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**EFFECTS OF COMPLIANCE COST IN VALUE ADDED TAX (VAT); A CASE
STUDY OF SMALL BUSINESSES IN BOTSWANA**

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A research report submitted to Graduate School of Business and Leadership in partial
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ABSTRACT

EFFECTS OF COMPLIANCE COST IN VALUE ADDED TAX (VAT): A CASE STUDY OF SMALL BUSINESSES IN BOTSWANA

This research concentrated mainly on locating the effects of compliance costs by introducing Value Added Tax (VAT) in Botswana on Small businesses.

As not much research prior to this area has been done in Botswana, the researcher had to depend on the extensive literature review and the analysis of primary data collected through questionnaires. The variables used in testing the Effects of Compliance Costs are Regulatory Compliance Costs and Value Added Tax Administration Costs. A total of fifty (50) questionnaires were sent to wholesalers, retailers and tax authorities in Botswana to get the Effects of Compliance Costs in Botswana. Out of fifty questionnaires sent to respondents forty four (44) were received duly completed.

The study found out those Small businesses on average spent P3000.00 on Compliance Costs for Value Added Tax record keeping and compliance of returns. The total Compliance Costs were around P1000.00 to P5000.00 on each Small Scale businesses.

Finally, it is suggested that Value Added Tax (VAT) statutes regulation forms should be made simple so that Compliance Costs should be reduced. It is also essential that government should consult private sector before any legislation such as Value Added Tax is done.

(Key words: Value Added Tax, Compliance Costs, Small businesses, Regulatory Compliance Costs and Tax Compliance Costs)

DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is only original work and that I have not previously in it's entirely or in part submitted it at any University for a degree.

Signature

Date: January 31st, 2009

CERTIFICATION BY SUPERVISOR

I certify that this dissertation was written by Mmoloki Calvin Maswabi bearing student number 18042201 for Graduate School of Business and Leadership in North West University Mafikeng, South Africa as a requirement to complete his Masters Degree in Business Administration.



.....
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January 2009

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CHAPTER 1

1.0 ORIENTATION

1.1 Introduction

Taxation compliance costs have, in the last twenty-five years, been the subject of growing interest, especially in developed countries on the part of both academics and governments. Research of this kind is still very rare among transition countries, mostly because it requires complicated investigation involving the collection of voluminous primary data as such data is not available from published sources.

Even in transition countries, governments are realizing the necessity of controlling the cost of tax compliance and to balance such costs with the benefits derived out of regulations. This is particularly true to Small businesses development due to their size which is more vulnerable to regulatory burden than larger businesses. Without regulations there will be unwieldy development hence it is better to move to smart regulation rather than no regulation.

Compliance with tax regulation is one area of regulation that is rated as a high burden. Recent studies (KPMG, 2008) in South Africa have confirmed that regulations and particularly tax compliance is an issue for Small businesses.

Before initiating a detailed discussion on tax compliance costs it is necessary to gain a broad understand about the impact of these costs on Small businesses. As the focus of the study is centred on assessing the impact of tax compliance costs on Small businesses in Botswana, it is essential to understand the tax framework of Botswana and its tax compliance costs. This is followed by a discussion of two tax jurisdictions (Income Tax and Value Added Tax) that are known for their wide attempts at creating enabling environments for Small business.

Tait (1988) makes an interesting point that most businessmen do not actually compute what it costs them to comply with government requirements; they just know it costs money and they resent it. In fact during the period before introduction of VAT and up to the introduction of Value Added Tax (VAT) in Botswana much discussion was placed on the practical difficulties of administration of VAT together with its inflationary nature and as such its implications on the consumer. The trader was almost left out. It seems it was forgotten that the other half of a successful tax regime depends on the trader and his feelings about the costs to him of complying with the requirement of VAT.

Bank of Botswana Monetary Policy Statement (2002) did acknowledge, however, that compliance costs of VAT would be a problem to the trader than would have been the case with the aborted Sales Tax. Gaolatlhe (2002) in his budget speech did not mention even at once the implications of the then imminent introduction of this new form of tax on the trader.

It is against this background information that this research was conducted; to identify and define costs of complying with VAT to companies in Botswana. The reader is brought to the attention that no similar studies have been carried out in Botswana and as such comparison of data is based on studies carried out abroad. The reader is also made aware that compliance costs of taxes do exist but the problem is finding them and quantifying them.

1.2 Problem Statement

Although the existence of Compliance Costs (CC) in any legislative requirements are unavoidable and may not be necessarily recorded, it is better for stakeholders as well as government to know the CC so that the same may be minimized. It is noted that the CC of VAT in Europe in 2006 (in the year of VAT introduction) were high and was considered the most serious officially created burden on businesses (UK, Department of Trade and Industry, 1985). Similar trends are seen in other developing countries when they introduced VAT (Pillai 2000). As Botswana introduced VAT in 2002, Pillai's study could not include Botswana then. In addition, when VAT was introduced in Botswana, experts from Government and other sectors thought about the effect of VAT on inflation not on Compliance Cost. Based on these experiences seen elsewhere, the researcher wants to probe the effects of CC on VAT in Botswana.

1.3 Research Objectives

The main objective of the study is to investigate the effects of VAT compliance costs on Small businesses in Botswana. In order to achieve the main objective of the study the following issues are to be probed in:

- Identifying costs of compliance with VAT (both tangible and intangible).
- Measuring and quantifying VAT compliance costs.
- Finding-out if stakeholders' awareness about the costs of compliance.
- Providing source of information to stakeholders (both traders and government) on VAT compliance costs.

1.4 Hypotheses

In addressing the main aim of the study, the study seeks to test the following hypotheses:

- Small business tax compliance costs are regressive – the same pattern of regressively that is internationally proven to be true for the entire range of businesses holds also for the subgroup of the business units that are personal income tax payers;
- Taxpayers are not aware of what is meant by compliance costs; there is considerable accounting-taxation overlap and this is negatively correlated with firm size;
- Smaller business relies heavily on external professional accountants; as the size of business increases, they appear to spend proportionately more money expanding internal resources for tax compliance;
- Labour costs are the most important part of the tax compliance costs;
- VAT regulation is responsible for the bulk of compliance costs;
- The proportion of tax compliance costs in the relevant tax revenues is high.

1.5 Conceptual Clarification

1.5.1 Compliance costs

Compliance costs are defined as the costs incurred by taxpayers in meeting the requirements imposed on them by the law and the revenue authorities, over and above the actual payment of tax and over and above any distortion costs inherent in the nature of the tax (Sandford, 1995). They entail labour costs (owner, unpaid help, internal bookkeeper/accountant or other employee who handles taxes), external costs (bookkeeping/accounting office) as well as some other internal non-labour costs (software and hardware, forms and stationary, postage and telephone, instructional literature and seminars, traveling costs, court costs).

Sandford (1995) further indicates that compliance cost is expenditure of time or money in conforming to government requirements such as legislation or regulation. For example, people or organizations registered for value added tax have the extra burden of having to keep detailed records of all input tax and output tax to facilitate the completion of VAT returns. This may necessitate them having to employ someone skilled in this field, which would be regarded a compliance cost.

1.5.2 Value added tax

Value added tax (VAT) is tax on exchange. It is levied on the added value that results from each exchange. It differs from a sales tax because a sales tax is levied on the total value of the exchange. For this reason, a VAT is neutral with respect to the number of passages that there are between the producer and the final consumer. A VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax (Wikipedia, 2008).

