



An analysis of the turnover tax relief available to micro-enterprises in the North West Province

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ABSTRACT

One tax relief measure implemented by SARS is the turnover tax relief system applicable to selected SMMEs in South Africa. These selected SMMEs are defined as Micro enterprises. As part of the South African government's strategy for accelerated growth, the DTI and the National Treasury are increasingly targeting the SMME sector of the economy, determining how to increase their efficiency and enabling them to grow. One of the government institutions of South Africa, tasked by the Finance Minister and the National Treasury to assist the government in achieving this growth, is the South African Revenue Service (SARS) who introduced the turnover tax system into the Act.

This study aimed to determine whether the turnover tax relief system is utilised by the SMMEs in the North West Province as anticipated by the South African government. The government of South Africa introduced this system to assist SMMEs in reducing their tax compliance costs, anticipating that this will free up SMMEs to grow and further the economy. The last mentioned fact notes what the anticipation of government was when they introduced this system.

An inductive, exploratory and qualitative research method was used in this study where questionnaires were provided to SMME business owners as an introduction into their perceptions and knowledge of the turnover tax system, followed by interviews to obtain additional qualitative information. The qualitative data that was obtained provided evidence that SMMEs in the North West Province were not applying the turnover tax relief system and are therefore not benefitting from the National Treasury's incentive towards them. The reasons as to why these enterprises are not utilising the turnover tax system, was also discussed in this study.

KEYWORDS: Micro Enterprises, Turnover Tax, SMMEs

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LIST OF ABBREVIATIONS

CGT:	Capital Gains Tax
DTC:	The Davis Tax Committee
DTI:	Department of Trade and Industry
DWT:	Dividend Withholding Tax
GDP:	Gross Domestic Product
GEM:	Global Entrepreneurship Monitor
NDP:	National Development Plan
NSBA:	National Small Business Act
OECD:	Organisation for Economic Co-operation and Development
PWC:	Price Waterhouse Coopers
SAICA:	South African Institute for Chartered Accountants
SAIT:	South African Institute for Tax Professionals
SARS:	South African Revenue Service
SME:	Small and Medium-sized enterprise
SMME:	Small Medium and Micro-sized enterprise
VAT:	Value Added Tax
WEF:	World Economic Forum

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CHAPTER 1: INTRODUCTION

1.1 Background to the Research Area

The turnover tax system was implemented by the South African Treasury. This relief system is available to be utilised by the qualifying Micro enterprises of South Africa. The turnover tax system exempts these Micro enterprises from the normal tax regulations as set out in the Income Tax Act no 58 of 1962 (the Act). The turnover tax system taxes Micro enterprises based on their turnover and the tax rates of this system are based on a sliding scale. Turnover tax was introduced in the Act in 2009 to reduce the administrative burden on Micro enterprises and therefore contributing positively in assisting these enterprises (SARS, 2017). The reasons why National Treasury focuses on Micro enterprises in South Africa are discussed in the following paragraphs.

Micro enterprises are defined as small, survivalist businesses. These Micro enterprises are captured within the Small, Medium and Micro-Sized Enterprises (SMMEs) definition. This study will often refer to Micro enterprises because these enterprises are specifically included in the turnover tax regime that is researched in this study if the enterprise qualifies under the Sixth Schedule definition, as well as SMMEs due to the fact that SMMEs effectively include Micro enterprises even if they do not adhere to the definition due to disqualifications. Reference is also made to SMMEs because they play a very important role in the South African economy based on their participation in job creation and annual Gross Domestic Product (GDP) contribution (Wiese, 2013). SMMEs are those entities that are currently treated differently in South Africa for tax purposes.

It is internationally acknowledged that SMMEs play a vital role in enhancing a country's economic growth and creating jobs. It is therefore in the public interest and in the interest of all governments to provide support to SMMEs (Abrie & Doussy, 2006). Governments need to levy taxes to enable them to provide efficient services and infrastructure (Abrie & Doussey, 2006). Bruce et al (2014) determined that higher tax rates and compliance costs reduce entrepreneurial activity, growth and employment. South African SMMEs fall under the country's legislation and have to adhere to all applicable laws and regulations. Perks (2010) noted that government tax on SMMEs is a major issue to face when the SMME is attempting to grow. Krasniqi (2007) also found that the growth of SMMEs is reduced by the presence of business barriers such as the

tax and compliance burden. The South African GEM (2014) report and the WEF 2014/2015 Global Competitiveness Report also listed government bureaucracy as one of the major obstacles to entrepreneurial and business activity in South Africa (Seda, 2016). SBP (2005) confirms that regulations in respect of taxes are the most burdensome of all the regulations that affect business operations. Due to the importance of SMMEs in the South African economy, as mentioned above, the tax system in South Africa should therefore strive to be effective in assisting SMMEs to grow (Aucamp, 2010).

Venter and de Clercq (2007) noted that as part of government's strategy for accelerated growth, the DTI and the National Treasury are increasingly targeting the SMME sector of the economy. Government policies are instrumental in enhancing entrepreneurial activities, as they set the platform upon which new businesses can be started and sustained (OECD, 2014). The National Treasury continues to amend tax policy in favour of SMMEs (SME South Africa, 2015). The country's economic conditions should be supportive towards the survival of SMMEs, which includes survivalist Micro enterprises, and allow the government to gain some ground in its job creation targets through assisting these enterprises.

One of the government institutions of South Africa, tasked by the Minister of Finance and the National Treasury to assist the government in achieving their nine-point strategy by 2030, is SARS. SARS is equipped to implement and maintain the laws and regulations held in the Act. SARS already implemented a number of relief measures in the Act specifically pertaining to SMMEs. These tax relief measures could contribute positively towards the growth of SMMEs (Stols, 2013).

The South African government implemented the nine-point strategy to reduce the high unemployment rate of South Africa by 2030. South Africa is a developing country, and SMMEs, therefore, need to be expanded to enhance the country's economic growth and reduce unemployment. Compared to other developing countries, South Africa's unemployment rate is ranked the 12th highest globally (Trading Economics, 2016). The South African unemployment rate was recorded as 26,6 percent during the first quarter of 2016 (Trading Economics, 2016). The project director of taxation of the University of Johannesburg, Mr Muneer Hassan, brought all these facts to the attention of the then Minister of Finance, Mr Pravin Gordhan (Temkin,

2010). As a result, SMMEs need to be supported by the government through specific tax relief measures.

This study is focused on the turnover tax relief system implemented by the National Treasury to assist SMMEs which, as a result, may achieve economic growth. The reason for the selection of turnover tax in this study is because the topic is relevant in the current economic climate of South Africa and SMMEs are a key link in the government's plan to achieve growth. Turnover tax was implemented by government to assist SMMEs in reducing their tax compliance costs and freeing them up to focus on their business, effectively growing the economy. This study therefore aims to determine whether the turnover tax system, which is one of the relief measures implemented by government to assist survivalist enterprises, is being applied by SMMEs in the North West province as the intention of government was.

A detailed literature review is performed in the second chapter regarding the research area. It is important to determine to which entities the turnover tax system applies. It is, therefore, also necessary to distinguish between a Small and Medium enterprise (SME), a Small, Medium and Micro-sized enterprise (SMME) and a Micro enterprise. These terms are often used in studies, but only a few enterprises can be classified as Micro enterprises to which the turnover tax system applies. A detailed literature review regarding the turnover tax regime is also included.

1.2 Motivation of Topic Actuality

The topic is considered to be actual because turnover tax has been implemented by the National Treasury to assist survivalist SMMEs with their tax compliance and in so doing providing a platform for these enterprises to grow (SAICA, 2009). During the 2018 Taxation update, Professor Matthew Lester from the DTC noted some tax issues in South Africa and also mentioned that incentives implemented by SARS, such as the turnover tax relief system, is still being maintained (Lester, 2018). The tax relief measures promulgated in the Act resulted in a saving for taxpayers of more than R59 billion between 2009 and 2015 (SARS, 2015a). After the 2018 Budget Speech, National Treasury projects a revenue shortfall of R50.8 billion in 2017/18 (Lester, 2018). The turnover tax incentive is therefore relevant due to the fact that National Treasury continues to maintain this incentive even after the budgeted revenue shortfall was

announced. It is assumed that government deems this relief measure to be important in South Africa's current economic climate.

A number of institutions unfortunately noted that the uptake of these tax incentives pertaining to SMMEs, which noticeably includes the turnover tax system, were not as anticipated by government. This study is therefore important to investigate this matter further. The problem statement is discussed in the following section where the problem of the turnover tax system and the aim of this study are clearly identified.

1.3 Problem Statement

SARS introduced the turnover tax relief system during 2009 to assist SMMEs in their compliance costs. It was noted by the South African Institute for Chartered Accountants (SAICA) that turnover tax would provide a substantial benefit to South African Micro enterprises. It was originally anticipated that decreasing the administrative tax burden on these SMMEs is encouraging and that this would free these enterprises up to concentrate on generating profit and creating job opportunities (SAICA, 2009).

The DTC evaluated the effectiveness of the turnover tax system in 2014. As at 4 July 2013 there were only 7,827 active Micro enterprises registered on the turnover tax system, 139 with addresses unknown, 59 dormant, 74 in estates, 345 inactive and 49 suspended (DTC, 2014). This indication by the DTC is troublesome especially when the total number of registered South African SMMEs is taken into consideration. Please refer to section 2.4.3 for a detailed discussion on the number of SMMEs in South Africa.

Another indication that there is a problem with SARS' attempts to assist SMMEs was through a study conducted by Venter and de Clercq (2007) where it was noted that SMMEs did not utilise the different incentives provided by the South African government. Many SMMEs do not use the support programmes available to them because SMME owners were not aware of the existence of these incentives. Abrie and Doussy (2006) also confirmed that SMMEs are often unaware of tax incentives available to them. Engelschalk (2005) discovered through his research that despite the often very generous tax incentives offered by simplified regimes, these regimes have not significantly altered the tax behaviour of SMMEs.

The indication by the DTC (2014) that SMMEs aren't utilising the turnover tax regime as anticipated, is therefore enough proof of the necessity to investigate the application of the turnover tax regime by selected SMMEs in the North West province.

Due to the reasons mentioned above, a problem exists where government introduced the turnover tax system to assist SMMEs with their compliance burden, but these enterprises aren't utilising the system as anticipated and is not freed up to focus on growing the economy. Due to the lack of previous research conducted, this research must be conducted in an inductive and exploratory manner. This study therefore aims to determine whether the turnover tax system is utilised by SMMEs specifically in the North West province as anticipated by the South African government. And secondly, reasons for the non-application of the turnover tax system by SMMEs must be determined. Relating to this, it must also be researched whether these SMMEs were aware of the existence of this system as well as how many SMMEs in the North West province of South Africa qualified to register on this system due to the stringent requirements of the Sixth Schedule of the Act.

The following sections discuss the research objectives of this research study which has to be researched and addressed in order to solve the problem statement as stated above.

1.4 Research Objectives

1.4.1 Main Objective

The main objective of this research study is to determine whether the selected SMMEs in the North West province of South Africa is applying the turnover tax system as the intention of the South African government was.

1.4.2 Secondary Objectives

- Determine if the selected SMMEs in the North West province of South Africa are aware of the turnover tax system
- Determine if the SMMEs in the North West province of South Africa qualify to apply this system

- Determine what the reasons are if SMMEs do not apply the system

The objectives listed above were addressed through the qualitative research conducted as discussed in the third chapter of this study. A data analysis and conclusion with regards to the research objectives are detailed in the fourth and fifth chapters of this study.

