Yemen covering the survey questionnaire subject;
- Before the visit of the IC survey specialist, work on developing the survey instruments, and all other necessary tasks, based on materials provided by IC, and under IC guidance and assistance;
- During the visit of the IC survey specialist, work with the specialist and members of the IC team in reviewing, revising, and finalizing the survey instrument;
- Provide the IC team with an outline of the sampling methodology for the survey, provide an explanation about the impact of sampling procedure to the representativeness and possibility of generalization, and engage in detailed discussion of the underlining assumptions with the IC survey expert. In cooperation with the IC survey expert, if necessary, revise the sampling plan to achieve the highest possible level of representativeness. The CONTRACTOR will provide the complete sample company details to IC;
- Field-test the instrument with at least 40 formal enterprises and 30 informal enterprises to determine the questions that need to be adapted to make them appropriate to the country context. The CONTRACTOR will organize all necessary meetings. The IC survey expert will accompany a senior representative of the CONTRACTOR, as requested by IC, and a fieldwork coordinator or interviewer in the field-testing activities;
- Revise the questionnaires as indicated by pre-testing and analysis, with approval of the IC survey expert and IC task manager; and
- Hire, employ, train, and supervise required surveyors and data entry personnel as required, or use existing staff of his/her institute/company.

1. To successfully complete the survey of the formal (tax-registered) firms the CONTRACTOR will:

   - Develop the instruments and manuals necessary for successful collection of required information. Questionnaire development will be guided and assisted by a IC survey specialist and other members of IC team;
   - Develop a statistically sound sample frame of formal businesses using data provided by the tax department, and use this sample frame to select a sample large enough to collect 1,000 complete responses from firms meeting the distributional criteria as follows (sample design should be discussed and approved by the IC survey expert and IC task manager):

- *Tax payment method.* Approximately 30 percent of the sample should represent firms under the statutory tax regime, paying taxes based on their financial accounts, while 70 percent of the sample should represent firms under the "presumptive" regime (not based on a firm's financial accounts);
- *Sector.* Some stratification might be necessary to ensure coverage of all important sectors and representativeness of the sample;
- *Firm size.* Some stratification might be necessary to ensure the representativeness of the sample;
- *Location.* Some stratification might be necessary to ensure proper geographical coverage of the country. However, geographical stratification will take into consideration the cost effectiveness;

- Write a "sampling plan" document explaining the final sample as well as reasons and impacts of all used sampling procedures;
- Supervise, control the quality of, and make all required arrangements for the implementation of the survey in multiple locations; and
- Complete, by targeted selection and replacement, 1,000 surveys of private firms with the characteristics discussed above.

Quality Control. To ensure the best data collection possible, experienced supervisors managing the fieldwork will carry out quality control of the survey results. This staff is experienced in a range of survey methodologies, quality control, and procedural aspects of such research projects and will work closely with the company management to monitor the performance of interviewers. The specific roles of the supervisors are to:

- Promptly control first few interviews by each interviewer, and, if necessary, provide additional training, and if necessary replace interviewers;
- Collect the incoming completed survey forms and conduct 100 percent check for incomplete, omitted, or otherwise erroneous data recording practices on their source (company). If necessary, replace unsatisfying interviews with properly conducted ones, or ensure that requested answers are gathered from the target company; and
- Conduct 20 percent random back check of each interviewer-completed interviews. Also use statistical methods for checking the consistency, accuracy, and quality of work for each interviewer.

- Design and implement a system for data entry and tabulation of data. This system should be explained in another document – "The data analysis plan," which has to be approved by the IC team before the data analysis starts;

- Enter the data with suitable quality controls that include at least 10 percent of double data entry, a method of data entry quality control. It calls for 10 percent of all questionnaires to be entered twice, then compare the two sets of entries. That way, the level of error can be estimated. If the level of error/match is satisfactory, data entry is also considered satisfactory;
- Provide the data and results of the survey according to the agreed data analysis plan. The IC survey expert should clear and approve the database and data tabulation before the CONTRACTOR would start writing the survey report (e.g. distribution and means); and
- Prepare a technical report on the survey findings, under the guidance of the IC survey expert and the IC task manager.