1.5.3 Small business

Small business may be defined as a business with a small number of employees. The legal definition of "small" often varies by country and industry, but is generally under 100 employees in the US while under 50 employees in the EU (In comparison, the American definition of mid-sized business by the number of employees is generally

under 500 while 250 is for that of EU). These businesses are normally privately owned corporations, partnerships, or sole proprietorships. However, other methods are also used to classify small companies, such as annual sales (turnover), assets value or net profit (balance sheet). European Union, for instance used headcount, turnover and balance sheet totals. Small businesses are common in many countries, depending on the economic system in operation (Wikipedia, 2008). In terms of Botswana a small company is a company whose gross income does not exceed P 300 000 (Price Water House Coopers (2007). A company is considered to be resident in Botswana for tax purposes if one of the following conditions applies:

- a) It has a registered office or place of incorporation is in Botswana; or
- b) It is managed or controlled in Botswana (Price Water House Coopers, 2007)

CHAPTER 2

2.0 LITERATURE REVIEW

Finding an “optimal tax regime” for Small businesses is challenging from both the standpoint of the revenue authority and the taxpayer in developed and developing countries. From a design perspective, it is particularly difficult in developing countries due to the character of Small businesses and the economic environment. First, the majority of economic output in most Sub-Saharan African countries is produced by the informal sector (in which businesses operate under the tax radar); thus the tax base is constantly shifting (Palmade and Anayotis, 2005).

Small businesses perceive the tax system as incurring more time and financial cost and thus do not see any incentive to join the tax net even if they could. Small businesses face an ‘inverse economies of scale’ impact of paperwork and procedures required for tax authorities (Blazic, 2002). It takes an equal amount of time to register and pay income tax on profit.

Many Small businesses in developing countries lack the capacity and training to be able to undertake monitoring for tax compliance. Owners and operators of Small businesses are more likely to be poorly educated and, therefore, not have the accounts and records necessary for many tax systems. However, the requirement to pay tax may force Small businesses into keeping accounts.

2.1 Small business tax design

The broad consensus on ‘good tax policy’ argues for a simple tax structure, with few exceptions and derogations, which is broadly applied across the whole economy (Stiglitz: 1986). Applying this argument to Small businesses, therefore, would favour them not receiving any special treatment in the tax code or its implementation. Yet, given the situation of Small businesses and especially the capacity constraints issue it is clear that Small businesses should be taxed differently for both efficiency and equity reasons.

Golab (1996) argues that a flat tax system (replacing a number of tax instruments) would benefit Small businesses the most. First, because the compliance costs for such a system

are far lower and this benefits Small businesses disproportionately. Second, as tax credits and tax incentives tend to benefit larger, better connected and more influential businesses. Their elimination, therefore, in allowing the introduction of a lower rate flat-tax, benefits smaller businesses. Third, the increase in personal tax exemption benefits Small businesses especially as many operate as sole-proprietors. Some versions of the flat tax include the exemption of dividends from taxable income, which eliminates the advantages accruing to debt finance.

International best practice suggests that any special tax regime for small enterprises should offer reduced compliance costs and a reduction in the actual tax burden. This reduction in the actual tax burden is intended both to compensate, to some extent, for the particular difficulties that this sector faces in accessing capital and to act as an inducement to enter the “formal sector”. Experience in transition countries has shown that simplified tax systems generally not only reduce compliance costs bookkeeping, and reporting standards but also considerably lower the actual small business tax burden. Revenue yields mostly are minor and represent a negligible share of total tax collection.

2.2 Small Business and VAT compliance costs in Botswana

There have been no studies of Small Scale Enterprises (SSE) in Botswana, addressing issues of compliance costs of VAT. Hence this study is useful in finding out the effects of compliance costs on Small businesses. The cost of complying with tax especially VAT which is being introduced across the world (and as recent as 2002 in Botswana) as a replacement to the retail sales tax, has become the subject of growing interest, especially in developed countries (Blažić, 2002). Several researchers define the cost of compliance as the costs over and above the tax liability, which are incurred by the taxpayer or third party in meeting the requirement of the tax system (Blažić, 2002; Pillai, 2000; Sandford, 1995).

Research in the area of compliance costs has more or less followed the same procedures. To estimate VAT or any other tax compliance costs needs an evaluation of the size and costs of the resources committed to VAT work within the business (Tait, 1988). This is extremely difficult (Tait, 1988; Pillai, 2000; Kulis, 2002) and the only practical way to carry out research is to ask those involved to make an informed computation. As a result

it has been demonstrated that interviews guaranteed a better understanding of the stated questions and, therefore, produced reliable results (Blažić, 2002; Kuliš, 2002). The data collected in these researches were analyzed mainly by calculating the costs of the time of employees expended, external costs, the materials costs, and some other costs as various authors have shown (Blažić, 2002; Kuliš, 2002).

Other studies aimed at discovering the commencement costs and routine costs associated with VAT, and what factors principally determined the level of the costs (Pillai, 2000). (Kuliš, 2002) also tested the hypothesis that the compliance costs are higher in the initial phase of the introduction of the taxation, which is during the running-in period for both taxpayer and tax administration. All the researchers did not attempt to measure psychological cost (Pillai, 2000) for instance ; concern, unease, uncertainty and other stress situations, because it is almost impossible to quantify them (Kuliš, 2002; Pillai, 2000).

The existing body of research on compliance costs as referenced by Pillai (2000) suggests that; compliance costs tend to be regressive between individuals, and they form a higher proportion of the total costs of the small than the large businesses (Sandford et al. 1981). This evidence was supported in other studies (Blažić, 2002; Kuliš, 2002; European Tax Survey, 2004; Pillai, 2000), where it was found that tax compliance costs are regressive. Also Pillai (2000) writes that compliance costs of changes in the tax system are often high and highly variable (Sandford et al. 1979). This is true as supported in studies by (Kuliš, 2002; European Tax Survey, 2004; Pillai, 2000), where the hypothesis was tested and has proven that the compliance costs are higher in the initial phase of the introduction of the taxation. As Kuliš (2002) writes “....it is held that costs are much greater while the tax is being introduced.....”

While traders' compliance costs are undoubtedly real, there may be offsetting benefits for traders against these costs (Tait A, 1988). This is because VAT compliance obliges companies or traders to practice proper record keeping and accounting principles which are in most cases legal requirements for many businesses (Bank of Botswana, 2002). Thus the introduction of VAT can be seen as having the advantage of improving management and decision making of businesses. Nonetheless compliance costs are real

and Pillai (2000) recommends that tax policy makers and the tax revenues services should look for a system by which traders are financially repaid for the work of collecting VAT. It is asserted that traders evade taxation because of the desire to avoid paying compliance costs (Pillai, 2000). Kuliš (2002) concludes that the tax system should be stable, without frequent changes, as this makes operations more difficult for both taxpayers and the tax administration. However, Pillai (2000) cautions any overestimation of the compliance costs. Results suggest costs below 10% of taxes paid, and an even lower figure for larger companies, with Small businesses suffering higher (sometimes much higher) compliance costs than large businesses. This is a suggestion that compliance costs are relatively low (Blažić, 2002; Kuliš, 2002), especially in large corporations (Bartlett, 2002; European Tax Survey, 2004; Pillai, 2000).

The issues raised in the literature review are relevant to the situation in Botswana hence the conduct of this study. It is without doubt that a change in a tax regime affect negatively on business and this is mostly in terms of costs and especially high costs in the phase of the introduction of the new taxation. (Bank of Botswana, 2002; Kulis, 2002) acknowledged the problems associated with a new tax and advised that consideration should be given in weighing the decision of whether to introduce VAT.