1.5 Limitations of the Study

This study is limited to the turnover tax relief measure available to South African Micro enterprises. Detailed definitions of the turnover tax system as well as SMMEs, which includes survivalist Micro enterprises, are included in the literature review of this study. This research study focussed on tax relief measures that are already implemented and not on proposed relief measures.

The questionnaires and interviews were conducted to obtain the opinions of SMME owners limited only to the North West province of South Africa. The legislation discussed in this research proposal for South Africa is also limited to the Income Tax act 58 of 1962 (the Act).

1.6 Overview of the Study

A brief overview of the mini-dissertation is discussed in the following paragraphs. The first chapter is an introduction to the study. It discusses the background and the importance of the study as well as the problem which has to be addressed. The research objectives are identified which, at the end of the study, must be addressed and a conclusion has to be reached. This chapter explains the reason for conducting this research study together with the limitations of the study. The direct link between turnover tax, SMMEs and Micro enterprises are also included in this chapter. Chapter 2 includes a detailed literature review of the turnover tax system implemented by National Treasury as well as a detailed discussion of the enterprises which are able to apply this relief system. Chapter 3 discusses the inductive and exploratory research methodology used in this research study while Chapter 4 includes a detailed data analysis of the demographics of the participants as well as the qualitative outcomes of both the questionnaires and interviews. Chapter 5 concludes this research study and includes recommendations for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

As mentioned above, the second chapter includes a detailed literature review. There is currently sufficient literature available regarding the tax relief measures available to South African SMMEs (Aucamp, 2010). A similar study was conducted by Stols (2013) where the researcher inspected the tax relief measures available to SMMEs in South Africa. There is, however, a research gap regarding whether the current tax relief measures are applied by these targeted SMMEs. This study only focusses on the turnover tax regime and whether SMMEs in the North West province applies the system.

The turnover tax system was introduced into the Act, focussing on the SMMEs of South Africa. There are a number of small business definitions in South Africa. The enterprises that is discussed in this study includes Micro enterprises (small survivalist businesses adhering to the Sixth Schedule definition), SMEs (which includes small and medium sized entities but excludes the small survivalist businesses) and SMMEs (which combines small, medium and survivalist micro businesses into one definition). A detailed discussed and definition of the turnover tax relief measure and the qualifying Micro enterprises it pertains to, are included in the following paragraphs.

A detailed description of the turnover tax relief system is necessary to fully define what the system entails. The turnover tax system is discussed to stipulate the tax relief offered to Micro enterprises in South Africa. In this chapter, the tax legislation and definitions of key terms most relevant to this research study are therefore considered. It is also important to discuss the current literature regarding the importance and relevance of SMMEs in South Africa to determine why the turnover tax system and further assistance towards SMMEs are of utmost importance in the current economic climate. Previous research conducted with regards to the research area is also included in this discussion.

2.2 The Turnover Tax Relief System

According to Stols (2013) the turnover tax relief system is a single tax system available to SMMEs that meet the criteria of a Micro enterprise as per the Sixth Schedule of the Act and which has a turnover of R1 million or less. An SMME can register for this system which entails that they only have to calculate and pay this single turnover tax which is based on their turnover and not their profit figure. The Micro enterprise calculates its tax liability annually and makes payments twice a year (Stols, 2013).

Turnover tax was introduced into the Act through the Revenue Law Amendments Act in 2008 which was promulgated on 8 January 2009 (SARS, 2009a). The DTC (2014) identified the turnover tax system as an important component of the tax dispensation for SMMEs which would apply mainly to survivalist Micro enterprises as defined in the NDP. Turnover tax is a simplified and optional tax system aimed at assisting SMMEs with an annual qualifying turnover of less than R1 million, making it easier for these enterprises to comply with their tax obligations. It replaces the normal regulations captured in the Act with regards to Income Tax, Provisional Tax, CGT and Dividends Tax. Cotten (2011) noted that SARS brought turnover tax into use to simplify the admin burden for SMMEs as they only require their turnover figure to calculate their annual tax liability.

The turnover tax system is relevant due to the rising tax burden and compliance costs for South African enterprises. The personal income tax rate for individuals increased with 1 percent during 2016 which brought the marginal tax rate at 41 percent (SARS, 2016). The capital gains inclusion rate increased during 2012 with 16,6 percent for companies and 8,3 percent for individuals. The Minister of Finance also proposed another increase for the 2017 financial year which resulted in a further increase of 6,67 percent for individuals and 13,4 percent for companies (SARS, 2016). This has a serious impact on the already stringent tax burden for taxpayers. The dividend tax rate increased in 2012 by 5 percent with a further proposed increase of 5 percent in the Minister's 2017 budget speech. As dividends paid are not deductible from taxable earnings, it further pressurises cash flow. SARS identified the need to introduce tax relief measures for SMMEs and the turnover tax system was therefore identified to free qualifying Micro enterprises from the burden of the Income tax-, Capital Gains tax- and Dividend tax regulations captured in the Act

and effectively reducing their compliance costs. According to SARS (2012b), the only records which a Micro enterprise needs to keep, are amounts received during a year of assessment, dividends declared during a year of assessment, each asset at the end of a year of assessment with a cost price of more than R10,000 and each liability at the end of a year of assessment exceeding R10,000.

Turnover tax is available to qualifying Micro enterprises which includes sole proprietors, partnerships, close corporations, companies and co-operatives. Specific reasons can disqualify a person from the ability to apply the turnover tax system. These disqualifications can be obtained in the third paragraph of the Sixth Schedule to the Act. The main disqualifications are discussed in the following paragraphs.

An entity does not qualify as a Micro enterprise where that person holds any shares of a company other than a share described in paragraph 4 of the schedule. A person will also not qualify as a Micro enterprise if more than 20 percent of that person's total receipts during that year of assessment consisted of income from the rendering of a professional service (if the person is defined as a natural person) or investment income and income from the rendering of a professional service (if the person is defined as a company). A person who is defined as a personal service provider or a labour broker (according to the provisions of the Fourth Schedule), will also be disqualified from the provisions of the turnover tax system. In addition to the R1 million turnover limitation, there is also a limit on the allowable amount of proceeds from the disposal of the person's assets. If these proceeds exceed R1,5 million over a period of three years (including the current year of assessment), that person will not be able to apply the turnover tax system.

As the primary objective of this study is to determine if SMMEs in the North West province apply the turnover tax system, the understanding and definition of turnover tax disqualifications are very important. The determination whether the selected SMMEs in the North West province would qualify as a Micro enterprise under the Sixth Schedule, is also included as a secondary objective of this study.

Cotten (2011) notes that SMMEs must be certain of their facts before registering for turnover tax as the entities will have to pay taxes based on their turnover even if they do not have any profit for the year. This could put a strain on SMMEs if they do not have the cash flow to pay these taxes. Anon (2016) also stated that whether or not qualifying SMMEs will pay less tax with the turnover tax system will depend on the unique factors of the business including the profitability of the business and whether or not it is in a tax loss position in the standard income tax system.

Anon (2016) also agrees with Cotten (2011) that the turnover tax system was mainly designed to reduce SMMEs' administrative burden. All costs associated with meeting current or future tax obligations must be factored in such as how many hours the SMME spend on completing and submitting VAT and income tax returns, and calculating the relatively involved income tax that is payable for provisional tax and final assessment purposes.

As stated in the SARS Strategic Plan, the current compliance costs for SMMEs are estimated at R63,328 per annum which remains high even if the turnover tax system is in place (SARS, 2013). By their very nature, tax compliance costs are regressive in nature. According to the tax guide for Micro enterprises issued by the SARS, compliance costs ranges between 2,2 percent of turnover for businesses with a turnover of up to R300,000 per annum and 0,1 percent of turnover for businesses with a turnover of around R14 million per annum (SARS, 2012a). The turnover tax system was introduced to assist SMMEs in reducing this administrative burden.

2.3 Current Literature Regarding the Importance of SMMEs

Due to the fact that this study researches the turnover tax system pertaining to SMMEs and Micro enterprises specifically, it is important to fully define and understand SMMEs. The DTC was tasked with the objective to investigate and implement tax relief measures for SMMEs in South Africa as it has been determined that these enterprises contribute a great deal towards the National GDP and employment. According to Aucamp (2010), the tax system in South Africa should, therefore, strive to be more effective in assisting SMMEs to grow. It is evident that SMMEs in South Africa is treated differently when it comes to the Act (Stols, 2013). The National Treasury, in its 2015 budget, continued to amend tax policy in favour of SMMEs (SME South Africa, 2015).

Qabaka (2011) noted that the National Treasury of South Africa had the expectancy to assist SMMEs through the implementation of SMME tax relief measures, like the turnover tax regime, which in turn would contribute towards further job creation. Tax relief measures could make or break SMMEs and could have a direct impact on the South African economy and its job creation (Stols, 2013). The following sections highlight the contributions of SMMEs in the South African economy in order to determine the importance of government assistance which includes the turnover tax regime.

2.3.1 Revenue and Employment Contributions from the SMME Sector in South Africa

The SMME sector has the potential to make a big contribution towards economic growth and employment in South Africa. SARS acknowledges this potential and strives to ensure that its policies, procedures and systems do not limit SMMEs but encourage them to grow instead and further contribute to the economy (SARS, 2015a). The measures implemented thus far, are designed to improve the regulatory environment in which these businesses operate and to provide appropriate support for these businesses (The DTI, 2005; Manuel, 2006; Mbeki, 2006). The SMME sector provides a means of stimulating economic growth, it is a means of addressing rising unemployment and their role in innovation is vital for many of the challenges facing South Africa's economy (The DTI, 2005). These are only a few reasons mentioned by government for focussing on SMMEs.

2.3.1.1 SMME Contribution Towards the National GDP

The South African economy is dominated by a small number of large businesses, often referred to as the formal sector. The total tax collections for the 2014/15 fiscal year, amounted to R986,3 billion. Personal income tax resulted in R353,9 billion while R86,6 billion were recovered from companies' tax. SMMEs contribute approximately 52 percent to 57 percent of the annual GDP of South Africa (Wiese, 2013). Bankseta (2012) also estimated that SMMEs represent over 90 percent of private businesses and contribute more than 50 percent of the GDP in South Africa.

2.3.1.2 SMME Contribution Towards the Employment of South Africa

The DTI indicated that Micro enterprises, which forms part of the SMME definition, employ approximately 17 percent of the South African workforce while SMEs contribute 39 percent. SMMEs therefore contribute towards 56 percent of the current South African employment rate (Goldstuck, 2012). SMMEs are referred to as the employment multiplier, since new jobs created by SMMEs further create more jobs (Jain & Chen, 2013).

The difference between SMEs, Micro enterprises and SMMEs are discussed in section 2.4 of this study.

2.4 Defining a Micro Enterprise

To fully understand the meaning of a Micro enterprise, to which the turnover tax relief system in South Africa applies, an SME must first be defined, and thereafter Micro enterprises and then SMMEs which effectively combines the first two definitions.

2.4.1 Definition of an SME

Different criteria are taken into consideration when establishing what a small business is. According to Labuschagne (2015), there is no universal definition for an SME. One such definition is held in Section 1 of the National Small Business Act of 1996 (NSBA) as amended by the National Small Business Amendment Acts of 2003 and 2004; An SME is a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one or more owners which are predominantly carried on in any sector or sub-sector of the economy (Mahembe, 2011).

The definition of an SME used by the SME Survey Company is also based on the NSBA's definition, as amended in 2004, which stipulates varying definitions for each industry sector, including the number of employees, turnover and value of assets (SME Survey, 2016). For each sector, the definitions differ, except in the case of a number of employees, where all sectors, except for Agricultural, have an SME size-limit of 200 employees. A small enterprise is defined

as having up to 50 employees while a medium enterprise has between 51 and 200 (SME Survey, 2016).

