



## Tax Compliance Costs and the Use of E-filing by SMMEs

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**Abstract:** This study investigated the costs associated with tax compliance for the small business taxpayer and the factors that motivate them to use the e-filing tax system in Ugu district municipality. Qualitative research method with semi-structured face-to-face interviews was used as a data collection technique. A thematic analysis was deemed a suitable data analysis method. The findings revealed that the tax compliance costs incurred by taxpayers were mainly monetary cost (practitioner's fees, lawyer's fees and travel costs) and time costs (time spent travelling to the tax office, waiting in the queue to be served and preparing documents for tax submission). In addition, taxpayers have pointed out that ease of use of e-filing and demographic factors such as access to the internet and end-user computer knowledge are factors that influence the use of the e-filing tax system. The findings will be of value for the South African revenue services (SARS) and small businesses to become aware of the costs associated with tax compliance and educate them on the necessity of complying with tax law. Research recommends that SARS provides sub-stations or mobile units for rural taxpayers to access the e-filing system and provide the necessary training to the public.

**Keywords:** Taxpayer; Technology Acceptance Model (TAM); Value-Added Tax (VAT); Compliance Costs.

**JEL Classification:** K34; M41; M42

### 1. Introduction

Tax collectors and taxpayers have to interact with the tax system either as individuals, in their private capacity, as part of a household, incorporated business or sole proprietor. They have to comply with complex tax laws and as a result, are burdened with tax compliance obligations that are presumed to increase with complexity (Smulders et al., 2016). The complexity of the tax law has a significant effect on the fairness and the efficiency of taxation (Eichfelder & Vaillancourt, 2014). From the efficiency viewpoint, tax compliance costs may be seen as an abuse of economic resources because they increase the effective tax liability of taxpayers, yet it does not increase government revenue (Eichfelder and Vaillancourt, 2014). In addition, Slemrod and Venkatesh (2002) held that the economic liability of tax compliance is mostly carried by smaller businesses as compared to large businesses.

Cuccia and Carnes (2001) suggested that the general effect of the complex tax law can be viewed as ambiguous from the perspective of tax fairness. The findings of the study conducted by Djankov et al. (2010) indicated that an increase of ten per cent in the corporate tax reduces the total investment in

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relation to the gross domestic product (GDP) by 2 per cent and 2 to 5 per cent entry into the business. Braunerhjelm and Eklund (2014) found that the burden levied by tax administration has an undesirable effect on entry to the market for business. Mansor and Hanefah (2008) suggested that high tax costs of compliance threaten the survival and growth of small businesses. Coolidge et al. (2009) emphasised that tax compliance cost is becoming a deterrent to the creation of new businesses in several parts of the globe. Small businesses are faced with the challenge of excessive tax obligations, numerous taxes, high rate of taxation and the general complexity of the tax law (Swistak, 2016). Smulders et al. (2016) emphasised that small business compliance behaviour is affected by the costs they sustain to meet the tax obligations set out by the government.

## **2. Background**

Tax compliance expenses are defined as the expenses that are suffered by the business by involving a third party, such as a tax practitioner for tax planning and calculation (Sandford et al., 1989). The theory of expected utility perceives the taxpayers as individuals who always search for opportunities to avoid to pay tax if the cost of the particular opportunity to avoid paying tax exceeds the penalty (Allingham and Sandmo, 1972). Tax compliance is considered as meeting the tax obligations by the taxpayer by means of submitting the correct return and making the tax payment in accordance with the law (James and Alley, 2002). Tax compliance costs are incurred exclusively for a tax compliance purpose; such costs are only avoidable when taxation is abolished (Ariff Ismail Loh, 1997).