In summary, this chapter provided a theoretical groundwork of this and other similar studies. It highlighted the common problems faced by companies all over the world after the introduction of VAT and suggestions that VAT impacts heavily on the small trader than the larger trader. The supposition that compliance costs of VAT are real and need to be investigated in Botswana has been made in this chapter.

2.3 Neils Brooks Theories of VAT Compliance (2001:20-25)

Any strategy to prevent tax/VAT evasion should begin with a theory of why people cheat on their taxes. The theoretical and empirical literature on tax evasion is enormous and a number of recent surveys are referred to in the bibliography of the concerned literature. Naturally, much of it is unconvincing and ambiguous. Nevertheless, to give an indication of the full range of variables that social scientists have studied in attempting to answer this question, the researcher will just set out here the basic theories from economics, psychology and sociology upon which the research is based.

2.4 Economic Theories

Economists approaching the question of why people fail to comply with the tax laws begin by constructing a theory based upon the assumption about human behaviour that underlies all of economics, where individuals generally act rationally in evaluating the costs and benefits of any chosen activity. Consequently, in modelling the choice confronting individuals who are deciding whether to engage in tax evasion, their basic model assumes that people would commit evasion when the expected utility of their criminal act exceeds its expected disutility. Therefore, the independent variables economists examine include all phenomena that affects this rational calculus, most notably the tax rate, since that determines the benefits of evading paying tax on a given amount of income; the penalty structure, since that is part of the expected cost of evading; and, the probability of being caught and sanctioned, since that is also relevant in determining the expected disutility of evading.

Naturally, economists have developed various theoretical models of taxpayer evasion behaviour that are considerably more complex than a simple model that assumes that taxpayers optimize their conduct in reacting passively to whatever tax rules are in force. For example, since in reality there is a high degree of interaction between taxpayers and revenue departments, a number of economists have attempted to model the tax evasion decision in terms of game theory. Also, some economists have used partial and general equilibrium models to take account of factors such as the degree of substitutability in the consumption of goods and services produced in the evasion and non-evasion sectors that are ignored in standard theories of choice under risk models.

2.5 Psychological Theories

Many analysts have suggested that the economic model of human behaviour reflects a too simplistic view of human beings and, in the real world of everyday life, is without any predictive value. Like economists, psychologists also tend to explain human behaviour in terms of variables that relate to individuals, however, they tend to model human behaviour in much more complex terms than economists. Unlike economists, they would not think of modelling taxpayers, in this context, as perfectly amoral, risk-averse utility-maximizers. Instead, they might be interested, as key independent variables in the tax evasion decision, in factors such as the individual's views about the moral acceptability

of tax evasion. That is, unlike economists, psychologists tend to assume that individuals are moral beings with ideas and values of their own and that commands and their own impulses filter through and are affected by this moral screen. Furthermore, they would note that variables such as the probability of detection, size of fines and so on are mediated through individual attitudes and perceptions.

In addition, for a number of reasons, psychologists would be troubled by the fact that economic theories of compliance are premised on the assumption that non-compliance is the result of considered and conscious decisions by taxpayers. Firstly, the assumption overlooks the considerable force of habit in accounting for behaviour. In many situations compliance or non compliance may be simply the result of habit, doing what is easiest, or indifference. So in studying compliance psychologists would want to explore the factors that might affect the movement of taxpayers from inertia to active decision-making and back to inertia again. How tax issues become silent? What causes people to begin thinking about changing their behaviour? How do people form habits?

Secondly, the assumption that taxpayers make a rational calculus of the costs and benefits of evasion overlooks the fact that decision-making is inevitably a process. Most people are unlikely to approach taxpaying in terms of simply making a decision of whether to comply or not. Rather, they undertake or fail to undertake a series of actions whose cumulative result is compliance or non-compliance. For example, keeping track of all income, maintaining records, padding a particular expense, making a guess at what the law is.

These are discrete actions and decisions that people may confront and make without reference to an overarching decision to comply or not to comply. Finally, psychologists would want to consider the subjective framing of tax decisions.

2.6 Sociological Theories

Sociologists tend to see the cause of variation in human behaviour in the structure of the social. Thus they explain people's actions by examining the forces that impinge on the positions that they occupy within the system. Among other things, this means that they extend the basic economic model of crime control by making the point that law is not the

only source of punishments and rewards. Taxpayers live and work in society. They have family, friends, and co-workers who are sources of rewards and punishments. These social forces shape behaviour just as effectively as the rewards and punishments administered by the state. Given their basic assumptions about human behaviour, sociologists are also likely to look at attitudes toward government, views relating to the enforcement of tax laws, views about the fairness of the tax system, contact with the tax department, and demographic characteristics as independent variables. Social scientists from almost every discipline have turned their attention to tax evasion as a social phenomenon. What have we learned from their efforts? In a perfect world, after all of this research, we would by now have a theory about why people comply with the tax law from which an interested tax administration department could deduce a comprehensive compliance strategy. Naturally, no such theory has emerged from the research. Like much empirical research, what we, in the main, end up learning is how much we do not know.

Aside from any empirical research, a sensible compliance strategy should be built on the premise that everyone will cheat on their taxes if they have the opportunity. Thus minimizing opportunities for cheating becomes an overriding goal of tax administration. In part this goal is based on the fact that many people would cheat on their taxes if given the opportunity, but it is also based upon the recognition that, although there are likely a good number of people who sincerely desire to pay the tax they legally owe, we all suffer from a weakness of will. Given a clear opportunity, in spite of our best intentions, we all might be tempted to cheat on our taxes.

2.7 Ethical considerations

Respondents may fail to return the questionnaires and there may also be communication barriers due to misunderstanding of the tax issue language used. However the problem of respondents not returning is to be avoided by explaining the purpose of this investigation to each recipient of a questionnaire. The researcher will use simple and easy language for ease understanding by respondents. Simple and clear instructions will be used to guide the respondents to go through the questionnaire so that they spend lesser time in filling out the questionnaire.

CHAPTER 3

3.0 METHODOLOGY

3.1 Introduction

This chapter reflects the methodology and research design used in the study. The following aspects are dealt with; research approach; research design; data collection methods; target population; data analysis; procedures and quality assurance.

3.1.1 Research design

It is important to distinguish on different types of designs which could be used to guide the direction of any study.

For the purpose of the study, the researcher did comparative analysis of two sets of Small businesses consisting of Small businesses which are complying with VAT against those that are starting looking at the impact of compliance costs on such Small businesses.

The study used exploratory research designs. According to Cooper and Schindler (2005) an exploratory design is particularly useful when researchers lack a clear idea of the problems they will meet during the study. Through exploration, a researcher develops concepts more clearly, establishes priorities, develops operational definitions and improves the final research design. Exploratory research design may use qualitative and quantitative techniques, although it heavily relies on qualitative techniques. Exploratory research design was both used to explore the effects of compliance costs on Small businesses in Botswana and to describe the current situation with regard to VAT compliance costs of long existing Small businesses.

3.2 Sampling

Systematic sampling technique was selected as the most appropriate technique for the study. This was used because it is suitable for all sample sizes and it is easy to explain.

3.2.1 Sampling frame

For the purpose of this study, the sampling frame consisted of all Small businesses in Botswana, which is constituted of beginning and long established Small businesses.