When observing international definitions, the European Commission defines an SME as an enterprise which employs less than 250 people and has a small turnover (Srinivas, 2015). SMEs are also defined by three words; small, single and local. SMEs are small in nature when referring to their number of employees. Small enterprises usually have less than ten employees while medium enterprises can employ up to 200 employees. "Single" refers to single ownership as most SMEs have a sole owner. It can also refer to a single type of product or service provided by an SME. SMEs are also "local" in nature as their market is usually located in the area where they are located. It's not often that SMEs conduct business on a National or International scale.

2.4.2 Definition of a Micro Enterprise

A Micro enterprise is captured within the definition of an SMME. As this study is focused on the turnover tax system applicable specifically to Micro enterprises, it is important to define such enterprises within the SMME definition. In South Africa, a large majority of SMMEs are concentrated on the very lowest end, where survivalist firms are found (Berry, 2002). These firms can take the form of street trading enterprises, backyard manufacturing and services, and occasional home-based jobs (Seda, 2016).

The NSBA defines a Micro enterprise as one with less than five fulltime employees (The banking association, 2016). There is also a definition included in the South African tax legislation with regards to a Micro enterprise. This definition is set out in Part 2 of the Sixth Schedule of the Act. A person qualifies as a Micro enterprise if that person is a natural person or a company where the qualifying turnover of that person for the year of assessment does not exceed an amount of R1 million. The following section further defines the turnover tax relief system and the requirements thereof.

2.4.3 Definition of an SMME

The definition of SMMEs includes a very broad range of firms, some of which includes formally registered, informal and non-VAT registered organisations (The DTI, 2008). SMMEs range from medium-sized enterprises, such as established traditional family businesses employing over 100 people, to informal Micro enterprises. The latter includes survivalist, startup, and self-employed businesses from the poorest layers of the population. The upper end of the range is comparable to the SME segment found in developed countries (Seda, 2016). Government policy on South African SMME development was initially documented in the 1995 White Paper on SMME development. The Integrated Small Business Development Strategy provided an action plan with a focus on increasing financial and non-financial support, creating a demand for the products and services provided by the SMMEs and reducing regulatory constraints (The DTI, 2008).

In line with this action plan, the government established a number of institutions which would be responsible for the implementation of the small business development strategy (SME Growth Index, 2014) & (The DTI, 2008). The number of SMMEs in South Africa (according to Stats', 2015) is estimated at 2,251,821 where only 667,433 of these are registered enterprises. The other 1,497,860 can be defined as enterprises in the informal sector. SMMEs represent approximately 90 percent of the total number of businesses in South Africa (SME Growth Index, 2014). It is therefore evident that their contribution towards the South African economy is of great value. The previous paragraphs identified their contribution towards job creation and the national GDP.

This study is focussed on the SMMEs in the North West province of South Africa. According to Seda (2016), the estimated number of SMMEs in the North West province (formal and informal sectors) is 112,856 of which only 27,430 are registered enterprises. The SMME definition includes a wider number of enterprises than the first mentioned SME definition as it contains not only small and medium-sized enterprises but also includes Micro enterprises, as discussed in sections 2.4.1 and 2.4.2.

2.5 Summary

Based on the sections discussed in the chapter above, it is evident that turnover tax was implemented to assist SMMEs with their tax and administrative obligations. The turnover tax system was discussed in section 2.2. It was also noted in the last mentioned paragraph that there are some disqualifications which may be present in Micro enterprises which will, in turn, result in some Micro enterprises being prohibited from participating in the relief measures. The turnover tax system only includes Micro enterprises which may benefit from the system. These Micro enterprises were fully defined according to the Act in section 2.4.

The connection between Micro enterprises and SMMEs were discussed in the paragraphs above. Micro enterprises includes the enterprises which are known as survivalist businesses with an annual turnover of less than R1 million. These Micro enterprises are the main target of the turnover tax system to enable these survivalist businesses to comply with tax regulations easier and therefore providing them with room to grow. SMMEs include survivalist businesses, small businesses and medium businesses of South Africa. The SMME definition effectively includes Micro enterprises, which are the main focus of the turnover tax system. SMMEs as a whole are targeted by government through initiatives to lower their tax and compliance costs. This is why SMMEs (which includes Micro enterprises) are the main population of this study. Please also refer to the third chapter where the main population is discussed as part of the research methodology.

A detailed literature review was included pertaining to the turnover tax system and the SMMEs of South Africa. It was determined why SMMEs are important in the South African economy as well as why they are relevant in this research study which explains why SMME business owners are the main population that will be targeted through the research surveys. Previous research studies conducted in this field of study was also referenced where the authors discussed the turnover tax system and what the system entails. It also provides relevant insight into other researchers' perceptions of the turnover tax system.

The following paragraphs discuss the research design and methodology used in this study to obtain qualitative information from SMME owners regarding the turnover tax relief system and the participation therein.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter entails the inductive and exploratory research that was conducted in the North West province of South Africa. As mentioned in section 1.4, the main objective of this research study is to determine whether the selected SMMEs in the North West province of South Africa is applying the turnover tax system as the intention of the South African government was. The secondary objectives are to determine if SMMEs in the North West province of South Africa are aware of the turnover tax system, to determine if SMMEs in the North West province of South Africa qualify to apply this system and also to determine what the reasons are if SMMEs do not apply the system.

Both questionnaires and interviews were used to obtain qualitative information regarding the participants' views and knowledge of the turnover tax system. This qualitative information includes, amongst others, the demographics of the participants, whether or not the participants were aware of the turnover tax system before the questionnaires were provided to them as well as their opinions and feelings towards the turnover tax system in their current business environment. Please refer to section 3.2.2 where the research surveys are discussed as well as the fourth chapter where the data analysis was conducted with regards to the qualitative research. The research methodology is based on an inductive and exploratory research approach. The study was conducted through sampling qualitative information from participants to achieve answers to both the primary and secondary research objectives. The inductive nature of this research study was chosen because there is limited prior research and therefore no predetermined hypothesis. The following paragraphs explain the way in which the design methods were performed. A more detailed discussion regarding the research methodology is included in section 3.2 of this study. The intention of government with the turnover tax system is discussed in the following paragraphs.

The DTC (2014) identified the turnover tax system as an important component of the tax dispensation for SMMEs which would apply mainly to qualifying Micro enterprises as defined in

the Sixth Schedule of the Act. Turnover tax is a simplified optional tax system aimed at assisting Micro enterprises with an annual qualifying turnover of less than R1 million, making it easier for these enterprises to comply with their tax obligations. According to SARS (2015b), the major benefits for Micro enterprises under the turnover tax system is a reduced administrative and compliance burden as well as reduced tax rates. According to Nico Theron, Tax Consulting manager and member of the South African Institute of Tax Professionals (SAIT), the main intention of the turnover tax regime is to make compliance easier and not to make it more tax efficient for SMMEs (Visser, 2016).

Making tax compliance easier, in essence, means that the administrative duties of these SMMEs must be reduced. This includes the calculation of taxes to adhere to the taxation laws, the completion of returns and the payment of taxes. When taxes are calculated, detail income and expenditure accounts must be held by an entity. The turnover tax regime strived to minimise this accounting burden by only taxing SMMEs on their turnover. Cotten (2011) stated that SARS brought turnover tax into use to simplify the admin burden for SMMEs as they only require their turnover figure to calculate their tax liability for the year. The secondary objectives are to determine if SMMEs in the North West province of South Africa are aware of the turnover tax system, to determine whether SMMEs in the North West province of South Africa qualifies to apply this system and to determine what the reasons are if SMMEs do not apply the system.

The main objective of this research study is to determine whether the selected SMMEs in the North West province of South Africa is applying the turnover tax system as the intention of the South African government was. This objective was resolved through the qualitative research conducted. The analysis of the data obtained through the research is captured in the fourth chapter of this study. The secondary objectives were also resolved through the qualitative information obtained from the inductive and exploratory research conducted. It was determined whether the selected SMMEs in the North West province of South Africa were aware of the turnover tax system, whether the selected SMMEs in the North West province of South Africa qualified to apply this system together with the reasons why the system is not applied. The data analysis of the research surveys are noted in Chapter 4 of this study and a detailed conclusion is included in the fifth chapter.

3.2 Research Methodology

3.2.1 Research Philosophy

All research is based on some underlying philosophical assumptions about what constitutes valid research and which research methods are appropriate for the development of knowledge in a given study. To conduct and evaluate any research, it is important to know what these assumptions are. This section discusses the philosophical assumptions used in this research study. The section also discusses the research methodologies and designs used in the study including strategies, instruments and data collection, while explaining the stages and processes involved in the study and the target population.

Qualitative research is a situated activity that locates the observer in the world (Coe, 2011). It consists of a set of interpretive and material practices that make the world visible. These practices turn the world into a series of representations, including interviews, conversations and recordings. At this level, qualitative research involves an interpretive, naturalistic approach. This means that qualitative researchers study things in their natural settings, attempting to interpret phenomena regarding the meanings people bring to them (Creswell, 2007). Qualitative research relies on truth and meaning to obtain value (Brown, 2007). Qualitative researchers tend to collect data in the field at the site where the participants experience the problem being researched and the research is used in exploratory research studies to develop theories (Creswell, 2007). This research is used to gain a better understanding of reasons, opinions and motivations. The research provides insights into the problem and is also used to inspect the deeper underlying reasons of a problem. Labuschagne (2015) noted that the sample size of qualitative research is typically very small. The reason for this is because as the study progresses more data does not necessarily lead to higher quality information which indicated data saturation points. Qualitative methods is primarily exploratory research and it proposes the gathering of sufficient data until patterns begin to emerge and until it reaches the saturation point (Hill & McGowan, 1999).

Tesch (1994) acknowledges 20 different types of qualitative methods which means that the array of methods available in the qualitative paradigm are extensive. Although each qualitative method has substantial value and could stand alone in a research project, no one is particularly suitable on its own (Hill & McGowan, 1999). The suggestion is to adopt qualitative methodologies which

will lead to enhanced understanding as opposed to limited understanding offered by single reality methodologies. these methods include interviews and participant observation (Hill & McGowan, 1999). The data collection techniques most commonly used in this philosophy are surveys using questionnaires and interviews. This research study is an exploratory and inductive research study and the data collection techniques used are qualitative due to the manner in which the questions are structured and the questions that need to be answered. SMMEs reflect the individual personality and behaviour of its management in terms of the character and culture and they are unique enterprises (Hill & McGowan, 1999). There is therefore the need to research aspects of SMMEs which reflects its individual and unique characteristics and circumstances in addition to taking account of personalities active within it (Hofer & Bygrave, 1992).

A paradigm which represents people's value judgements, norms, standards, frames of reference, perspectives, ideologies, myths, theories and so forth, is noted to be a qualitative one (Gummesson, 1991). Eisner (1991) also stated that it is important for researchers to recognise the individuality, personality and attributes of the individual involved in the research process. The researcher interacted closely with the sample of the study (business owners of SMMEs).

Through the use of tools such as standardised questionnaires, qualitative methods score more highly on validity, by getting at how people really behave and what people actually mean when they describe their experiences, attitudes, and behaviours. In addition, the reasoning implicit in qualitative work is held to be inductive (moving from observation to hypothesis) rather than hypothesis testing or deductive (Pope, 1995). Hill and McGowan (1999) propose that the only frameworks for analysis in qualitative studies are those that emerge inductively from early research stages.

A similar research method was used by Beaman (2011) where the researcher conducted a prequalification questionnaire and extended the research through interviews. This method is relevant to this research study because the questionnaires play an introductory role to determine the demographics, knowledge and perceptions of SMME owners participating in the study, and then performing a deeper investigation into their feelings regarding turnover tax.