Lallmahomed et al. (2017) found that individuals' resistance to change to internet-based services is associated with a poorly designed website, websites that are complicated to use, the dearth of information quality and system quality. In addition, Sandhu et al. (2014) found that in Jordan religious beliefs and resistance to change are among the contributing elements to slow adoption of an online tax filing system that has to match with cultural and social dynamics. Sandhu et al. (2014) cited that resistance to change is reliant on the desire by individuals to preserve the traditional ways of concluding transactions, while religious beliefs rest on the perception that family members might be exposed to adult material on the internet.

In South Africa, Small, Medium and Micro Enterprises are defined as, "small business" "meaning a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more, including its branches or subsidiaries, if any, is predominantly conducted in any sector or subsector of the economy" (National Small Business Act, 1996). The Act further classifies small businesses in different thresholds based on the total number of full-time paid employees, total turnover and, lastly, total gross asset value, as indicated in the table below.

**Table 1. Summary of Classification Thresholds for Small Enterprises**

Sector or sub-sector within the Standard Industrial Classification	Size	The total full-time equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Various	Medium	100 – 200	R5m – R64m	R5m – R23m
	Small	50	R3m – R32m	R1m – R6m
	Very Small	10 – 20	R0.2m – R6m	R0.50m – R2m
	Micro	5	R0.2m – R0.2m	R0.10m

Source: Adapted from South African National Small Business Act (1996:17)

### 3. Problem Statement

Tax compliance has become a significant challenge for several small businesses, particularly when it comes to compliance costs and these costs affect small business tax compliance behaviour. Decreasing tax compliance costs could increase and enable small business competitiveness and productivity which, in turn, lets them employ extra resources for critical activities in the business and increase their wage rate and employment volumes (Smulders and Evans, 2017). The costs that are associated with tax compliance are monetary costs, time costs and psychological costs. Excess tax compliance costs affect small businesses by decreasing business productivity, demotivating business formation, increasing the prices of services and goods, lowering business productivity, which eventually reduces the standard of living of the majority of citizens (Azmi et al., 2016). According to Naicker and Rajaram (2019), the time spent by the business owners on value-added tax (VAT) compliance matters were found to be the most costly, demanding and time-consuming.

This study investigated the costs associated with tax compliance for the small business taxpayer and the factors that motivated them to use the e-filing tax system in Ugu district municipality. The study seeks to answer the following questions

- What are the tax compliance costs incurred by small businesses in Ugu district municipality?
- What are the factors that will motivate small businesses in Ugu district municipality to use the e-filing tax system?

### 4. Theoretical Review

To understand the factors that influence small businesses to use the e-filing tax system. The study adopted the technology acceptance theory and concomitant model.

#### 4.1. Technology acceptance model

The Technology Acceptance Model (TAM) mainly illustrates the individual's technology adoption behaviour (Maji & Pal, 2017). Technology Acceptance Model is centred on the influence of perceived usefulness and perceived ease of use on attitudes regarding the adoption of technology, and these are the elements that affect beliefs of individuals (Mpiganjira, 2015). According to Legris et al. (2003),

the technology acceptance model provides a key basis for the understanding of how intentions, attitudes and internal beliefs are affected by external factors. In addition, Legris et al. (2003) point out that the main variables that explain any system use are perceived usefulness and perceived ease of use. (Hung et al., 2006) held that perceived ease of use has an important connection with the intention to use technology.

The fact that the e-filing tax system is meant to help taxpayers to submit their tax returns and as a tax payment system which is an online government application, perceived usefulness and ease of use may have a significant influence on the taxpayer's intention to use e-filing system. Perceived ease of use and perceived usefulness are the basic variables in the technology acceptance model that influence the attitude of the individuals, which subsequently comprises a base of behavioural intention (Maji & Pal, 2017). In addition, Maji and Pal (2017) suggested that individuals will believe the new technology to be useful when there is the perception of improvement in the performance of the task and this outcome will ultimately influence the developing of attitudes. In addition, Maji and Pal (2017) explained that the perceived ease of use of the new technology is measured in the context of the effort that an individual employs to complete any task. Muñoz-Leiva et al. (2017) hold that the technology acceptance model describes the features of the information processes that influence an individual's intention to accept a technological innovation or reject it.