Division of Work. The bulk of the work will be carried out by the CONTRACTOR, who will be advised and guided by the IC survey expert and, if necessary, by the IC task manager.

2. To successfully complete the survey of informal firms (either companies not registered for tax or companies not filing tax returns in the last three years) the CONTRACTOR will:

   - Develop the instruments and manuals necessary for successful collection of required information; questionnaire development will be guided and assisted by a IC survey specialist and other members of the IC team;
   - Develop and apply a sampling method to collect 800 valid responses from firms meeting the distributional criteria as follows (sampling approach should be discussed and approved by the IC survey expert and IC task manager):
     - *Type of "informality."* 300 responses should be collected from businesses registered for tax, but not filing tax returns in the last three years, and 500 responses should be collected from businesses not registered for tax.
     - *Sector.* Some stratification might be necessary to ensure coverage of all important sectors and representativeness of the sample.
     - *Firm size.* Some stratification might be necessary to ensure the representativeness of the sample.
     - *Location.* Some stratification might be necessary to ensure proper geographical coverage of the country. However, geographical stratification will take into consideration the cost effectiveness.
   - Write a "sampling plan" document explaining the final sampling approach as well as reasons and impacts of all used sampling procedures;

- Supervise, control the quality of, and make all required arrangements for implementing the survey in multiple locations; and
- Complete 800 interviews of private firms with the characteristics discussed above.

Quality Control. To ensure the best data collection possible, experienced supervisors managing the fieldwork will carry out quality control of the survey results. This staff should be experienced in a range of survey methodologies, quality control, and procedural aspects of such research projects, and will work closely with the company management to monitor the performance of interviewers. The specific roles of the supervisors are to:

  - Promptly control the first few interviews by each interviewer, and, if necessary, provide additional training or replace interviewers;
  - Collect the incoming completed survey forms and conduct 100 percent check for incomplete, omitted, or otherwise erroneous data-recording practices on their source (company). If necessary, replace unsatisfying interviews with properly conducted ones, or ensure that requested answers are gathered from the target company; and
  - Use statistical methods for checking the consistency, accuracy, and quality of work for each interviewer.

- Design and implement a system for data entry and tabulation of data. This system should be explained in another document – "The data analysis plan," which has to be approved by the IC team before the data analysis starts;
- Enter the data with suitable quality controls that include at least 10 percent of double data entry, a method of data entry quality control. It calls for 10 percent of all questionnaires to be entered twice, then compare the two sets of entries. That way, the level of error can be estimated. If the level of error/match is satisfactory, data entry is also considered satisfactory;
- Provide the data and results of the survey according to the agreed data analysis plan. A IC survey expert should clear and approve the database and data tabulation before the CONTRACTOR starts writing the survey report (e.g. distribution and means); and
- Prepare a technical report on the survey findings, under the guidance of the IC survey expert and the IC task manager.

Division of Work: The bulk of the work will be carried out by the CONTRACTOR. The CONTRACTOR will be advised and guided by the IC survey expert and, if necessary, by the IC task manager.

Assumptions

This TOR assumes the following:

- The net duration for the questionnaire of formal firms is 50 minutes on average presuming fully trained interviewers;
- The net duration for the questionnaire of informal firms is 30 minutes on average presuming fully trained interviewers;
- If the contractor experiences an extremely low response rate or faces extreme difficulties in reaching the target group, separate negotiations may be arranged to define compensation for the additional effort needed to successfully complete the fieldwork;
- A maximum of six governorates will be included;
- The suburban areas will not be far from main cities (teams can get back to main cities within the same day);
- A maximum of four suburban areas will be covered in each governorate;
- The survey of formal firms will be conducted in the main cities; and
- The required report is a descriptive survey report, not an analytical report.

Qualifications of Survey Company (CONTRACTOR)

The CONTRACTOR must have demonstrated experience in sample design and in conducting enterprise or comparable surveys, a substantive understanding of the policy issues underlying the survey, and the capacity to undertake basic survey implementation and data entry and analysis. The CONTRACTOR must be able to mobilize qualified surveyors, data entry personnel, and analytic staff as agreed in the contract and must have the logistical capacity to carry out the survey within the timeframe of the study.