3.2.2 Research Surveys

The first part of this research study was conducted using a questionnaire. According to Saunders et al. (2009), a questionnaire is a common strategy used in business research. Kapoulas (2003) acknowledges questionnaires to be a qualitative research method addressing attitudes and feelings towards a certain subject. Qualitative questionnaires include a space for participants to leave commentary and other responses towards the questions in the questionnaire (Rowley, 2014). Questionnaires were also described as a qualitative method by Hanson and Grimmer (2007) where the study displayed that 22 percent of participants used a questionnaire to obtain qualitative data. Many articles researched by Hanson and Grimmer (2007) pointed out that the use of questionnaires are used to obtain qualitative data and to increase validity in a research study.

Rowley (2014) acknowledges that the key components of qualitative data analysis include organizing the data set, getting acquainted with the data, classifying, coding and interpreting the data and presenting the data. The analysis of the data obtained in the questionnaire determines if there are SMMEs applying the turnover tax system. A descriptive analysis was conducted to explain the demographics and characteristics of the sample tested. The questionnaires are therefore introductory to this research study as was the case in Beaman (2011) and will not be a substitute for the interviews conducted. According to Rowley (2014), if questionnaires do not substitute interviews, the number of open ended questions and how many participants completed the open ended questions are not of main importance to obtain qualitative information. Questionnaire-based surveys should not be viewed as offering the answer, but rather as a valuable tool in understanding a situation (Rowley, 2014).

The survey conducted was cross-sectional, conducted in the field where the data was collected at one point in time. This method is the most cost-and-time effective to complete the study. This cross-sectional method is one where a sample of the population is selected to participate in the survey (Bryman & Bell, 2007). The environment where the survey was distributed, the North West province of South Africa, is not one that can be controlled and therefore an experiment will not be feasible.

The target population is the owners who are currently located in an SMME in the North West province of South Africa. The sample size and number of questionnaires that were distributed was determined at the point of saturation. Data saturation is reached when there is enough information to replicate the study when the ability to obtain additional new information has been attained, and when further data gathering is no longer feasible (Fusch & Ness, 2015). This method is deemed acceptable due to similar qualitative research studies conducted. The study of Beaman (2011) researched the effects of stress on small business leaders. The researcher performed a qualitative study due to the limited prior research conducted. The researcher then used the point of saturation in the qualitative research study to determine the number of participants who had to participate in the research study. The point of data saturation was reached at 11 participants because no additional information was collected and the answers remained similar. All 11 participants were interviewed by the researcher.

The measuring instrument was a self-administered questionnaire structured into sections with a space where other comments or perceptions could be included by participants. The questionnaire aimed to ask all relevant questions to determine whether SMMEs in the North West province of South Africa apply the turnover tax system and to determine what the SMME business owner's perception of the turnover tax system was. A 5-point Likert scale was used which ranges from strongly disagrees to strongly agree. The reason for the use of the scale was to make the questionnaire as easy as possible for participants to complete. This scale also provides a clear view with regards to the participants' perception of turnover tax (Pearson, 2010). The first part of the questionnaire comprised of the demographic and characteristic information of the participants. The second part determined whether the participant would be able to qualify as a Micro enterprise with reference to the Sixth Schedule of the Income Tax Act. The third section determined the participant's knowledge of the turnover tax system. There were also spaces included where the participants could include their feelings and perceptions of the turnover tax system to obtain further qualitative information.

Because the questionnaires only play an introductory role in the study, further insight had to be acquired into SMMEs and their opinions about the turnover tax system. This inductive study, therefore, relied on expansive interviews (Creswell, 2007; Guest et al., 2006; Beaman, 2011). A semi-structured questionnaire was compiled to conduct the interview, but participants were

allowed to engage in discussions as this is essential in the interview process (Beaman, 2011). To determine the number of interviews that had to be conducted, similar SMME studies were identified where interviews were also used as a research method. The number of semi-structured interviews that were conducted by the researchers varied between 3 and 11 (Beaman, 2011; Eagle, 2016; Buowari, 2015).

Interviews were either conducted at the participant's place of business or through telephone conversations. The interviewee was allowed to talk freely without interruption or intervention, to acquire a clear picture of their perspective regarding the turnover tax system. The interviews aimed to gain an understanding of the constructs that the interviewee uses as a basis for forming opinions and beliefs about turnover tax, an understanding of the problems associated with the compliance of the taxation laws as well as the confidence of the interviewee, to overcome the reluctance to be truthful about a taxation issues other than through confidentially in a one-to-one situation. The population of the interviews was a sample of the same participants who completed the questionnaires.

The target population of this study is owners located within SMMEs in the North West province of South Africa in order to determine their participation in the turnover tax system and their commentary towards the system. In this research study, the point of saturation was reached at 20 questionnaires. The point of saturation therefore determined the number of questionnaires that had to be distributed. As discussed in the paragraphs above, the point of saturation is achieved when there is enough qualitative data obtained through the questionnaires to replicate the study and when further data gathering is no longer feasible (Fusch & Ness, 2015). Beaman (2011) used the same method by firstly distributing pre-qualification questionnaires, after that determining the point of data saturation, and then interviewing all the participants of the questionnaires. The researcher obtained a detailed conclusion through this research method used in the qualitative research study.

3.2.3 Pilot study

A pilot study was conducted which refers to a trial administration of an instrument to identify any flaws. The pilot was conducted to determine whether the participants were able to complete the questionnaire without any problems or hesitations. The researcher piloted the questionnaire on

three respondents from SMMEs in the North West province of South Africa. These three participants were able to complete the questionnaires without any problems and the results obtained from the questionnaires were conclusive. The questionnaires are therefore deemed to be effective in researching the subject and achieving the objectives.

3.3 Data Collection and Analysis

The research was conducted through the use of both questionnaires and interviews. The questionnaires were distributed to the participants at their place of business to complete. The questionnaire was used to gather data about the demographics of the participants, their participation in the tax system of SARS and their knowledge regarding the turnover tax relief in South Africa. The interviews were then conducted after the questionnaires were completed to identify further and document the business owners' opinions. The analysis of the data is discussed in the fourth chapter where the demographical data and characteristics obtained through questionnaires were displayed through graphs and figures. The qualitative research study conducted by Hanson and Grimmer (2007) also displays the data schematically. As mentioned above, the questionnaires were used as an introduction into the participants' demographics, knowledge and primary feelings. These questionnaire findings were analysed and interpreted in Chapter 4 in order to determine the selection of SMMEs' demographics.

Based on the questionnaires received, all the participants were contacted to perform interviews with. The 20 interviewees were selected because the questionnaires performed a basic analysis of the participants and their knowledge regarding the turnover tax system. The interviews were performed on the same participants to obtain a more detail picture of the participants' opinions and objections. The purpose of the interviews was to promote the open perception of ideas and potentially reveal more than the most obvious influences of participants not registering for turnover tax.

The participants were interviewed in private sessions to allow the business owner of the SMME to develop confidentially the impact of the turnover tax and the ideas surrounding this topic. Taxation is a sensitive matter for some participants, which further places emphasis on the confidentiality of the interviews conducted. The purpose of the interview sessions is to gather

accurate information from the interviewee while maintaining neutrality and objectivity in order not to bias the outcome (Neuman, 2003). Creswell (2003) also advises that the interviewer should ask open-ended questions and encourage full responses from the participant.

The participants selected for the interviews were all the SMME business owners who participated in the questionnaires. This study made use of researcher notes to analyse and study the responses to open-ended questions from SMME owners participating in individual interview sessions. The design of the questions assured that each interview followed the same general pattern and covered the same general topics. In open-ended interviews, the researcher can identify the core issues and retain the flexibility to allow the participants to fully express ideas on the specific topic under consideration (Cooper & Schindler, 2003). The interviews were initiated by a two-minute discussion on what turnover tax entails and what the government's vision with this regime was. The participants were then asked to provide their opinions and knowledge with regards to the turnover tax system.

The literature and published data that was used was collected from the websites of SARS as well as various electronic databases such as LexisNexis, Moneyweb, Emerald, Google Scholar and ProQuest. The keywords used to search these websites and databases were taxation and small business, taxation and SMME, taxation and Micro enterprise, Turnover Tax.

To comply with the ethical requirements of the research methodology, the participants of the questionnaires and interviews weren't required to provide any other personal details as the surveys were conducted anonymously. Chapter 4 includes the analysis and interpretations of the data collected.

3.4 Research Ethics

The main ethical consideration as part of this research study is the confidentiality of both the identity of the participants of the survey as well as the information obtained. This ethical principle was addressed by keeping questionnaires and interviews anonymous.

The relevant participant received a notice on the questionnaire stating that the questionnaire adhered to the protection of Personal Information Act, 2013 and that no information of the entity

completing the questionnaire will be disclosed. The information provided by the participant is purely for research purposes. Please refer to Appendix A for the questionnaire. The interviews were conducted through verbal consent of the participant. The data will remain confidential at all times as the questionnaires and interview conversations are kept safe in possession of the researcher.

3.5 Summary

The objectives of the study were extensively discussed in this chapter. The next chapter discuss the results obtained through the implementation of the research methods to adhere to these research objectives. This chapter also aimed to explain the research methods used in this research study.

As discussed in the previous sections, both questionnaires and interviews were used to obtain qualitative information from the participants. The point of data saturation was used to determine the number of questionnaires. This saturation point was reached at 20 questionnaires when no additional information was obtained. The number of questionnaires and interviews are also noted by the researcher to be sufficient because this research study is a qualitative study which is earmarked for the small number of surveys used.

A detailed discussion of the results is included in the next chapter. The interviews were conducted with the 20 questionnaire participants to have discussions regarding the turnover tax system. The next chapter also discusses the qualitative information obtained through questionnaires and interviews separately. Finally, this chapter noted the research ethics where the confidentiality of the participants' questionnaires and interviews are of utmost importance. The participants were also made aware of this fact before their participation.

CHAPTER 4: DATA ANALYSIS

4.1 Introduction

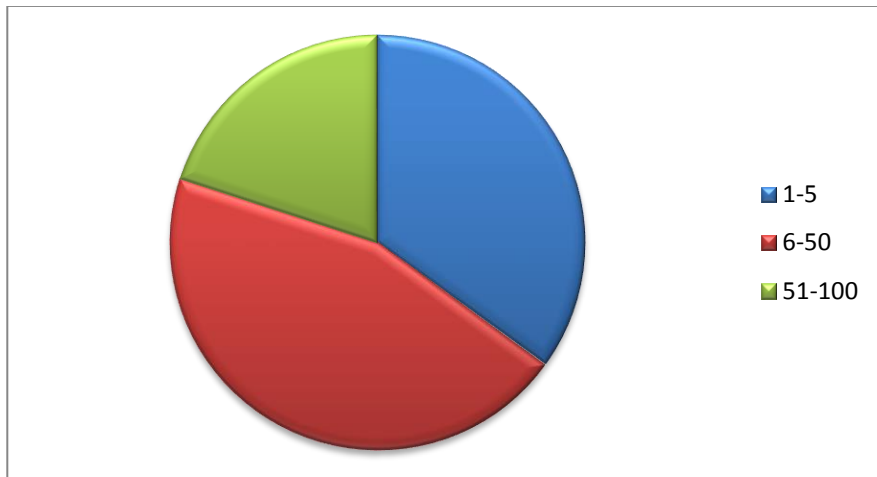
This chapter analyses the demographics of the participants to understand which area of the group the sample represents as well as the qualitative feedback obtained from both the questionnaires and the interviews to address the research objectives of the research study. The point of data saturation was used to determine the number of questionnaires that had to be distributed. This point was reached at 20 questionnaires when all 20 participants were noted not to be registered on the turnover tax system, and almost none of the participants had relevant prior knowledge regarding this system.