3.2.2 Sample size

Based on the information obtained from the Enterprise and Establishment Register of Small businesses, a list of beginning and long established Small businesses was established. At the end of the exercise a sample size of 50 respondents was drawn as follows: 25 respondents were newly established Small businesses, and 25 were long established Small businesses. This was drawn from a list of newly registered and those who had long been operating from BURS database. The names of those Small businesses that appeared under each category were selected and classified according to the addresses which indicated their location. The list was divided into different Small Business category, which matched the location of each small business. Each Small Business category was divided by the numbers equivalent to the size of the desired sample. This was aimed to make a comparative analysis for these two groups of businesses.

3.3 Procedure of data collection

3.3.1 Documentary secondary data

Documentary secondary data are often used in research projects that also use primary data collection methods, and it includes written documents such as notices, correspondences, minutes of meetings, reports of shareholders, diaries, transcript of speech, administrative and public records. Documents from beginning Small businesses and long established Small businesses were studied.

3.3.2 Administration of questionnaire

In total, two sets of structured and unstructured questionnaires were hand delivered, one set to newly established Small businesses and the other set to long established Small businesses. Before the questionnaires were sent out, they were pre-tested using staff

members at Incredible Connection. The purpose of pre-testing was to ensure that the questionnaire addresses the problem, and will be able to collect the required data. All copies of the questionnaire were accompanied by a covering letter (Appendix A). The letter explained the purpose of the study and its intentions.

3.4 Data Processing

Quantitative data was analyzed in a form of statistical presentation wherein the information received back from respondents were coded and input into the computer software package known as Statistical Package for Social Sciences (SPSS). The software then calculates mean scores according to each of the statements in the questionnaire. The information was then used for finding out frequency distribution tables, bar charts and pie charts. SPSS was used because of its simplicity.

3.5 Source of Information

Primary data was collected by the use of the questionnaire designed. Most of the information about VAT and its implications were collected from available secondary data such as journals, books, articles including newspaper articles and the web. Information accessed from scholarly literature (peer reviewed papers, theses, books, and abstracts) proved particularly useful. Background reading of the above mentioned helped the author to get an in depth knowledge of the topic but information on studies or essays written on compliance costs of taxes or any other legislative requirement for companies in Botswana was not available as is not published.

3.6 Summary

This chapter has highlighted methods used to collect data and the procedures for data processing. The method for data collection for this study was a questionnaire which included questions that elicited responses concerning the costs associated with VAT compliance from respondents. Face- to- face interviews were the preferred methods but due to constraints of time they were not possible.

The next chapter looks at the actual findings and the data presentation of those findings. A discussion of the findings will follow.

CHAPTER 4

4.0 DATA PRESENTATION AND ANALYSIS

This chapter consists of three (3) parts. The first section is the Data Presentation part. In this section the responses are outlined together with the VAT costs associated with them. The second section deals with the analysis of data obtained from the study. Then the third section will be the discussions in relation to the data and the literature review.

4.1 Data Presentation

4.1.1 The Respondents

Overall a total of fifty (50) questionnaires were sent to companies and/or their representatives between September and to October 17th 2008. Forty four (44) Companies responded to the questionnaires. This represents a response rate of 88%. Table 1 and figure (I) present the statistics of the companies.

Table 1: Classification of the Companies based on its trade

Companies	Respondents	% Rate
Building	10	20.0
Food Stuff	4	8.0
IT	5	10.0
Media	1	2.0
Retail	9	18.0
Retail Manufacturing Services	1	2.0
Security	4	8.0
Specialised Dealer	5	10.0
Total	44	88.0

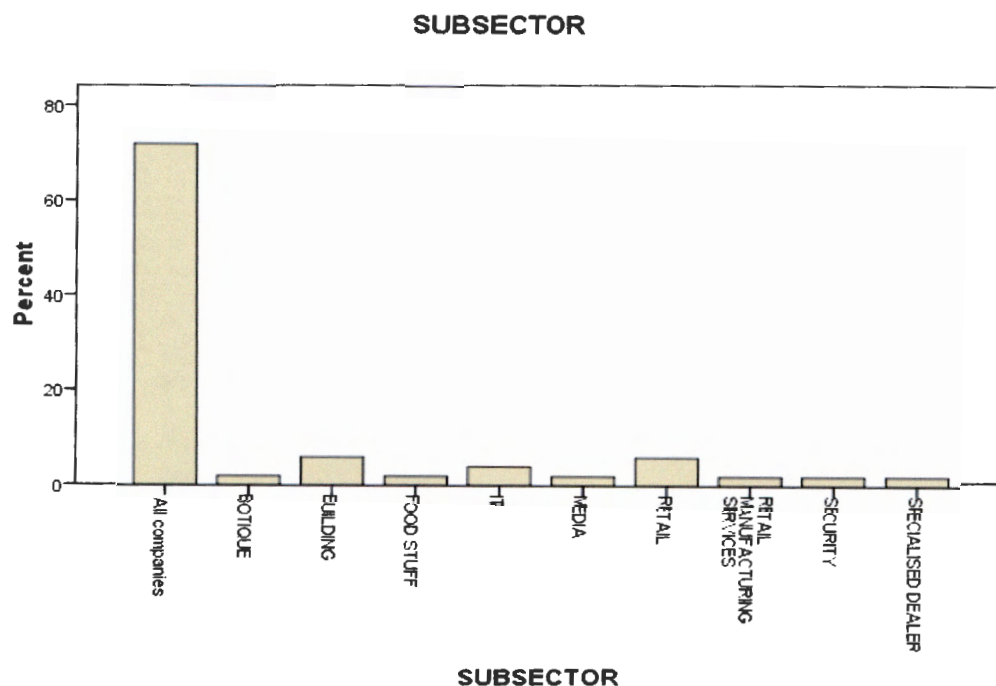


Figure I: Company Statistics

The following respondents participated in the survey: ten (10) from the retail sector (including manufacturing), ten (10) from the construction, five (5) from the IT Industry, four (4) from security, one (1) from media, five (5) from specialised dealer, five (5) from boutique, and four (4) from food stuff.

Table 2: Annual turnover of Companies subjected to VAT

	Number	Minimum	Maximum
Total Annual Turnover	44	252000	500000.00
Valid Number (list wise)	44		

From the responses obtained above, for each of forty four (44) of the companies, had total annual turnover exceeding P250 000 and are thus taxable under VAT (VAT Act 2002, as amended). Of the forty four (44) companies surveyed, twenty three (23) were “Very Small” and twenty one (21) belonged to the “Small” category.