## **5. Literature Review**

This section discusses the literature on the costs of tax compliance and factors that influence small business taxpayers to use e-filing tax system.

### **5.1. Tax Compliance Costs Incurred by Small Businesses**

Lignier et al. (2014) explained that small businesses are faced with numerous challenges which include tax law which they are required to adhere to, although they have an impact on profits of the business. Lignier et al. (2014) further pointed out that despite the importance of small business's critical role in employment creation and the growth of the economy, they continue to face regulatory challenges.

Braunerhjelm and Eklund (2014) explain that separate from both taxes on profits, administrative tax burdens influence the market entry. In addition, Braunerhjelm and Eklund (2014) found that a 10 per cent reduction in administrative tax costs resulted in a 3 per cent increase in entry rate to business. Faridy et al. (2016) suggested that psychological and corruption costs may derail the government's potential to extract adequate tax revenue to fund its expenditure.

Pavel and Vitek (2014) defined tax compliance costs as a burden imposed upon taxpayers by the tax legislation on the fulfilment of their tax liability in addition to the actual tax they must pay. Tax compliance costs are tools designed to measure the tax complex system, and if tax is to be abolished, costs will cease to exist (Pavel and Vitek, 2014). Evans and Tran-Nam (2014) explained that gross compliance costs of tax encompass both monetary and psychological costs, in that monetary costs of tax compliance are the number of funds expended by the taxpayers in order to meet the requirement of the tax legislation imposed upon them whereas psychological costs are related to anxiety and stress that taxpayers undergo when trying to adequately deal with their tax obligations.

Hao and Tran-Nam (2017) refer to net tax compliance costs as gross tax compliance cost minus any offsetting benefits that accrue to the taxpayer from tax compliance. The offsetting benefits may

comprise of, benefits from tax deductibility, cash flow benefits as a result of withholding tax collected then pay it later to tax authorities, managerial benefits and lastly, they may receive a once-off cash subsidy from the government (Hao & Tran-Nam, 2017).

Pavel and Vitek (2014) emphasised that the nature and origin of tax compliance costs that are related to a tax system may differ and they include “classic” compliance costs, for example; employee costs, time, rental of premises and external suppliers of goods and services, cash-flow costs and psychological costs. Eragbhe and Omoye (2014) posit that tax compliance costs are not only limited to taxpayers, but tax authorities also incur administrative costs in the process of collecting and administering tax revenue that is due to the state. In addition, Tran-Nam et al. (2014) suggested that the costs of tax planning and tax dispute resolution expenses should all be considered as legitimate costs of tax compliance.

Eichfelder and Vaillancourt (2014) cited that large organisations have the capacity to absorb the compliance costs because, as their turnover is generally high and, on the other hand, smaller firms suffer the burden that is associated with the size of their enterprise. Eichfelder and Vaillancourt (2014) further found that the costs of tax compliance to be high, regressive and that the phenomenon was found as an international problem that permeates across borders. Eragbhe and Modugu (2014) acknowledged the regressivity of tax compliance costs in Nigerian’s small and medium enterprises. Eragbhe and Modugu (2014) further found that an average tax compliance cost of small business in Nigeria was N219 601 per annum against N123 047 per annum for medium business.

The study conducted by Smulders et al. (2016) in South Africa revealed that as far as tax compliance costs for small businesses are concerned, the time spent calculating the turnover tax result in high compliance cost for the company. Evans et al. (2014) found that over time the tax compliance costs did not show to be decreasing.