The questionnaires acted as a predetermination of the demographics of the participants, their tax registration profile and their knowledge and opinions regarding the turnover tax system. These 20 participants were also interviewed to obtain a deeper understanding of the SMME owners' perceptions regarding this system. The interviews were conducted at 6 of the participants' place of business, while the other 14 interviews were telephonic conversations. Because this study is based on qualitative research which requires a small number of participants, the 20 participants are deemed as acceptable. It is also deemed acceptable due to similar qualitative research studies conducted by researchers (Beaman, 2011; Bruce, 2016; Stols, 2013). The study of Beaman (2011) researched the effects of stress on small business leaders. The researcher performed a qualitative study due to the limited prior research conducted in this regard. The researcher used the point of saturation in the qualitative research study to determine the number of questionnaires that had to be distributed. The point of data saturation was achieved at 11 participants in Beaman's (2011) study. All 11 participants were interviewed by the researcher. The research conducted by Bruce (2016) investigated the effects on a SMME's revenue generation. The methodology used in this research study was an inductive and exploratory design based on qualitative methods. The researcher used both questionnaires and interviews on 12 participants. Stols (2013) reviewed the tax relief measures available to SMMEs in South Africa. The researcher also conducted both surveys and interviews on participants.

4.2 Demographics of Participants

The demographics of the participants of this research study are as follows:

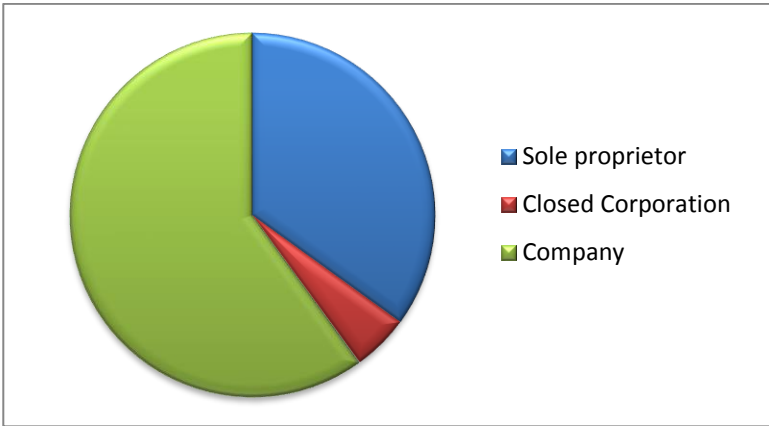
Figure 4.1: Number of Employees in the Organisation of the Participants



(Source: Own Compilation)

The figure above indicates the number of employees in the SMMEs which participated in the questionnaire. The majority of the participants employ less than 50 employees. This comfortably allocates the participants within into the SMME sector when referring to the definition captured in Chapter 2. The SMME sector is defined as having up to 50 employees while a medium enterprise has between 51 and 200 (SME Survey, 2016). This study focus on the turnover tax system which includes SMMEs as the tax regime is applicable to qualifying Micro enterprises contained in the SMME definition.

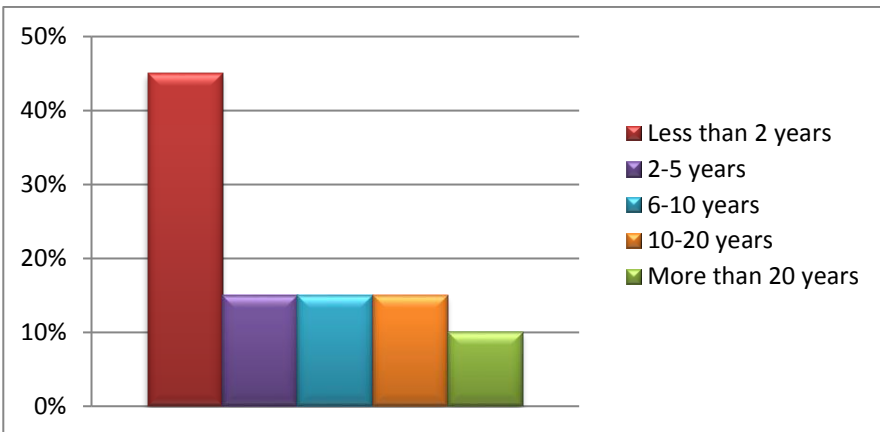
Figure 4.2: Type of Organisation of the Participants



(Source: Own Compilation)

The figure above indicates the type of organisations which participated in the study. There were no partnerships or co-operatives who participated. The percentage of sole proprietors who participated was 35 percent, while 60 percent of the participants were registered companies. According to the turnover tax regime in the Sixth Schedule of the Act, all the participants in this study would be able to participate in the turnover tax system, provided that all other requirements are adhered to. The reason for this being that all the participants were sole proprietors, closed corporations or companies and these entities are included in the Third paragraph of the Sixth Schedule.

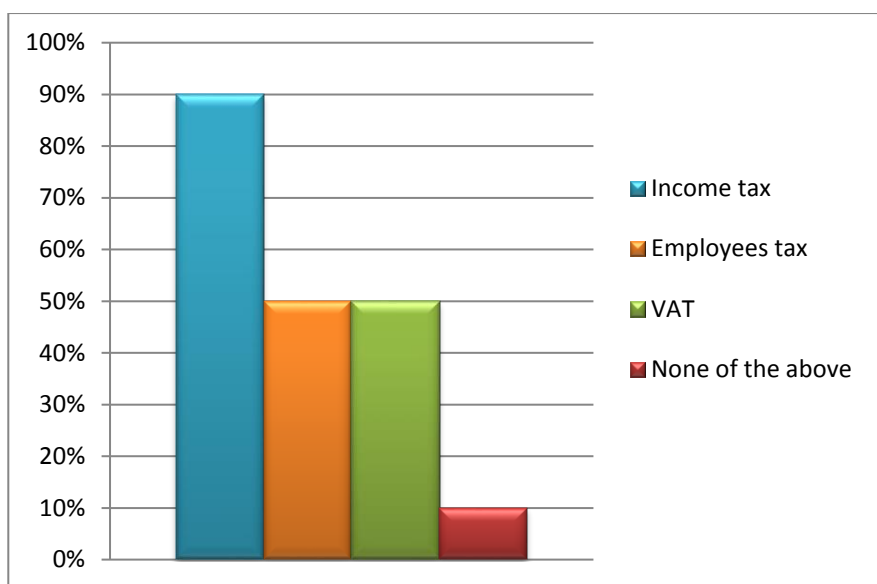
Figure 4.3: Number of Years the Organisation has been Conducting Business



(Source: Own Compilation)

The figure above indicates the number of years in which the participating SMMEs have been conducting business. Startup businesses (with less than two years conducting business) consisted of 45 percent of all participants which confirms that there are many new businesses established every year (Wiese, 2013). The failure rate of SMMEs in their startup phase is estimated at 80 percent and these enterprises fail during the first three years of operation (Gore & Fal, 2011). The failure rate increases as the size of the business decreases (Wiese, 2013). These startup businesses are also a key focus of the government as they will create jobs in the future. It is these enterprises that have to be assisted when observing their general failure rate, especially in their startup years.

Figure 4.4: Type of South African Taxes Registered For



(Source: Own Compilation)

Of the participants, 90 percent are registered for income tax, 50 percent are registered for both VAT and employees' taxes, while 10 percent are not registered with SARS at all. It must also be noted that none of the participants is registered for turnover tax.

Because none of the participants is registered with the turnover tax regime, the number of questionnaires collected in this study is further justified due to every participant having the same outcome and effectively achieving the point of saturation; none of them is registered for turnover tax.

The following paragraphs discuss the results obtained from the above mentioned questionnaires and interviews.

4.3 Primary Objective of this Research Study

The primary objective of this research study was to determine whether the selection of SMMEs in the North West province of South Africa is applying the turnover tax system as the intention of the South African government was. The turnover tax system was implemented by SARS to provide a simplified tax system to Micro enterprises defined in the SMME regime, making tax compliance easier for SMMEs. This was the main intention of the turnover tax system. As noted in figure 4.4, none of the participants of this research study implemented the turnover tax system. Interviews were therefore conducted with the participants to obtain a better understanding as to why they prefer not to implement the turnover tax system. The following paragraphs discuss the elements of the study's primary objective; to firstly determine if SMMEs in the North West province applies the turnover tax system and secondly if the main intention of the South African government was reached (making compliance easier for SMMEs).

4.3.1 Application of the Turnover Tax System

The turnover tax system was introduced to Micro enterprises to assist them in complying with tax legislation. The DTC evaluated the effectiveness of the turnover tax system in 2014. In 2013 there were only 7,827 active Micro enterprises registered on the turnover tax system, (DTC, 2014). A study conducted by Venter and de Clercq (2007) as well as Abrie and Doussy (2006) noted that SMMEs did not utilise the different incentives provided by the South African government. Many SMMEs do not use the support programmes available to them because SMME owners were not aware of the existence of these incentives.

This is a clear indication that the intention of the government to introduce the turnover tax regime to make it easier for SMMEs to comply with their tax obligations, is under scrutiny and therefore the necessity to conduct this research study. A tax consultant of the SA Tax Guide, Nyasha Musviba, noted during the Tax Indaba in 2016 that the threshold of R1 million in today's terms is unrealistic as it will disqualify a high number of SMMEs (Visser, 2016). A SARS representative, Narcizio Makwakwa, also stated that it was the National Treasury who set this threshold and

noted that it was worth suggesting an increase. Mr Makwakwa mentioned that the uptake of the regime was minimal with no more than 8,000 businesses registering for the turnover tax regime nationwide (Visser, 2016). The number of Micro enterprises did not increase since the DTC's study conducted in 2014 where 7,827 Micro enterprises were registered.

The total number of South African SMMEs recorded in 2010 amounted to 5,979,510. Of these SMMEs, only 1,034,455 (17,3 percent) were formally registered (Mahembe, 2011). When taking Mr Makwakwa's estimation of 8,000 nationally registered Micro enterprises into consideration, less than 0,01 percent of South African SMMEs are registered for turnover tax. Nico Theron, Tax Consulting manager and member of the South African Institute of Tax Professionals (SAIT), said a major problem with the turnover tax was that a SMME would pay tax on its income, despite making losses. The main idea with the Micro enterprise tax regime (turnover tax) is to make compliance easier, not to make it more tax efficient for SMMEs.

The turnover tax system strives to reduce tax compliance costs for qualifying Micro enterprises by charging a percentage of tax on their annual turnover. SAIT's Chief Executive Officer, Keith Engel, pointed out that many startup businesses remained in a loss-making position for at least the first two to three years (Visser, 2016). This will evidently mean that start-up businesses will therefore still have to pay taxes in a loss-making position. As noted in figure 4.3, 45 percent of the participants are startup businesses with less than two years of operations. The questionnaires and interviews conducted in this research study emphasised this low registration rate of SMMEs on the turnover tax system.

4.3.1.1 Results Obtained Through Questionnaires

It was determined in section 4.2 of this study that none of the participants was registered with the turnover tax system. It was also noted that 10 percent of the participants weren't registered with SARS at all.

Through the questionnaires, it was determined that 40 percent of the participants did not qualify to apply the turnover tax system (refer to figure 4.7). Of these participants who did not qualify, 60 percent was disqualified because more than 20 percent of their receipts consisted of disqualifying income while 40 percent sold assets to the value of more than R1,5 million during

the past three years. The other 60 percent qualified for the turnover tax system, while none of them applied it. It was noted that 75 percent of these participants were unaware of the turnover tax system. The other participants did not apply the system due to the high administrative burden and because they were recommended not to apply the system.