4.1.2 VAT Associated Costs

Table 3: Tax consultant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excise Taxes	36	72.0	72	72
	Sales Taxes	7	14.0	16	88
	Total	44	88.0	88.0	
Total		44	88.0		

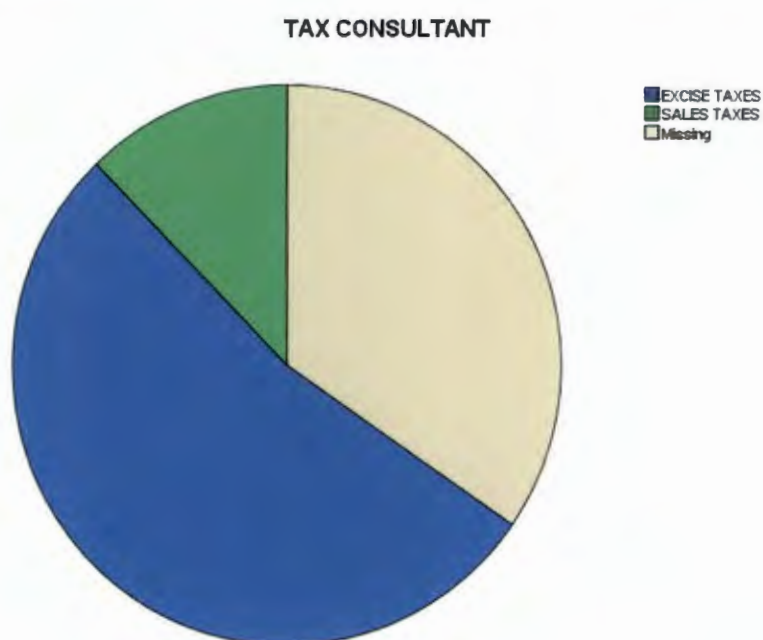


Figure II: Tax Consultant

Table 2 and figure (II) above shows that thirty three (44) companies, (88%) obtain VAT advice from tax consultant on issues of exercise and sales taxes. Most advice being for exercise taxes as represented by twenty six (36) companies, (72%).

Table 4: Utilization of Tax advisors

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	38	76.0	86.4	86.4
	NO	6	12.0	13.6	100.0
	Total	44	88.0	100.0	
Total		44	88.0		

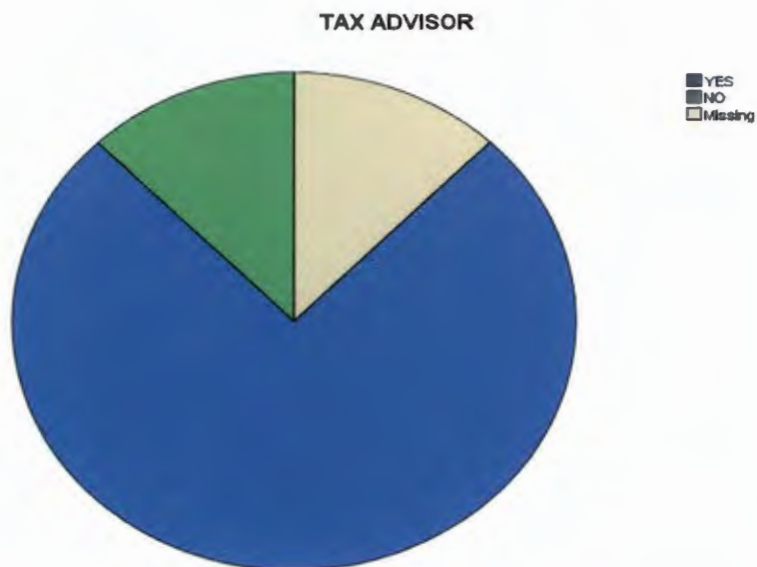
**Figure III: Tax Advisor**

Table four (4) and figure (III) above shows that thirty eight (38) out of valid forty-four (44) companies represented by 76% employ an outside tax advisor in private practice to help carry out their VAT work. This clearly shows that companies utilize the service of tax advisors.

Table 5: Utilization of paid Accountant's services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excise Taxes	16	32.0	32.0	32.0
	Sales Taxes	28	56.0	56.0	88.0
	Total	44	88.0	88.0	
Total		44	88.0		

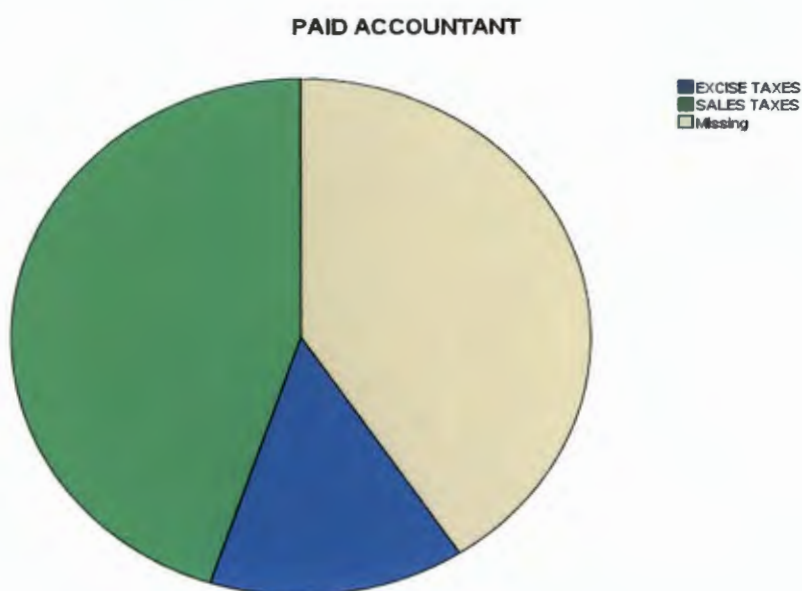
**Figure IV: Paid accountant**

Table five (5) and figure (IV) above shows that thirty companies obtain VAT advises for excise taxes and sales taxes from paid accountant and most advice being for sales taxes represented by valid 88%.

4.1.3 Nature of Compliance Costs of Excise Duties

The results from ,figure (II), (III) and (IV) of the study show that the registered companies obtain advice mostly from outside tax advisors or accountants in private practice to help do excise duty work and complete VAT forms as shown by 77% forty four (44) of total response.

Table 6: Persons responsible to determine VAT for the Companies

	Frequency	Percent	Valid Percent	Cumulative Percent
Accountant	10	20.0	20.0	20.0
Family Friend	3	6.0	6.0	26.0
Family Member	3	6.0	6.0	32.0
Firm	11	22.0	22.0	54.0
Tax Agent	17	34.0	34.0	88.0
Total	44	100.0	100.0	

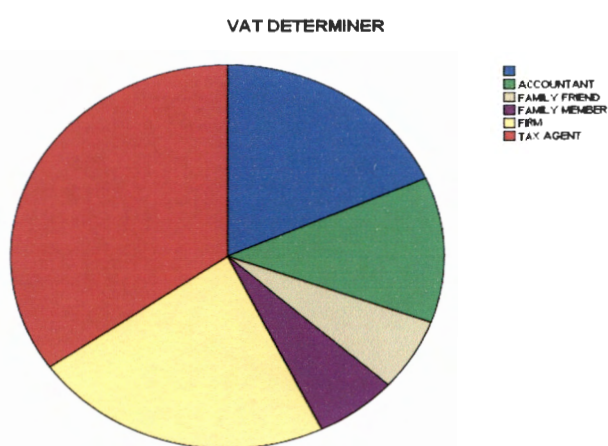
**Figure V: VAT determiner**

Table 6, Figure (V) show that almost all companies obtain VAT advice from outside people, the highest percentage (34%) being held by tax agent. The share of external costs rises first tremendously as the result of a lot of owners in the second size class getting rid of tax work and giving it to the accounting offices and falls again in the third size class as a result of the engaging more internal sources (accountants) for accounting and tax work. It is obviously extremely small in the last size class with the entire accounting (including tax) work being made inside the company and external sources being mostly used for specialized tax advising.

4.2 Measuring Compliance Costs

Some of the firms could not give the amount of compliance costs incurred in certain cases as requested by the questionnaire. This was due to the fact that these firms did not incur such costs at all or they could not quantify the costs accurately. For example, all the interviewed firms incurred costs associated with in-house bookkeeping; cost of someone to count for VAT purposes, calculators, computers and software, but some firms did not indicate the specific amounts.