The study conducted by Faridy et al. (2016) revealed that taxpayers in Bangladesh paid tax consultants in order to comply with the tax law but also to help them decrease psychological costs of worrying about Value Added Tax (VAT) compliance. Additionally, frustration has been accepted to be the element that affected more than others in causing the psychological cost of tax compliance for Bangladesh taxpayers (Faridy et al., 2016). Eragbhe and Modugu (2014) found that unexpected visits by tax administrators and impromptu inspections of the business property could cause more stress and anxiety associated with VAT for the small business taxpayer as opposed to other taxes. The geographical location of certain small businesses significantly contributed to high tax compliance costs because the tax offices are predominantly located in urban areas than in rural areas. Eragbhe and Omoye (2014) suggested that psychological costs are generated because of the inconvenience and distance that taxpayers have to travel to the tax offices to submit their tax returns.

## **6. Factors that Influence Small Business Taxpayers to use the Electronic Tax Filing System**

Electronic tax filing was first piloted in 1986 by the Internal Revenue Board in the United States of America (Lai & Choong, 2010). Tallaha et al. (2014) showed that the use of e-filing matches well with self-assessment application to encourage taxpayers to voluntarily disclose their income. However, Wadesango et al. (2018) explained that there is a probability of taxpayers not complying with the tax law as self-assessment is influenced by taxpayers’ attitude. Kasipillai (2010) defined self-assessment

as, a procedure that is dependent on the belief that taxpayers do provide correct information and there is no need for the tax authorities to check the accuracy of the information provided. Muturi and Kiarie (2015) described e-filing as a way in which taxpayers submit their tax returns or tax documents to tax authorities with the aid of technology, for example, software packages and the internet. The electronic tax filing system is an application of e-government that is used by the authorities to improve the efficiency of tax collection (Alibraheem & Abdul-Jabbar, 2016).

### **6.1. Demographic Factors that Influence Small Businesses to Use the E-Filing Tax System**

Ahmad et al. (2017) hold that individual's certainty and belief in the internet environment is based on the confidence that their hopes concerning the internet experience would be fulfilled. Singh (2014) posited that appropriate security features, for example, confidentiality, secure transactions and certainty that the correct product would be delivered are some of the individuals' expectations in an online environment. Sandhu et al. (2014) explain that there are numerous factors that influence the e-filing adoption by citizens in Jordan, for example, word of mouth (face to face interaction is preferred rather than the internet) and favouritism. In addition, Sandhu et al. (2014) found that in Jordan religious beliefs and resistance to change are among the contributors to slow adoption of an online tax filing system that has to coincide with cultural and social dynamics. Sandhu et al. (2014) explained that resistance to change is reliant on the desire of individuals to preserve the traditional ways of concluding transactions. Religious beliefs rest on the perception that family members might be exposed to adult material on the internet (Sandhu et al., 2014).

### **6.2. Non-Demographic Factors that Influence Small Businesses to Use the E-Filing Tax System**

Santhanamery and Ramayah (2014) cited that the user's satisfaction is one of the essential determinants of continuance use intention of the electronic tax filing system. In addition, Santhanamery and Ramayah (2014) explained that individuals' previous satisfaction with the services determines continuous intention to use it. Additionally, Santhanamery and Ramayah (2018) show that after the initial acceptance of the information system, individual behaviour may change based on their experience of the system, which eventually reduces or increase future use. Mahmood et al. (2014) posited that it is a complicated relationship to trust in e-government services as it includes various intricate issues that influence citizens to trust the services of government. Al-Hujran et al. (2015) posited that the public is still fearing or refusing to embrace the e-government application, notwithstanding the benefits of e-government because they lack confidence in it.

Maillet et al. (2015) cited that the end-user satisfaction together with continued use of e-filing system can be motivated through the provision of sufficient end-user assistance to taxpayers which helps to mitigate the challenges that taxpayers might encounter. Maji and Pal (2017) cited that behavioural intention and individual user satisfaction levels can be impacted in a negative way when there is e-filing system failure and slow response during the time of submission or during peak hours. Wei et al. (2017) cited that habit, user satisfaction and system quality impact taxpayer's continuance usage intention of the e-filing system. In addition, e-filing continuance usage intention was influenced by user satisfaction that makes a substantial contribution to net benefit (Wei et al., 2017).