Draft Timetable of Outputs

The survey fieldwork should be completed by about 16 weeks after contract signature. The CONTRACTOR will provide the IC task team with data analysis outputs as agreed in the "Data analysis plan" in Excel-readable file format, SPSS (or STATA) format, and Acrobat reader (PDF) format by about 18 weeks. The IC team will comment on this output, and the final output should be ready by about 19 weeks. A preliminary report should be submitted to the IC survey task manager no later than about 22 weeks. The final report on survey findings should be ready by about 26 weeks. IC will also be provided with the complete original database and all syntax used in the data analysis, in a manner that the IC team can reproduce the tables

provided by the CONTRACTOR. The IC will be provided with the original questionnaires as well, if requested.

Confidentiality

The CONTRACTOR will at all stages protect the confidentiality of firms and individuals participating in the survey. None of the intermediate or final outputs of the survey will bear the names of participating firms or individuals. All completed questionnaires will either be delivered to IC in Washington, DC, or destroyed based on the written decision of the IC task manager. The survey data and all related analysis are the property of the World Bank Group and should be used for other purposes only with the written consent of the IC task manager. However, the CONTRACTOR will deliver the complete list of all interviewed and contacted companies.

Annex 6.1: Possible Future Directions for a Tax Perception and Compliance Cost Survey

As described in this manual, the Investment Climate Advisory Service's experience with qualitative "perception" questions that go beyond asking about the quality of tax services is limited relative to quantitative tax compliance cost issues. Because most government clients are keenly interested in improving tax compliance, and since many aspects of tax compliance go beyond (and are more subjective than) simple compliance costs, it is important to test and refine a set of questions that provide more detailed information on business taxpayers' perceptions of tax and governance (as described in chapter 1) in developing and transition economies.

Topics to be explored and further tested include business taxpayers' (and potential business taxpayers') perceptions of the quality of governance (such as aspects of policies established by their tax authorities and governments more broadly) and the flip side of these perceptions: the tax morale of business taxpayers—that is, their willingness to pay taxes if not directly coerced, attitudes toward tax evasion, and circumstances under which they would be willing to increase compliance.

Information collected about such perceptions can be used along with official data about trends in tax compliance and revenue (such as new business tax registrations and de-registration, numbers of business taxpayers filing each tax year, tax payments received, and related data) to derive inferences that could provide insights into development issues not captured by traditional economic statistics.

Another issue is that in many cases when respondents are asked to reveal sensitive information, it may be difficult if not impossible to collect reliable data through a business survey. Such sensitive topics are not limited to corruption; in many countries they may also include questions about a company's revenues, employment, and expenditures. At the other extreme, questions about tax morale may be a problem if respondents answer too positively (as in cases where they are not convinced that

the survey is confidential and so are afraid that their honest answers could anger authorities and lead to retribution).

While various techniques have been developed to deal with both reluctance to reveal sensitive information and answer questions honestly, there is always a fallback scenario—gathering qualitative information through open-ended interviews with knowledgeable representatives of the business community and the accounting profession. The risk in this case is that authorities would reject it as unrepresentative.

Three Models of Compliance and Coercion

Many authorities recognize three models of tax compliance (which might be relevant to varying degrees in different countries; they are not mutually exclusive). As outlined by the Institute of Development Studies, these may include the following.

Deterrence model

The assumption, under the Hobbesian deterrence model, is that the fear of being detected or punished by the coercive powers of government embodied in the tax administration will reduce illegal or noncompliant behavior for the betterment of society at large. The model also suggests that compliance will increase as the odds of being detected and the penalties for tax evasion increase. Hence only out of rational self-interest will citizens comply with the will of their state.

To examine if fear of coercion is a primary reason for good tax compliance, survey questions can be designed to ask what would happen if the coercive threat was removed. These questions have already been tested in many settings, with the conclusion that the level of tax compliance in almost all settings is much higher than could be accounted for by a rational calculation of the costs and risks of evasion (see chapter 1).