Table 7: The number of companies incurring some particular expenses

Statistics					
	BOOK KEEPER	SOMEONE	CALCULATORS	COMPUTERS	SOFTWARE
Num Valid	17	23	26	23	20

Table 8: Overall Summary of amount paid (incurred) by companies

BOOK KEEPER	SOMEONE	CALCULATORS	COMPUTERS	SOFTWARE
45644.00	48954.00	30386.00	78232.00	75114.00

Table 7 and 8 above show that seventeen (17) companies incur costs at a total cost of P45 644.00 associated with in-house bookkeeping. Twenty three (23) companies incur costs at a total of P48 954.00 associated with someone to count output for VAT purposes. Twenty six (26) companies incur costs of buying calculators used in calculating VAT output at a total of P30 386.00. Furthermore a total of P78 232.00 is incurred by buying computers to be used in calculating the VAT output by twenty three (23) companies. Only 20 of the total forty four (44) companies incur P75 114.00 to buy the software suitable for VAT output.

Table 9: Total turn over (TT) and compliance cost volumes (CC)

Category of Companies	Number of Cases	CC (<i>mean</i>) Pula	TT (<i>mean</i>) Pula	CC as percentage of TT (%)
Very Small	5	2 555.44	156 755	0.16
Small	39	38,000.00	500 000	0.76

Table 9 shows the compliance costs as a percentage of total turnover in the case economies of scale as it is clearly demonstrated as the “Very Small” had CC of 0.16% with mean Turnover of about P100 000 compared to CC of 0.76 % for “small” companies with a mean Turnover of about P500 000.

Table 10: Company category mean compliance costs

% of Labour Cost to TCC	Very Small	Small	Total (%)
0-20%		1	12.5%
21%-40%	1	2	37.5%
41%-60%		1	25%
61%-80%	2		25%
81%-100%			0%
Total (%)	12.5%	87.5%	100%

Table 10 shows that the absolute level of the mean compliance costs raises consistently with the size of the firm. An attempt was made to establish the regressive nature of tax compliance costs as suggested by existing body of research (Sandford *et al.* 1981): that compliance costs were a burden to very small firms than small firms and that compliance costs form a higher proportion of the very small firm than the smaller firm.

3.2.1 Difficulty with VAT

Respondents companies were asked if they experience or have ever experienced any difficulty with VAT. Half of all the respondents i.e. 50% reported having experienced or still experience difficulty with VAT. The other 50% reported no difficulty with VAT at all; of these, 50% were “Very Small”.

Respondents companies were also asked where most help or advice were obtained, on the problems associated with VAT. As illustrated in Table 5 fig (IV), twenty-two (73 %) of all the respondents indicated obtaining help on sales tax problems associated with VAT from their accountants.

Table 11: Advise from BURS department for usefulness of ITW 08 forms

		Frequency	% Rate
Valid	Very Good	18	38.0
	Good	7	22.0
	Average	9	18.0
	Very Poor	6	12.0
	Total	44	88.0
Total		44	88.0

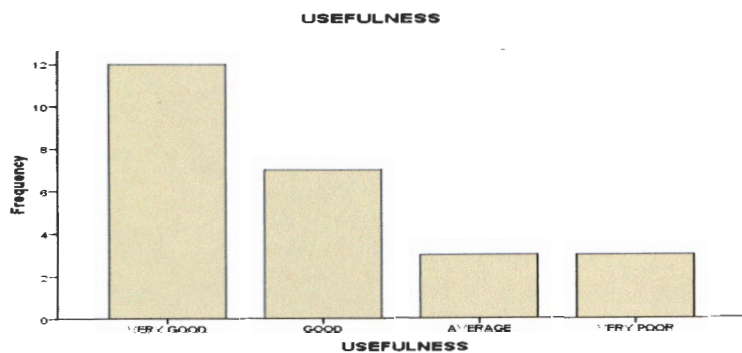


Figure VI: Usefulness of ITW 8 forms

Most companies, 44% twenty two (22) showed that the help they get from Botswana Unified Revenue Services on filling the ITW 8 forms for VAT returns were average to very good as shown in Table 11, figure (VI). Respondents companies were further asked to indicate whether the help obtained for filling ITW 08 forms above was Very useful, useful. Again a score of 1 to 1 was assigned respectively and the result was that the help was very useful as represented by Very good as shown by figure (VI) above.

Table 12: Helpfulness of recruiting additional staff for run in period of VAT

Category of Company	Number of Cases	Result
Very Small	18	Very Helpful
Small	31	Helpful

Respondents companies were asked if they had to employ additional staff members in the run-in- period of VAT or after it. 70% (31 out of 44) of the respondents indicated that they did employ more staff. Whilst the “Very Small” companies reported the least number of recruits with one to two people.

Respondents companies were also asked whether during the introduction of VAT or after they had to restructure their accounting systems specifically because of VAT. 75% (33) of the respondent companies reported having to change their accounting systems because of VAT. This has mainly to do with reviewing the accounting system to ensure that it created the proper and convenient entries for VAT returns. Those that reported no changes did say that their firms were established years after the introduction of VAT and so they were well prepared.

Other changes reported by the respondent companies allegedly imposed on organisation by the initiation of VAT include new VAT invoicing systems. These are systems designed for VAT collection from customers. Another obligation imposed on companies was to open a VAT deferred account with the relevant government Revenue Service.

4.3 Analysis of Findings

The most significant costs of compliance are labour costs which constitute between 20% and 80% of the total compliance costs (refer to table 10). As indicated in the SPSS analysis, an attempt was not made to facilitate a formula for the respondents to calculate such costs among other duties performed by staff as in other studies (Blažić, 2002; Pillai, 2000; Sandford, 1995). The researcher anticipated problems as reported in other similar studies where respondents were asked to estimate both the number of persons carrying out tasks exclusively related to VAT or any tax measured thereof, and also the number of hours spent on these tasks and therefore the costs associated with those variables. The researcher deliberately avoided the above course of action because it was going to be cumbersome to the respondents and would have required a more detailed questionnaire explaining methods and formulas for the question. Nonetheless Pillai (2000), report staff costs constituting 25% of the Total Compliance Costs. On the other hand Kulis (2002), in measuring the compliance costs of excise duties in Croatia, reports much higher figures, from 74% to 95% of the total costs. Also in that study, Kulis (2002) point out problems encountered which are same as those stated above.

Expressed as a percentage of Total Turnover, the compliance costs of companies with turnover of less than P50 000, “Very Small” was calculated from the estimates to be some 5 times that of companies with turnover of more than P250 000, “small”. Pillai (2000), in the study of compliance costs of VAT of Hotels in Mauritius estimate a much higher figure; 16 times, using the same methods. Of course these figures cannot be compared objectively because of the vast differences in demographics, industries studied, classification of the entities in sizes and others but they demonstrate a similar pattern of compliance costs which is discussed next chapter. Thus in this case economies of scale are clearly demonstrated as the “Very Small” had CC of 0.16% with mean Turnover of about P100 000 compared to CC of 0.76 % for “small” companies with a mean Turnover of about P500 000. In addition, CC as a percentage of TT for all companies was 0.03% compared with 0.02% in the study carried out by Pillai (2000).