## 7. Methodology

Choy (2014) asserted that qualitative research enables the participants to bring up more issues due to the use of open-ended questions. Qualitative research was deemed appropriate for this study as it assists the researcher to comprehend the phenomenon under study and thus tax compliance costs and e-filing use among small businesses in Ugu district municipality. Creswell (2014) cited that qualitative research enables a researcher to engage participants where they experience the problem under investigation for data collection and, consequently, participants do not need to be put in a controlled or confined area. This study employed non-probability purposive sampling as a suitable sampling strategy because it enabled the researcher to target specific participants with similar characteristics. In this instance, small business owners. Etikan et al. (2016) indicated that, through homogeneous sampling, the researcher could focus on participants with specific or similar characteristics. In addition, purposive sampling, also known as judgmental sampling, is usually used by researchers who have selected a small sample (Saunders et al., 2016). Semi-structured in-depth interviews were conducted with 10 small business owners. The thematic data analysis method was deemed for this study as it is appropriate for a large qualitative dataset.

## 8. Results and Discuss

This section deals with data presentation, interpretation and an in-depth analysis of the study results. The themes that were created were further refined to ensure that they are aligned with each other.

### 8.1. The Cost of Tax Compliance Faced by Small Businesses

Small businesses are burdened by the cost of tax compliance imposed upon them by the tax legislation on the fulfilment of their tax liability in addition to the actual tax they must pay. Faridy et al. (2016) found that taxpayers who are aged and illiterate sustain higher psychological costs of tax compliance than the young and educated taxpayers. In addition, they found that compliant taxpayers experience higher psychological cost as opposed to non-compliant taxpayers.

The study conducted by Smulders et al. (2016) found that as far as tax compliance costs for small businesses are concerned, the time spent calculating the turnover tax resulted in high compliance cost for the company. Evans et al. (2014) explained that over time, the tax compliance costs do not show to be decreasing. The study revealed the costs that small businesses incur that are associated with tax compliance as pointed out by one respondent.

*Sometimes SARS incorrectly issues a penalty or interest, and you might need advice from tax practitioner on the matter or lawyer to represent you, these costs are high and decrease business profits. Any dispute with the receiver of revenue (SARS) is always stressful because you don't know how the outcome will be and take time to settle.*

The findings indicated that all the respondents of this study overwhelmingly shared the similar views that the cost they incurred is mainly monetary by nature (legal fees, transport cost, computer and software costs). The findings are in accordance with the findings of the study conducted by Evans and Tran-Nam (2014) who explained that gross compliance costs of tax encompass both monetary and psychological costs, in that monetary costs of tax compliance, are the number of funds expended by the taxpayers in order to meet the requirement of the tax legislation imposed upon them whereas

psychological costs are related to anxiety and stress that taxpayers undergo when trying to adequately deal with their tax obligation. The study findings are further substantiated by Eragbhe and Omoye (2014) who found that the geographical location of certain small businesses significantly contributed to high tax compliance costs because the tax offices are predominantly located in urban areas than in the rural areas. In addition, the findings are supported by Tran-Nam and Walpole (2016) argue that litigation costs such as court fees, expert assistance and value of time lost are costs sustained by taxpayers in an attempt to resolve tax disagreements with revenue authorities through court or another independent body and these costs form part of the costs of tax compliance.