Trust in the state

In the past 20 years social scientists have begun to argue that the payment of taxes constitutes a transaction made based on trust, which comes in two forms: trust of the government to provide goods and services to its citizens and trust in other citizens to pay their taxes. Citizens and the state will benefit if such trust can be maintained.

Levi (1988) introduced the concept of "quasi voluntary" compliance with respect to the payment of taxes in a way that reduces the costs of enforcement. Taxpayers will comply in a quasi-voluntary manner if they have some confidence and certainty that the state will provide the goods and services that it has promised and if they have similar confidence and certainty that others are complying with the

state. An additional component of trust in the state is of a more moral, less material nature—trust that the state acts and will act fairly toward its citizens. Hence the extent to which these three types of trust are present among taxpayers may have implications about how much coercive investment the tax authorities need to make to maintain revenue.

Prior experiences and interactions with tax authorities

Some theories that explain civic obedience rely on whether citizens have had past interactions with relevant government officials. In recent taxpayer compliance attitudinal surveys in Poland, Russia, and Ukraine, survey questions explored whether previous experiences with tax authorities affected citizen views on complying with the law. Some of the questions were adaptations of survey questions used by Tyler (1990), who argues that procedural aspects (conduct of government officials) of prior experiences with the law affect citizen views of the legitimacy of authorities, which in turn affects the degree of compliance.

To complement perception questions, at least three types of data could help approximate changes in tax compliance:

- Comparing tax revenue collected to earlier annual budget forecasts;
- Contrasting revenue collected to what the ministry of finance says is owed; and
- Evaluating the size and scale of tax arrears.

The idea would be to compare survey data or findings from in-depth interviews with official data. But to control for external shocks, such data would have to be analyzed over one or more business cycles.

Preconditions

Before preparing new sample questionnaires or modules on tax perceptions, it will be necessary to develop and pilot them in one or more countries where there is strong political capital and sufficient confidence in the quality of the data to judge the viability of the methodology. To find a suitable location for a pilot, the preconditions cited in chapter 2 would have to be strongly fulfilled—in particular, it would be critical to have the publicly announced, sincere, and credible cooperation of the relevant authorities to inquire about the sensitive issues required to measure tax morale. Otherwise, respondents who have any fear of possible retribution will not provide frank and sincere answers. In addition, it will be important to have sufficient technical capacity in local survey companies and sufficient budgets to develop, pilot, and field the new modules and to analyze the resulting data.

Piloting New Perception Questions

The hypothesis that ultimately should be tested might look something like the following. If the government of a country enacts reforms that improve the quality of governance, public services, and/or tax administration, then taxpayers will respond with higher tax morale (a stated willingness to pay more taxes) and, all else being equal, tax revenues should increase.

If it is possible to gain the cooperation of an interested client government and a sufficient budget is in place, a set of modules could be developed about:

- **Attitudes about (1) government in general (quality of governance and quantity/quality of various public services of interest to businesses) and (2) the tax authority in particular (competence, consistency, transparency, helpfulness, and the like).**

Examples:
"The government is doing a good job of providing services to your business."
"Tax officials are competent."
(strongly disagree, somewhat disagree, neutral, somewhat agree, strongly agree)

- **"Is it acceptable to evade taxes or keep businesses informal?" (Tax morale.)**

Example:
"It is justifiable if a business underreports income in order to pay less tax."
(strongly disagree, somewhat disagree, neutral, somewhat agree, strongly agree)

- **"For businesses like yours, what percentage are formal and how much taxes do they pay?"**

Examples:
"Bearing in mind businesses similar to yours (in the same line of business, same size, and same area), what percentage would you say is registered for profit tax?"
"Of businesses that are registered, what percentage of their taxable profit would you estimate they usually report for tax purposes?"

- **"If I saw better services, less corruption, or other improvements, I would be willing to pay more taxes"**

Example:
"If I saw more public services, not necessarily directly benefiting myself, I would be willing to pay more tax."
(strongly disagree, somewhat disagree, neutral, somewhat agree, strongly agree)

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