Interviews were therefore conducted with all the participants to get a better understanding of their businesses and opinions with regards to the turnover tax system. Please refer to the following section for a detailed discussion thereof.

4.3.1.2 Results Obtained Through Interviews

Interviews were conducted with the 20 participants of the questionnaires. As mentioned in section 3.2 of this study, the interviews were semi-structured and thereby allowing the participants to express their opinions and concerns. As already mentioned, none of the participants is registered with the turnover tax system.

The interview included a summary from the researcher of the turnover tax system as well as the benefits entailed in this system. The participants were also introduced to the recordkeeping obligations of the system namely that only the details of income, assets higher than R10,000 and liabilities higher than R10,000 must be kept. It was also confirmed during the interviews that none of the participants was registered with the turnover tax system. This confirmation was obtained directly from the SMME business owners. If the business owners were unsure, they conferred with either their internal or external accountants to verify this fact.

Based on the sections above, none of the participating SMMEs was registered with the turnover tax system. The following paragraphs include a further discussion of the main intention of the South African government with the turnover tax system where government strived to reduce compliance of SMMEs.

4.3.2 Compliance to Tax Legislation

Tax compliance refers to fulfilling all tax obligations as specified by the law freely and completely, or degree to which a taxpayer complies or fails to comply with the tax rules of their country (Braithwaite, 2009). Tax compliance is the degree to which taxpayers comply with the law (James & Alley, 2004). The main intention of the turnover tax system, according to SARS (2015b) and Visser (2016), was to reduce the administrative burden of Micro enterprises and therefore reduce compliance to the tax legislation.

A main problem area identified by Abrie and Doussey (2006) was the management and administration of taxes. The tax compliance requirements in South Africa has been identified as stumbling blocks for SMEs. According to the tax guide for Micro enterprises issued by the SARS, compliance costs ranges between 2,2 percent of turnover for businesses with a turnover of up to R300,000 per annum and 0,1 percent of turnover for businesses with a turnover of around R14 million per annum (R14 million is the old small business corporation turnover amount, from 2014 the amount is R20 million) (SARS, 2012a). The OECD issued a detailed report on turnover tax around 2005; many countries were concerned about high compliance cost and high administrative burdens that Micro enterprises all over the world reportedly encountered (Kamdar, 2011).

The cost of tax compliance for SMMEs was researched by Hansford and Hasseldine (2012). Initial findings suggest that 85 percent of SMMEs paid for external services relating to tax-related work. According to Abrie & Doussy (2006) SMMEs outsources the more complicated functions that are not done routinely. The main time-consuming activities are; completing returns, calculating and paying tax with VAT consistently more time consuming than the other taxes in the survey, income tax or corporation tax, employees taxes and capital gains tax. This is closely followed by keeping up to date on tax matters. The research discovered that VAT compliance consumes a disproportionate amount of compliance costs with over 40 percent of costs and over 50 percent of time spent on VAT when comparing it to other taxes; income tax, payroll tax and capital gains tax (Hasseldine, 2012). The outsourcing of tax functions have inevitable cost implications and approximately half of the SMMEs participating in Abrie and Doussy's (2006)

study, indicated that the burden of complying with tax regulations has increased during the past three years.

There are various incentives to support and promote growth of SMMEs. These range from government grants to fiscal incentives (Venter & de Clercq, 2007). Although measures implemented by government brought some relief to SMEs, Pravin Gordhan acknowledged that compliance with the tax regime is still a considerable burden for small businesses (Mahabane, 2005).

The turnover tax system implemented a simplified tax where income tax is payable as a percentage of the SMME's annual turnover. It replaces the normal regulations captured in the Act with regards to Income Tax, Provisional Tax, capital gains tax and dividends tax. According to Hansford and Hasseldine (2012), the tax type which requires the most time and the highest costs is VAT. Because the turnover threshold of R1 million is required to register for turnover tax, none of the businesses who qualify as a Micro enterprises as defined in the Act, are required by law to register as VAT vendors. This is because an annual turnover of more than R1 million is the mandatory requirement for VAT registration (South Africa, 1962b) and Micro enterprises (with a qualifying turnover of less than R1 million) is therefore not required to register for VAT. It must also be noted that the turnover tax system does not prohibit a qualifying Micro enterprise from registering as a VAT vendor. Registering for both the turnover tax system and as a VAT vendor is not advised due to the fact that the qualifying turnover threshold to qualify as a Micro enterprise includes the VAT amount (SARS, 2012b). Since taxable turnover consists of all amounts not of a capital nature received by the Micro enterprise, a Micro enterprise that is a vendor for VAT purposes must include in its taxable turnover any VAT charged by it on the supply of goods or services (SARS, 2017). Registering both as a VAT vendor and the turnover tax system will, therefore, result in a higher taxable turnover which will result in a higher turnover tax. It may also result in the business having to deregister from the turnover tax system due to not qualifying as a Micro enterprise if the qualifying turnover (which includes the VAT raised) exceeds R1 million.

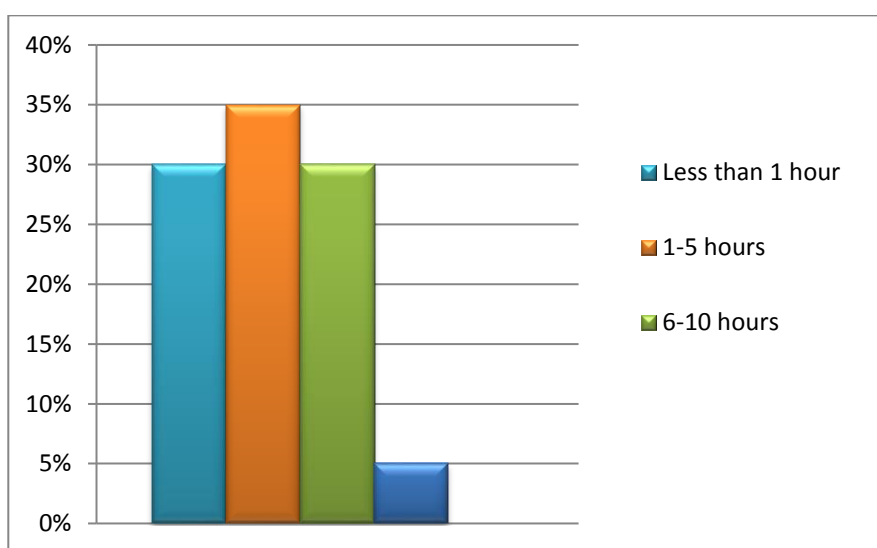
This simplified tax system also does not provide specific relief in respect of payroll taxes or levies such as employees' tax, unemployment insurance fund (UIF) contributions, and the skills

development levy (SDL). Regarding existing law, however, businesses whose employees are not liable for employees' tax will not be required to register for employees' tax, and businesses with a payroll of up to R500,000 a year will not be liable for the SDL (SARS, 2017).

4.3.2.1 Results Obtained Through Questionnaires

As discussed in section 4.2 and with reference to figure 4.4, 90 percent of the participants were registered for income tax while 50 percent were registered for VAT and payroll taxes as well. The following statistics were obtained regarding the hours spent to comply with tax legislation:

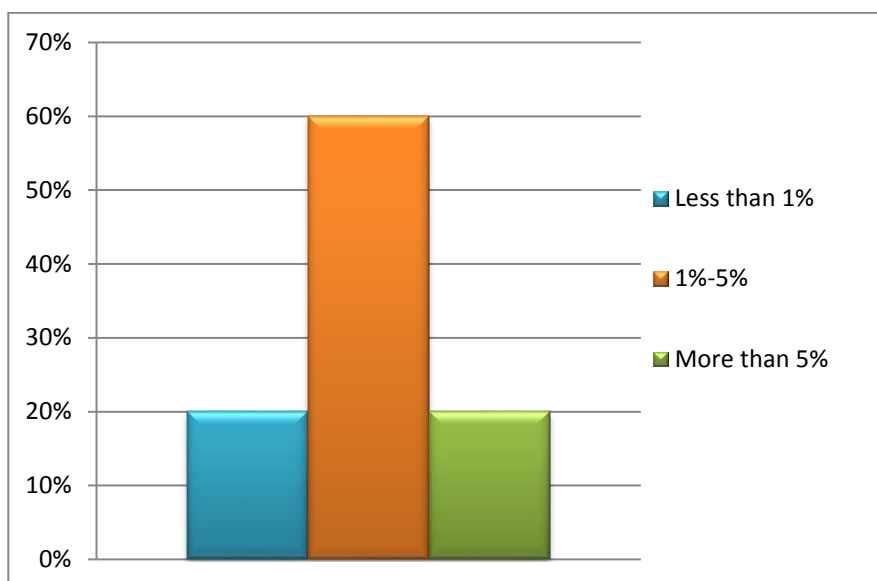
Figure 4.5: Monthly Hours Spent to Comply with Tax Legislation



(Source: Own Compilation)

As displayed in the figure above, the majority of participants mentioned that they spend between one and 10 hours every month to comply with tax legislation.

Figure 4.6: Percentage of Annual Turnover Spent on Complying with Tax Legislation



(Source: Own Compilation)

When determining the percentage of annual turnover spent on complying with tax legislation, the majority of the participants noted that they spend between 1 and 5 percent of their annual turnover. This therefore confirms the tax guide for Micro enterprises issued by the SARS stating that compliance costs range between 2,2 percent of turnover for businesses with a turnover of up to R300,000 per annum (SARS, 2012).

4.3.2.2 Results Obtained Through Interviews

It was noted during the interviews that the participants who spent less than 1 hour a month on tax compliance, either outsourced the function or was not registered with SARS at all. The other participants indicated that they have internal accountants adhering to the compliance of tax legislation. The participants who outsourced their accounting and tax administrative duties as well as the entities only registered for income tax, spend less than 1 hour a month to comply with tax legislation. By outsourcing the administrative duties, fewer hours are spent complying with tax legislation, but the compliance costs increase due to accountant fees.

This is also illustrated in figure 4.6. Between 1 and 5 percent of the SMMEs annual turnover is spent on compliance cost. There was also 20 percent who spend more than 5 percent of their

annual turnover on tax compliance costs. During the interviews, it was noted that these entities outsourced their accounting and taxation functions to accountants which send a monthly invoice for their payroll capturing and PAYE declarations as well as their VAT capturing and declarations.

4.4 Secondary Objectives

Section 1.4.2 notes the secondary objectives of this research study. The following paragraphs provide a detailed explanation of the objectives as well as the results obtained from the research conducted.

4.4.1 North West SMMEs and Their Knowledge of the Turnover Tax System

The first of the secondary objectives are to determine if the selected SMMEs in the North West province of South Africa are aware of the turnover tax system. To be aware is defined as having the knowledge or a perception of a situation (English Oxford Dictionary, 2017). Being aware implies knowledge gained through one's perceptions or using outside information. When inspecting whether SMME business owners are aware of the turnover tax system, implies that the SMME business owners must have a basic knowledge of the system and what it entails. If a business owner only heard about the system but has no knowledge of the basic elements of the turnover tax system, it is noted that the SMMEs are not, by definition, aware of the turnover tax regime.

4.4.1.1 Results Obtained Through Questionnaires

The results obtained through the questionnaires imply that most of the participants had no prior knowledge regarding the turnover tax system. Participants who indicated that they have heard of the system resulted in the minority. Of the last-mentioned participants, most did not know the possible disqualifications, possible benefits, administrative obligations or the turnover tax rates. It is therefore concluded that these participants also did not have enough knowledge to regard them as being aware of the turnover tax system. Effectively, this resulted in 90 percent of the participants not having adequate knowledge about the turnover tax system.