## **8.2. Tax Practitioners and or Accounting Fees as the Cost of Tax Compliance**

Small business taxpayers have to bear the cost of using or consulting tax practitioner or an accountant for them to be tax compliant. Hao and Tran-Nam (2017) refer to net tax compliance costs as gross tax compliance cost minus any offsetting benefits that accrue to the taxpayer from tax compliance. The offsetting benefits may comprise of, benefits from tax deductibility, cash flow benefits as a result of withholding tax collected then pay it later to tax authorities, managerial benefits and, lastly, they may receive a once-off cash subsidy from the government (Engström et al., 2015). One entrepreneur remarked:

*The cost of tax compliance for me is the money that I pay my accountant every month. These fees are quite high and keep increasing depending on the workload. For a small business, it is expensive to pay exorbitant fees charged by tax practitioner for one to be tax compliant, in my case I pay more than R10 000 a month for practitioner's fees besides everything we need to do.*

The findings of the study point out that the majority of participants are in agreement that tax practitioners' fees are one of the high cost of tax compliance they incurred. These findings are in line with the study by Smulders et al. (2017) who cite that, small businesses are confronted by the high fees that they have to pay tax practitioners in order to comply with the tax law because the majority of the entrepreneurs do not have any accounting or tax knowledge. Furthermore, the fees charged by tax practitioners increase with the business size and small businesses disproportionately spend more in comparison to firms with large turnover (Evans and Tran-Nam, 2014). The findings are further corroborated by Eichfelder and Vaillancourt (2014) who found that the cost of tax compliance to be high, regressive and that the phenomenon was found to an international problem permeates across the borders.

## **8.3. Demographic Factors that Influence Small Businesses to Use the E-Filing Tax System**

There are numerous factors that influence small business taxpayers to use the e-filing tax payment system. Ibrahim (2015) cited that in Malaysia, individuals who did not use the electronic tax filing system were mostly self-employed females between the ages of 45 to 64 years and lived in remote areas of the country.

Islam et al. (2015) found that demographic factors such as availability of internet and computer, level of schooling, the gender of the taxpayer, individual's age, computer and internet literacy had a significant influence on the use and adoption of the electronic tax filing and payment system. In this context, Islam et al. (2015) cited that individuals who are most likely to adopt and use the electronic tax filing and payment system have a high level of schooling, young with computer knowledge,



internet literate and have the facilities of accessing internet and computer. However, Islam et al. (2015) did not find any significant influence of race and level of schooling on user satisfaction regarding the electronic tax filing system. One respondent said:

*e-filing is easy to use, and it also offers convenience as you can use it at any time, any place if you have an internet connection. I don't have to travel and queue for long hours at the tax office (less time consuming) if I have access to e-filing and it is also cheaper. However, one needs to have a computer, internet connection and knowledge of computer operation for them to use e-filing.*

The findings of the study showed that access to the internet, computer and computer knowledge of taxpayers has a significant influence on personal use of the e-filing tax system. These findings were supported by Obert et al. (2018), who pointed out that the non-availability of internet connectivity posed difficulty in the success of the e-filing tax system in Zimbabwe. In addition, Ibrahim (2015) held that the choice of using the electronic tax filing system in Malaysia is mainly influenced by taxpayer's understanding of information technology rather than the understanding of tax law. Sandhu et al. (2014) concurred with the study findings when they revealed that certain taxpayers in Jordan encountered challenges relating to the digital divide (for example gender bias, region, accessibility of the internet and financial ability) that hinder the adoption of the e-filing tax system.

#### **8.4. Non-Demographic Factors that Influence Small Businesses to Use the E-Filing Tax System**

Small businesses are influenced by other non-demographic factors to use the e-filing tax system. Chaouali et al. (2016) found that the adoption of online self-service technologies can be hindered by uncertainty and risks associated with its use, and if citizens cannot trust e-filing system, they would continue to use the traditional approaches because there is no alternative to e-filing. Chaouali et al. (2016) explained that for taxpayers to be encouraged to use the e-filing system confidence and security must be proven. Santhanamery and Ramayah (2014) cited that more taxpayers can be persuaded to continuously adopt the tax filing system by maintaining confidentiality and privacy of the information submitted online, which enhances taxpayer satisfaction. The research findings revealed that the issues of online security and ease of use of the e-filing tax system exert significant impacts on small business use of the e-filing system. One taxpayer stated that:

*e-filing is easy to use unlike before where you had to go to the branch and push envelopes into the letterbox for a taxpayer to be sure that the VAT returns are going in on time. I can also view my returns online and see if my payment has been received, and it is convenient and saves time. However, I worry about the online security of my information because people's personal information has been stolen and used for other illegal activities, or they end up being victims of online scams.*

The ease of use and online security of e-filing are fundamental factors that influence small business taxpayers to use the e-filing tax payment system. These findings are supported by Pitchay Muthu Chelliah et al. (2016) who pointed out that the design of the website should be simplified and made more user-friendly uncomplicated to use, and correct tools put in place to give prompt response to citizens on the progress of their application or enquiries. The Technology Acceptance Model (TAM) mainly illustrates the individual's technology adoption behaviour (Maji & Pal, 2017). The findings of the study are substantiated by the Technology Acceptance Model that is centred on the influence of perceived usefulness and perceived ease of use relevant to attitude regarding the adoption of technology and these are the elements that affect beliefs of individuals (Mpinganjira, 2015).

Additionally, Maillet et al. (2015) cited that end-user satisfaction together with continued use of the e-filing system can be motivated through the provision of sufficient end-user assistance to taxpayers which facilitate the challenges that taxpayers might encounter. Maji and Pal (2017) explained that behavioural intention and individual user satisfaction levels could be impacted negatively when there is e-filing system failure and slow response during the time of submission or during peak hours.

The following section provides the recommendations for the study drawn from the analysis of findings.

## **9. Recommendations**

Based on the main findings of this study, it is recommended that SARS provide small business taxpayers in rural areas with speed points or mobile units to reduce their travel time and, subsequently, reduce the tax compliance costs of small businesses located in rural areas.

Additionally, the study by Eragbhe and Omoye (2014) pointed out that distance from the tax office increases tax compliance costs for small business taxpayers that are located in rural areas as they have to travel long distances to the tax offices that are located in towns (urban areas). This increases their transport costs, travel time and causes inconvenience, which affects the taxpayers psychologically. Further studies should investigate the impact of the distance from the tax office on tax compliance.

## **10. Conclusion**

The study found that fees charged by accountants and tax practitioners were the main costs incurred by small business taxpayers. Furthermore, the study pointed out that small business taxpayers are faced with litigation cost or fees charged by lawyers. The other indicated costs in the study are the computer and software costs. The cost of travelling to the tax office is another expense highlighted by the study. Small business taxpayers also described the stress and frustration they encountered during the time of filing their tax returns and during the audit process. Taxpayers pointed out that the time they spend travelling to the tax office contributes to the burden of tax compliance. In addition, the study revealed that small business taxpayers spend time on tax calculation and sorting documents for tax submission. In other words, they incur time costs during the process of complying with the tax laws. The study findings showed that ease of use of the e-filing system influenced the majority of small business taxpayers to use the e-filing tax system. When taxpayers find it easy to use the website, it will motivate them to continue using it.

In addition to the above, the findings indicated that the demographic factors such as internet and computer knowledge exert a significant influence on taxpayer use of the e-filing tax system. Additionally, small business taxpayers pointed out that online security exercised an influence on their use of the e-filing tax system. Owing to that fact that the e-filing tax system contains sensitive taxpayer information, secure transactions become of paramount importance. The other factor that was found to influence small business taxpayers to use the e-filing tax system was that the e-filing tax system does not require a high level of education. When taxpayers encounter challenges with the e-filing system, they can contact SARS for assistance. In addition, the study findings indicated that the past experience of users with e-filing exercised an influence on their use of the e-filing tax system. When a taxpayer visits the e-filing website and encounters challenges with the system, s/he will be

discouraged to continue using the e-filing system, however, if the experience is a pleasant one s/he will be encouraged to continue using the e-filing system.

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