Tax compliance costs tend to be regressive (Sandford et al. 1981). This evidence was supported in following studies; (Blažić, 2002; Kuliš, 2002; European Tax Survey, 2004;

Pillai, 2000), where it was found that tax compliance costs are regressive. In these studies the regressive nature of compliance costs was found though partially. This is also shown in Table 11 where the regressive nature can be demonstrated between the “Very Small”, “small” entities in that order i.e. CC as a percentage of TT follow the regressive principle by decreasing from “small” to “very small”. But in this study the “Very small” and “Small” companies deviate from the norm, if one may say, by recording much higher CC as a percentage of TT. The reason for the above observation might have resulted from the very low response rate of respondents for this study. The reason for the regressive tendency of compliance costs is of course economies of scale. It is assumed that the ‘Very large’ companies have staff working full-time, and much of the VAT work is done by skilled staff that can refer to the companies’ qualified accountant if the need arises. In the ‘Very Small’ companies, the proprietor may be required to do the VAT work along with everything else, and often lacks relevant skills derived from practice and training. The high compliance costs for the ‘very small’ must be mainly due to the fact that the number of invoices to be dealt with did not rise in proportion to the size of the business. Large firms were likely to buy in bulk and often the sales invoices involved bigger quantities than small firms (Pillai, 2000). Hence it costs much more for small business to comply with VAT requirements since in most instances they will have to send staff on these periodic seminars which are usually expensive.

About half of the respondents in this study thought that procedures of VAT were not difficult or complex. The same can be said about those who thought they are difficult. Kulis (2002) reports a figure more than half of the respondents in that study encountering non difficulty with VAT. It is assumed that the question about attitudes towards VAT elicited positive responses because most of the respondent companies were in existence during the introduction of VAT and this has, therefore, normalized the situation because of passage of time. By “normal” it can be assumed that the respondents felt comfortable doing the tax work and possibly ignored the costs that come with it. In effect traders may accept their fate with the tax authorities and refer to general matters related to taxation as constituting not much difficulty. Such general matters are taken by company management as routine but carry a cost referred to as routine costs. (Pillai, 2000). In contrast Pillai (2000) reports 86% of difficulty with VAT from his study. Many “difficulties” can be attributed to the main problem of finding the VAT system difficult, and costly. For

example, of importance will be the unwarranted change in the billing and invoicing system of an entity to cater for VAT. Of course this could only be measured with near certainty in the run-in- period of the introduction of VAT, which in the case of Botswana companies was in July 2002. International studies carried out comprehensively on the effects of a change in a tax regime demonstrate high costs at this stage. These costs, referred to as commencement costs, were not reported in this study though a question was raised about them.

The results show that 75% thirty three (33) of the respondents indicated obtaining help on the problems associated with VAT, if any, from their accountants. As for the very small to small companies most of them, 25%, eleven (11) indicated obtaining most help on the problem from VAT seminars. The help obtained was reported as being very helpful. On the whole, a positive response is obtained from Pillai (2000) study of hotels as the respondents in that study rated the seminar before introduction as a source of advice. Pillai (2000) also notes that most accountants attended the seminars themselves and found it a helpful guide towards solving VAT problems. The same can be said in this current study because as already mentioned; large firms enjoy the presence of experienced and trained staff that sometimes deals exclusively with tax matters.

Introduction of VAT caused 70% thirty one (31) of the respondents companies to employ more staff. This study did not ask for the initial cost of that extra labour and its implications on the businesses otherwise the compliance costs would be enormous indeed.

In summary this chapter dealt with the presentation and analysis of data collected on compliance costs on VAT. The findings were then scrutinized to see if there were some patterns of similarities and differences with studies of this nature that were done by others (as reviewed in the Chapter 1.6) .

Most of the findings from this study are consistent with other published works as shown in the discussion and literature review. The regressive principle of tax compliance costs was established in this study as in most studies. The labour costs to VAT remitting companies were discovered to be the greatest compliance costs.

CHAPTER 5

5.0 CONCLUSION

5.1. Objectives of the Study

The objectives of this study was to first of all, identify and then calculate the costs of compliance of VAT as faced by selected companies in Botswana in the year 2006.

Objective 1- Identify Compliance Costs of VAT

All the respondents considered tax agent costs to be the greatest cost in collecting and remitting VAT. A summary of tax agent costs or staff costs in percentage form to total compliance costs reported is noted in Table 6, Fig (V). Other identified costs of VAT compliance stationary and machinery costs but they constituted an insignificant response as it has emerged in this study. Perhaps the respondents felt that such costs, after the initial period of the introduction of VAT a few years ago, were normal and could be taken as routine costs (Pillai, 2000).

Objective 2- to measure or calculate compliance costs of VAT

Compliance costs were measured according to the objectives and the results are depicted in Table 6, figure (V) make the discovery that the costs reported in Table 12 varied among firms of different sizes. "Small" to "very small" companies have more compliance costs. It can be concluded from the analysis that large companies have less compliance costs of VAT partly because it is assumed that they have more staff members in their accounting departments to take care of tax matters. On the main hypothesis that tax compliance costs are regressive, this is duly tested and results can be seen from Table 12 that the hypothesis holds, if only partially. The fluctuating figures can be attributed to the small number of respondents received in carrying out this research. The results also show that labour costs constitute a large percentage of the compliance costs than other administrative costs. Smaller businesses rely heavily on external professional

accountants; as the size of business increases, they appear to spend proportionately more money expanding internal resources for tax compliance.

The reader made aware that the objectives of this study were met and the hypothesis put forth tested and proved accurate and the measurement of VAT compliance costs was reliable, because of sufficient data resulting from good response from traders.

5.2 Areas of Further Research

It has been demonstrated in tax compliance carried out abroad that face-to-face interview survey of these kind of research turned out to be reliable (Kulis, 2002). Therefore, although the objectives of the project were met, the methods of identifying and quantifying the compliance costs were reliable and mainly based on estimated figures by respondents. Taking into account the reliability of the figures associated with the VAT compliance costs together with the use of a small representative, the researcher recommends a different approach and different methodology for any further research on this topic. Any investigation on this research can be improved by using a larger and more representative sample; perhaps at national level, and use of face-to-face interviews. The questionnaire tool can be used, but only if a thorough pilot studies involving accountants, tax authorities and business managers and other stakeholders is carried out to reduce ambiguities and make it simple.

5.3 Limitations of the Study

Limitations were the use of mainly estimates by respondents in reporting the costs associated with VAT. Because it was impossible to create reliable methods to guide respondents in calculating the costs e.g. costs of labour time expended in VAT related work, the researcher had to rely on the “best” estimates provided by the respondent companies. As such compliance costs as reported in this study are greatly compromised.

Most respondents did not answer the open-ended questions where it was assumed that most information on the problems and issues of VAT will be sought. Again this is the problem that arises because of the use of the questionnaire left at respondents' premises instead of the personal face-to-face interviews which would have yielded clear responses.

The research turned out to be very exhausting, long lasting and complicated by institutional obstacles. The relevant business populations had no experience with studies of that type and were even reluctant to give some details, which contributed to the complexity of the research.

5.4 Concluding Observations

There are very few studies on the compliance cost of taxes in Botswana as well as in developing nations in Southern Africa. As such, lack of reliable data has made it impossible to make and present comparisons of compliance costs of VAT in other countries closer to Botswana. Nevertheless it has been possible to make some useful findings regarding the extent and characteristics of compliance costs of VAT in Botswana in comparison with those of countries abroad which were also extensive. The author recommends for government to take action in order to help traders minimize compliance costs of VAT.

The estimates of compliance costs in this study are somewhat speculative, particularly in the costs associated with staff or employees time in carrying out VAT work. Nonetheless the researcher suggests that overall total compliance costs are moderately high in both absolute and proportional terms.