4.4.1.2 Results Obtained Through Interviews

The interviews conducted with the participants only confirmed the results obtained through the questionnaires. The participants were asked at the beginning of the interview if they had any knowledge about the turnover tax system. The participants, who indicated during their questionnaires that they had appropriate knowledge, supplied the researcher with an overall view of the turnover tax system. These business owners indicated that they obtained this knowledge through discussions with their accountants.

The other SMME business owners were informed of this system at the beginning of the conversation as noted in section 4.3.1.2.

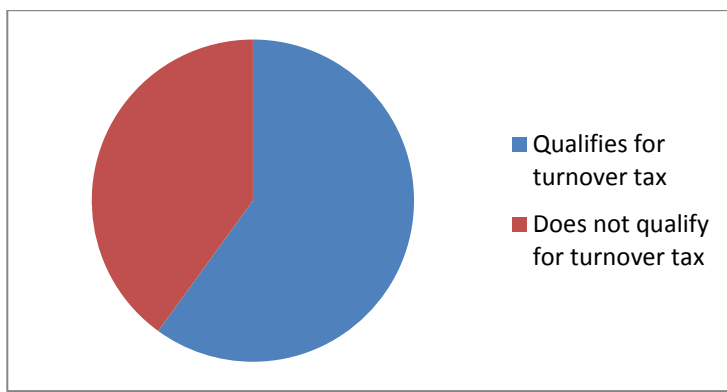
4.4.2 SMMEs in the North West Province Qualifying for this System

The turnover tax system is recorded in the Sixth Schedule of the Act. The second paragraph of the Sixth schedule provides a list of entities that will qualify as Micro enterprises. These include natural persons or companies (entities) where the qualifying turnover of that person does not exceed an amount of R1 million for the year of assessment. The third paragraph provides a list of possible disqualifications. These disqualifications include: entities that at any time during the year holds any shares or has any interest in the equity of a company other than a share or interest described in the fourth paragraph of the Sixth schedule; entities where more than 20 percent of the total receipts during the year of assessment consists of income from providing a professional service (only applicable to natural persons) and investment income (applicable to companies); entities that, at any time during that year of assessment, is a personal service provider or a labour broker, as defined in the Fourth Schedule; entities where the total receipts of disposing capital assets, during the past three years, exceeds R1,5 million; companies where the financial year ends on a date other than February; companies where the shareholders are other entities than natural persons; and companies where the shareholders hold any shares or has any interest in the equity of a company other than a share or interest described in the fourth paragraph of the Sixth Schedule.

4.4.2.1 Results Obtained Through Questionnaires

As discussed in section 4.1.1, all the SMME owners participating in this research survey were sole proprietors (natural persons), companies or closed corporations with an annual qualifying turnover lower than R1 million (survivalist enterprises). It can, therefore, be concluded that all the participants were qualifying Micro enterprises as defined in the second paragraph of the Sixth Schedule. The questionnaire aimed to address all the possible disqualifications from the turnover tax system to determine if the participants would remain to qualify as a Micro enterprise. The following results were obtained through the questionnaires:

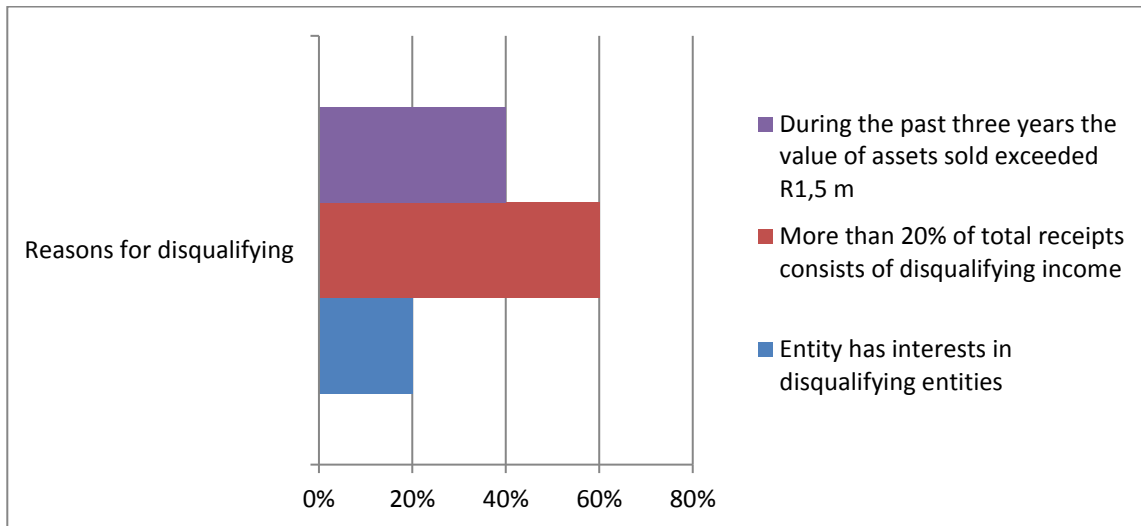
Figure 4.7: Percentage of Entities Qualifying for the Turnover Tax System



(Source: Own Compilation)

As observed in figure 4.7, 40 percent of the Micro enterprises who participated in the surveys did not qualify for the turnover tax regime. The main reasons for these disqualifications are as follows:

Figure 4.8: Reasons for Disqualifying from the Turnover Tax System



(Source: Own Compilation)

Refer to figure 4.8 above; 60 percent of the entities who did not qualify was disqualified because more than 20 percent of their receipts consisted of disqualifying income as defined in the Third paragraph of the Sixth schedule while 40 percent sold capital assets to the value of more than R1,5 million during the past three years.

4.4.2.2 Results Obtained Through Interviews

The possible disqualifications from the Turnover Tax system were discussed with the participants during the interviews. The participants who did not qualify for the turnover tax system were also notified of the disqualifications applicable to them. The participants were then asked if they had any opinions regarding these disqualifications as defined in the Sixth Schedule. Numerous of the interviewees noted that the disqualifications were stringent and in their opinion, this meant that only a handful of entities would be able to qualify for the turnover tax system.

The entities who were disqualified due to capital receipts higher than R1,5 million for the past three years also had an opinion regarding the low limit. This effectively means that a company may only receive up to R500,000 per year for capital assets sold. Most of the startup companies' owners estimated that their annual turnover would exceed the R1 million limit within the next 2 to 3 years, with their profit margin remaining more or less the same. These owners indicated that they weren't interested in registering with a system for two years, training their staff on how

to keep track of everything, only to deregister and continue with the current Small Business tax rates or normal tax rates. The transfer from one system to the next will also require a more extensive record keeping system and further training on tax legislation and may result in a more expensive exercise.

4.4.3 Reasons for Not Applying the System

As mentioned in section 1.3, the DTC evaluated the effectiveness of the turnover tax system during 2014. One of the questions raised by the DTC was why a SMMEs (which is ultimately targeted by this system) that was previously paying no tax would suddenly engage with SARS to register and incur compliance costs. During the 2016 Tax Indaba, a tax consultant of the SA Tax Guide also noted that the threshold of R1 million in today's terms is unrealistic as it will disqualify a high number of SMMEs (Visser, 2016). One of SARS' representatives, Mr Makwakwa, admitted that the uptake of the turnover tax regime was minimal with less than 8,000 businesses registering for this simpler tax system (Visser, 2016).

A Tax Consulting manager and member of the SAIT, Nico Theron, said that another major problem with this system was that a small business would pay tax on its income even if they made losses. SAIT's Chief Executive Officer, Keith Engel, also noted that many startup businesses remained in a loss-making position for at least the first two to three years (Visser, 2016). The following sections include a discussion of additional reasons obtained from the participants as none of them are registered on the turnover tax system

4.4.3.1 Results Obtained Through Questionnaires

After inspecting the results of the questionnaires, it was evident that the majority of the participants (90 percent) did not have adequate prior knowledge of what this system entails. The participants will therefore not have registered with the system as they didn't even know of its existence. The 10 percent, who were aware of the system before the interviews conducted, noted that they were not registered as their accountants advised them not to do so.

4.4.3.2 Results Obtained Through Interviews

During the interviews, the researcher noted that the participants had an opinion about the reduced record keeping obligations of the turnover tax system. The majority of the SMME business owners who participated in the study felt that they already invested in accounting systems to accurately capture their income and expenditure. This was the main focus of the system implemented by SARS; to reduce compliance costs as the record keeping is at a minimal. These participants noted that registering with the turnover tax system would not reduce their administrative duties as they need up to date profit and loss figures to make informed decisions.

Some of the SMME business owners noted that they were already on a lower taxation system; the reduced tax table for Small Business Enterprises. This last mentioned system did not only reduce the tax rates of these SMMEs, but it also takes into account losses made by the SMMEs. As mentioned in section 4.3.1.2, some participants were not registered with SARS at all. During the interviews, these business owners noted that they are startup businesses and admitted that any form of registration with SARS would cost money which the entity doesn't have. This confirms Visser's (2016) comment that startup businesses remain at a loss-making position for two to three years.

4.5 Summary

This chapter discussed the data obtained through the implementation of the research methods. The two surveys used in this research study were questionnaires and interviews. Through the application of the two research surveys, it was determined that none of the selected SMMEs was registered for turnover tax. As discussed in chapter 3, this resulted in the point of saturation reached at 20 questionnaires. The results further indicated that there were a minimalistic number of SMME business owners who had sufficient prior knowledge about the turnover tax system.

The questionnaires provided important information regarding the participating SMMEs' demographics, the time and money spent on tax compliance as well as their basic knowledge of the turnover tax system. The answers obtained through the questionnaires were therefore only introductory to the research and interviews were conducted to obtain further relevant

qualitative information from the SMME owners to determine what their opinions about this system are and to note their objections against or their reasoning for the turnover tax system.

The following chapter provides a detailed conclusion and overall summary of the research conducted in the sections above. The section determines if this study's primary and secondary objectives were reached based on the sections discussed above. Recommendations for future research are also included.

CHAPTER 5: CONCLUSION

5.1 Introduction

The primary objective of this research study was to determine whether the selected SMMEs in the North West province of South Africa is applying the turnover tax system according to the intention of the South African government. Three secondary objectives were also set in Section 1.4 of this study. Chapter 2 of this research study includes a detailed discussion regarding the turnover tax system as well as the SMMEs and qualifying Micro enterprises for which it is intended. Chapter 3 includes a detailed discussion of the research methods used in this research study as well as a reference to previous research conducted. Chapter 3 further explains the details of the questionnaires used to obtain qualitative data as well as the interviews conducted with participants. Chapter 4 discusses the findings of the research methodology conducted.

This chapter summarises the findings based on the literature review as well as the responses received in the questionnaires and during the interviews. A conclusion is also drawn regarding the four research objectives set out in Chapter 1 and finally, potential areas for future research are discussed.

5.2 Conclusion Regarding Primary Objective

As previously mentioned, the primary objective was to determine if the selected SMMEs in the North West province of South Africa apply the turnover tax system as the intention of the South African government was. In Chapter 3 it was determined that the main intention of the South African government was to introduce this system to reduce the compliance obligations of qualifying Micro enterprises. The research conducted, indicated that none of the participants administered the turnover tax system in their businesses, which evidently means that they don't apply the system as the intention of the South African government was. There are also other indications from the DTC (2014) that the uptake of the turnover tax system is minimalistic.

The research results suggest that the current processes for SMMEs must be simplified and streamlined to ensure that tax compliance costs and administrative burdens are not inhibiting

the growth and compliance of SMMEs. Figure 4.5 shows the average hours spent by SMMEs on complying with tax legislation. These hours could have been better applied to the other business functions of the entity, possibly enabling the SMME to expand and create more jobs. Figure 4.6 also indicated that SMMEs spend an average of 1 to 5 percent of their annual turnover on tax compliance costs. These costs could rather have been contributed towards employment or capital expansion. It can, therefore, be concluded that the turnover tax regime is not currently achieving its main purpose and not contributing positively towards the growth of the economy and the reduction of unemployment.

5.3 Conclusion Regarding Secondary Objectives

Three secondary objectives were set, namely;

- Determine if the selected SMMEs in the North West province of South Africa are aware of the turnover tax system
- Determine if SMMEs in the North West province of South Africa qualify to apply this system
- Determine what the reasons are if SMMEs do not apply the system

Based on these objectives, the research firstly aimed to determine whether the selected SMMEs in the North West province of South Africa are aware of the turnover tax system. It was determined through both the questionnaires and interviews that the majority of participants did not have the basic knowledge of the turnover tax system which evidently means that they will not be able to apply it in their businesses. The results obtained through the questionnaires imply that most of the participants did not have sufficient knowledge of the turnover tax system.

The second of these objectives was to determine if SMMEs in the North West province of South Africa would be able to qualify as Micro enterprises on this system due to the number of disqualifications listed in the Sixth Schedule of the Act. It was determined through the questionnaires that almost half of all the participants did not qualify for the turnover tax system mainly due to the sale of assets with a value higher than R1,5m during the past three years and more than 20 percent of their income was from investment or other disqualifying income.

The research surveys also strived to determine what the reasons are for SMMEs not applying the turnover tax system. Except for the SMMEs who did not qualify, the majority of the other participants were either unaware of the relief available or weren't registered with SARS at all. The SMMEs who were aware of this system indicated that they will not apply it because they still have to keep adequate accounting records for business purposes and they weren't prepared to pay tax in a loss-making year. The question also remains as to why a SMME which was previously paying no tax would register for turnover tax and therefore incurring the cost of tax and compliance.

The research, therefore, indicates that the current turnover tax relief measure is not contributing positively towards the growth of SMMEs in the North West province because none of the participants are applying the system. Based on the findings above and other literature inspected, it is noted that the turnover tax relief measure is not contributing positively towards the growth and sustainability of the SMMEs, and effectively does not help to improve the GDP or reduce the unemployment of South Africa. The researched conducted therefore confirms the problem statement noted in Chapter 1.

5.4 Recommendations for Future Research

This study was limited to the opinions of SMME owners in the North West province of South Africa. For a more representative view of the turnover tax system, a more extensive study could be conducted into the rest of South Africa. This study was also limited to one tax relief measure, namely the turnover tax relief system. Further investigation could be conducted into all of the tax relief measures available to SMMEs.

Further research could also be done with other countries' tax relief measures to enable researchers to make recommendations to SARS regarding the current tax relief measures or other possible relief measures which could be implemented.

This study is limited to the Income Tax act 58 of 1962. Further research could be conducted into other South African legislation and the impact it has on the growth of SMMEs.

5.5 Conclusion

This study researched one of the tax relief measures available to SMMEs; the turnover tax relief system. It is evident from the research conducted that the turnover tax relief measure was implemented to assist SMMEs with their administrative burden and compliance costs in order to assist them to grow.

The research conducted and the information obtained firstly suggests that the turnover tax relief measure isn't currently achieving the anticipation of government. This is evident through the low participation rate in the turnover tax system discovered by the DTC (2014) as well as the results of this study which indicates a zero participation rate of participants. Secondly, the research suggests that SMMEs don't have sufficient knowledge which would prompt them to register for the relief system. These SMMEs were not aware of the turnover tax system and therefore wouldn't apply it. Other reasons for non-application include factors such as many participants were startup businesses which may indicate that losses are being made. These SMME owners noted that they were not willing to pay taxes in a loss-making position, which would be the case if they were to pay taxes based on their annual turnover as the turnover tax entails. SMME owners also felt that registering on the turnover tax system won't automatically lead to lower cost of tax compliance. They would still have to have a detailed accounting system to determine their cash flows and profit or loss positions. Participating SMME owners indicated that they would have greater preference to relief measures which included reduced tax rates for SMMEs, reduced penalties and interest charges as well as a SARS helpdesk specifically for SMMEs (Abrie & Doussy, 2006).

Through the research surveys, it was further noted that the turnover tax relief measure could be investigated and streamlined to assist SMMEs in the future. This function will ultimately be the responsibility of the National Treasury and its government institution; SARS. Another major aspect that has to be investigated is the stringent requirements for an SMME to qualify as a Micro enterprise. It is evident that more research and discussions are necessary before the uptake of the turnover tax regime will increase. Discussions between government and SMME business owners are another method to understand the frustrations SMMEs experience on a

daily basis. This may help government understand the flaws of the system to streamline the regime and effectively contribute towards the country's growth.

It seems that the turnover tax system of South Africa was implemented to reduce the compliance costs of SMMEs and not necessarily to lower their tax burden. This factor may be indicative towards understanding the low participation rate and the lack of knowledge of SMME business owners when it comes to the turnover tax system. It is therefore evident that government needs to rethink and restructure this relief measure to achieve their set objectives and to effectively assist SMMEs to grow and further the economy and job creation.

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**Participant
number** (for internal
use only):

AN ANALYSIS OF THE TURNOVER TAX RELIEF AVAILABLE TO MICRO ENTERPRISES IN THE NORTH WEST PROVINCE

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QUESTIONNAIRE

PLEASE NOTE THAT THIS QUESTIONNAIRE ADHERES TO THE PROTECTION OF PERSONAL INFORMATION ACT, 2013. **NO** INFORMATION OF THE ENTITY COMPLETING THE QUESTIONNAIRE, WILL BE DISCLOSED. THE INFORMATION PROVIDED BELOW IS PURELY FOR RESEARCH PURPOSES

Section A: Demographic, Characteristics, & Profile of Respondents

This section is to supply more demographic and characteristic information regarding your company:

Please only tick one answer next to the box provided.

1) Number of employees in your organization:

- 1 – 5
- 6 – 50
- 51 – 100
- 101 – 200
- >200

2) Type of organization:

- Sole proprietor
- Partnership
- Closed Corporation
- Company
- Co-operative
- Other

3) Duration that your organization has been operating: province:

- < 2 years
- 2 – 5 years
- 6 – 10 years
- 10 – 20 years
- > 20 years

4) Town where your business is located in the North West

- Potchefstroom
- Klerksdorp
- Ventersdorp
- Rustenburg
- Lichtenburg

5) Your entity renders:

- Goods
- Services
- Both

6) Are you registered for:

- Income tax
- Employees tax
- VAT
- Turnover tax
- None of the above

7) How many monthly hours are spent to comply complying

with SARS regulations:

- >1
- 1-5
- 6-10
- 11-15
- > 15

8) How much of your annual turnover are spent on

with SARS regulations:

- >1%
- 1% - 5%
- >5%

9) How often do you make payments to SARS:

- Never
- Once a month
- Once every second month
- Once every four months
- Twice a year

10) How often do you file returns to SARS

- Never
- Once a month
- Once every second month
- Once every four months
- Twice a year

- Once a year
 I am not sure, my accountant does this

Once a year

Section B: Possible disqualifications from Turnover Tax

*This section will be used to determine whether or not the entity had the ability to qualify for turnover tax
Please only tick one answer next to the box provided.*

1) What is your estimated turnover for the past 12 months:

- < R500 000
 > R500 000 but < R1 000 000
 > R1 000 000 but < R1 500 000
 > R1 500 000

2) The entity has interests or shares in the following entities:

- Listed companies
 Other operating entities
 Other deregistered entities
 Portfolio in a collective investment scheme
 Share block company
 A Venture Capital Company
 Other not mentioned:

The entity does not have an interest in other entities

3) More than 20% of the entity's total receipts consists of:

- Annuities
 Dividends received
 Interest income
 Income from rendering a professional service
 Rent received out of letting of fixed assets
 Royalties
 None of the above

4) Your entity has been defined as a:

- Personal service provider
 Labor broker
 None of the above

5) During the past three years the total value of capital assets sold:

- Exceeded R1 500 000
 Did not exceed R1 500 000

6) The shareholders/members of your entity are:

- Natural persons
 Other companies or Closed Corporations
 Trusts
 A combination of the above
 The entity does not have any share capital

7) The shareholders/members of your entity has interests in other companies such as:

- Listed companies
 Other operating entities
 Other deregistered entities
 Entities with assets less than R5 000
 Portfolio in a collective investment scheme
 Share block company
 A Public Benefit Organisation
 A recreational club
 A Venture Capital Company
 Other not mentioned: _____
 The members/shareholders of this entity does not have interests in other entities

Section C: Your Knowledge regarding Turnover tax

This section will provide information about the knowledge of the public with regards to Turnover Tax

Please only tick one answer next to the box provided.

1) Are you aware of the existence of the Turnover tax System of South Africa?

- Yes
 No

If you answered "Yes" in the question above, please proceed to questions 2-4 in this section

2) Are you aware of the possible disqualifications From Turnover tax

- Yes
 No

3) Do you know what the benefits of the Turnover tax System are

- Yes
 No

4) Do you know what administration is necessary to comply with the Turnover tax system:

- Yes
 No

5) Are you aware of the Turnover tax rates?

- Yes
 No

Section D: Is your entity benefiting from this System

IN THE FOLLOWING SECTION, PLEASE ONLY COMPLETE THE ONE SECTION THAT IS APPLICABLE TO YOU

In the following questions, please indicate your level of agreement and disagreement. Choose only one answer unless stated otherwise in the question.

Please tick in the box of your choice.

STRONGLY DISAGREE	DISAGREE	NEUTRAL	AGREE	STRONGLY AGREE
1	2	3	4	5

COMPLETE ONLY IF YOU KNOW YOU APPLY THE TURNOVER TAX SYSTEM		1	2	3	4	5
1.	How satisfied are you with the benefits of the Turnover tax system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	How much administrative relief does the Turnover tax system provide to your entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	How much cash flow relief does this system provide to your entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	With your current forecasts, how sure are you that your turnover for the next financial year will also be less than R1 000 000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Are you considering the deregistration from the Turnover Tax System	Yes <input type="checkbox"/> No <input type="checkbox"/>				

If you are considering deregistering from this system, please provide a reason why

OR

COMPLETE ONLY IF YOU KNOW THAT YOU DO NOT APPLY THE TURNOVER TAX SYSTEM

Please only tick one answer next to the box provided.

1. I don't apply this system because I wasn't aware of its existence and/or benefits Yes No
2. I don't apply the system because I don't qualify Yes No Not sure
3. Would you register your entity for turnover tax if you qualified Yes No Not sure
4. I deregistered from this system Yes No

If you deregistered from the system, please provide a reason why

- _____
5. I don't apply this system because I was recommended not to Yes No
6. I don't apply this system because the administrative burden is too high Yes No
7. I do not apply this system because I am not registered with SARS Yes No

OR

COMPLETE ONLY IF YOU ARE NOT SURE WHETHER OR NOT YOU APPLY THE TURNOVER TAX SYSTEM

Please only tick one answer next to the box provided.

1. Would you be interested in learning about the Turnover tax system Yes No
2. Are you a registered taxpayer with SARS Yes No
3. Are you currently paying any tax to SARS (PAYE/VAT/Income tax) Yes No Not sure
4. If you answered No in question 3, is it because you don't yet qualify to pay these taxes Yes No Not sure
5. Would you register your entity for turnover tax if you qualified Yes No Not sure

If you have any additional comments with regards to the Turnover Tax System, please share them:

THANK YOU FOR TAKING THE TIME TO COMPLETE THE QUESTIONNAIRE.