5.5 Suggestions

Although the sample size was small there was some evidence that the burden of compliance cost was inequitable since small firms faced higher costs proportionately speaking. It is suggested that VAT statutes, regulations, forms and other things, must be made as simple as possible in order to minimize compliance costs. Government's full consultation with the private sector prior to the introduction of any changes to the law or tax forms would be highly valuable. These suggestions, if implemented will reduce compliance costs as well as administrative costs.

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To whom it may concern

My name is Mmoloki Calvin Maswabi and I am a student at University of North West currently studying for Masters in Business Administration – Finance major (MBA). I am undertaking a research titled “Effects of Compliance costs in VAT; Case study of Small businesses in Botswana” and have chosen your company to participate in providing data for my project.

I wish to affirm that data collected will solely be for academic fulfillment of MBA (Masters in Business Administration) requirements and will not be availed to any third party for whatsoever reason.

For further inquiries about this research please feel free to contact;

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Thank you in advance for your support.

Yours sincerely

Mmoloki Calvin Maswabi
Omang number 978116806 or student number 18042201

APPENDIX B

QUESTIONNAIRE

EFFECTS OF COMPLIANCE COSTS IN VALUE ADDED TAX; CASE STUDY OF SMALL BUSINESSES IN BOTSWANA

In the following questions, the term *VAT* should be taken to include any taxable supplies, services and the importation of goods into Botswana.

1. What is the name of your organization?.....

- 2a. Which sector/sub-sector is your company classified as?.....

Eg Banking / Finance, insurance, wholesale/retail Manufacturing services, IT services, Real estate, Tourism, Construction.

Other specify.....

- 2b. What are your main *excisable* business activities? ,**Goods Subjected to Excise Duty and Sales Tax (tick the appropriate)**

- | | |
|---|--------------------------|
| 1. Mineral waters and soft drinks | <input type="checkbox"/> |
| 2. Beer made from malt | <input type="checkbox"/> |
| 3. Wine | <input type="checkbox"/> |
| 4. Spirits | <input type="checkbox"/> |
| 5. Vinegar | <input type="checkbox"/> |
| 6. Cigarettes and other tobacco manufactures | <input type="checkbox"/> |
| 7. Cement | <input type="checkbox"/> |
| 8. Hydrocarbon oils | <input type="checkbox"/> |
| 9. Perfumes, Cosmetics and Toilet Preparations | <input type="checkbox"/> |
| 11. Cameras, Photographic or Cinematographic goods | <input type="checkbox"/> |
| 11. Textile | <input type="checkbox"/> |
| 12. Musical Instruments and Accessories thereof | <input type="checkbox"/> |
| 13. Video recording or reproducing apparatus | <input type="checkbox"/> |
| 14. Transmission apparatus for Television, Video Monitors | <input type="checkbox"/> |
| 15. Motor cars including four wheel drive vehicles | <input type="checkbox"/> |
| 16. Jewellery and Precious stones | <input type="checkbox"/> |

Others.....

.....

.....

3. When was the business first registered for VAT?.....

VAT No.....

4. On what date did your last accounting year end?

Day _____ Month _____ Year _____

5. Please check the appropriate value of turnover (i.e. sales of goods and services) for your business in your last accounting year.

In thousands of Pula Total turnover subject to VAT.

Under 100 ☐

100 - 249 ☐

250 - 499 ☐

500 - 999 ☐

Please state approximate turnover: Pula thousands/ million: _____

Please state approximate turnover subject to VAT: Pula thousands/ million: _____

6. Do you employ an outside tax advisor or an accountant in private practice to help do your VAT work? Yes / No

If the answer is no, go directly to question 8.

7. From whom do you obtain VAT advice? (Please check as appropriate)

	For excise taxes trade taxes	For sales taxes	For (i.e. import and customs duties)
Paid tax consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paid accountant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friend/family member	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please describe).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. a. How much were you charged for each of the following types of work by your advisor(s) in the last accounting year? (Where precise figures are not available, please give an approximate breakdown.) Amount in Pula per year

Preparation of books of account, and audit fee

Work on sales taxes

Work on excise taxes (including all specific taxes)

Work on trade taxes

Work on corporation income taxes

Other tax work (please describe):.....

8. b. How much time did you spend discussing VAT with your tax advisor during the last accounting year?

About _____ hours

Cost per hour for tax advisor: BWP _____

Value per hour of own time: BWP _____

9. Who determines the amount of VAT due? (e.g. the firm, a tax agent, etc.)?

.....

10. How large are the penalties for late payment of VAT...

in law? About BWP _____ per week / month / year for every BWP1000 late.

in practice? About BWP _____ per week / month / year for every BWP 1000 late.

11. For each of the main specific taxes (e.g. excise, etc.) which you pay, what is the tax point?

<i>What tax?</i>	1.	2.	3.	4.
<i>What tax point?</i>				
Retail sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wholesale sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Factory gate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customs border	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify).....				

12. For each of the main specific taxes which you pay, what is the base for the tax?

<i>What tax?</i>	1.	2.	3.	4.
<i>What tax base?</i>				
Pre-tax value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
After-tax value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Volume	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Volume of alcohol content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify).....				

13. Please complete a separate box below for each of the main forms used in determining VAT

Name or title of form:

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

the clarity of the questions	1	2	3	4	5
the ease with which the form can be used	1	2	3	4	5

the adequacy of supporting instructions	1	2	3	4	5 no supporting instructions
the usefulness of advice from BURS department	1	2	3	4	5
			advice not sought		advise not available

Name or title of form:.....

On a scale of 1 (very good) to 5 (very poor), how would you rate the tax form, using the following dimensions (circle as appropriate)

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Name or title of form:.....

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the clarity of the questions	1	2	3	4	5
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the adequacy of supporting instructions	1	2	3	4	5 no supporting instructions
the usefulness of advice from BURS department	1	2	3	4	5
			advice not sought		advise not available

14. Apart from any advice mentioned above, what costs (if any) did you incur in keeping records a for VAT during the last accounting year?

	Cost in BWP per year
Cost of an in-house bookkeeper
Cost of someone to count output for VAT purposes
Cost of calculators
Cost of computers
Cost of software
Other costs (please describe).....

15. a. Did any changes in the provisions or the rules on VAT which were introduced over the past two years have a significant effect on the costs of complying with

the law?

Yes / No

b. If yes, please describe briefly.

.....

.....

 16. During the last accounting year, what costs (if any) did you incur in working and/or supervisory work related to VAT, other than discussing with your tax advisor (as indicated above)?

	Number of your hours per year	Cost in BWP per year
Working and complying with VAT
Entertaining VAT officers

17. a. Did your firm provide office or other accommodation, and/or regular meals, to resident or visiting BURS officers during the last accounting year?

Yes / No

b. If yes, please describe briefly and indicate the approximate total cost (cash and in kind): BWP

18. Approximately how much did you pay in excise taxes for the last accounting year (please check as appropriate)?

19. What costs, if any, did you incur in order to co-operate with the BURS officer's random inspections?

	Type of cost	Approximate cost per year (BWP)
Time to meet with BURS officer
Preparation of documents and accounts
Miscellaneous

20. In the space below, please make any comments you wish about your views on VAT in Botswana, and any suggestions you wish to make about improving the current system.

.....

Thank you for your time and for your help with this research project.

I would be happy to send you a copy of the report of this study. Would you like a copy?

No / Yes, please send a copy of the report to: