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The Impact of VAT on Service Delivery in Ditsobotla Local Municipality

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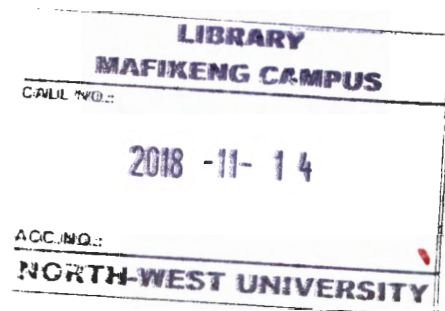


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DECLARATION

I, Tumisang Pricelda Mokakale, declare that this mini-dissertation which I hereby submit to the North-West University is all my work. To the best of my understanding, this mini-dissertation has acknowledged all sources used, and further, comprises no material formerly published, unless otherwise stated.

Signature.....

Date

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"I can do all things through Christ who strengthens me

I am grateful to a number of people. This mini-dissertation was done with a lot of support from my friends and family.

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ABSTRACT

The purpose of this study is to find out the impact of VAT on service delivery in the Ditsobotla local municipality. VAT is currently charged on municipal services in South Africa and this charge makes the services more expensive. Currently, the residents of Ditsobotla municipality owe millions of rands to the local municipality. Over the past years there have been numerous protests by residents over poor service delivery. This study therefore intends to find the impact of VAT on the ability of the municipality to deliver equitable services to the residents.

The study adopted a mixed methods approach as well as an explanatory sequential mixed methods research design. The quantitative data was analyzed using SPSS while the qualitative data was analyzed using a thematic content analysis. The study found that VAT has a negative impact on service delivery in the Ditsobotla local municipality. The findings of the study also disclosed that Ditsobotla municipality provides basic services to the residents even though some residents do not pay for services rendered. The findings also indicate that residents receive services based on the way they pay for their municipal services, further deducing that a decrease in VAT proceeds invariably affects the rate of service delivery. It was also inferred that the residents do not have relevant knowledge of VAT.

The study recommends that the Ditsobotla municipality should find ways to enhance payment compliance such as initiating awareness campaigns. The municipality should render services to the residents equally as this might assist them in honoring their payments. The study also recommends that the residents should be allowed to enquire about their service bills so that they have some knowledge of VAT levy and the importance of paying VAT.

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LIST OF ACRONYMS

ANOVA	Analysis of Variance
CEMR	Council of European Municipalities and region
DLM	Ditsobotla local municipality
OECD	Organisation for economic co-operation and development
SARS	South African Revenue Services
SPSS	Statistical Package for Social Sciences
UK	United Kingdom
USA	United States of America
VAT	Value added tax

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1. Introduction

The independence of South African in 1994 changed municipal governance from an inherited history of deprived governance (Manyaka, 2014: 128). In this regard, the Republic launched a Constitution which specifies how authority is shared between the National, Provincial, and the Municipalities. The Constitution placed the local municipality as the third arm of government which is the nearest governing body to the people as it is situated below the Provincial government (Draganic, 2011: 3). This transformation introduced other Acts such as the Public Financial Management Act, Municipal Financial Management Act, Municipal Systems Act and the Municipal Structures Act which support municipalities in mobilising their own revenue and to make actual use of the existing funds to guarantee reasonable provision of services to the communities under their immediate jurisdiction.

A local municipality refers to a branch of government that provides the main infrastructure, amenities, and the services needed by residents (Bastia *et al*, 2013: 107). These local municipalities actualise these obligations as mandated in the Constitution by mobilising funds through external and internal means. They mobilise funds by external means through central government funding and by internal means through tax, property tax, value added taxes and other levies from the residents. A tax is regarded as an enforced levy by the government on workers' income or business profit. Keen & Lockwood (2009: 9) state that a value added tax is a type of tax based on taxpayers' consumption of products rather than his income. Value added tax is also a consumption tax which is collected incrementally on the value added at each stage of production and added on the location of the consumer (Keen & Lockwood, 2009: 20)

The aim of this study is to find out the impact of VAT on public services in the Ditsobotla local municipality. This is for the reason that residents are failing to pay for municipal services due to tax levied on the envisaged services. The municipality, as a public service, provides services such as electricity, drainage, refuse removal and water. This study is aimed at examining the impact of VAT in maintaining public services demands in the Ditsobotla local municipality. This first chapter provides the

background to the study, problem statement, research objective and questions, aims and relevance of the study, delimitation of the study, implication of the study, chapter layout and the definition of key terms.

1.1 Background to the study

Tax is one main element in the structure of a state government Budget. Over the tax revenue, the state can keep on performing the development to advance the people's well-being. Taxes are imposed on every taxpayer and collected to fund a wide variety of public policy initiatives. In this case, taxes are obligatory on every occupant of Ditsobotla that receives services from the municipality. The payment of tax is a form of taxpayer's participation in societal development. As breadth for the state budget, the taxation sector is a sector that is continuously required in levitating state revenue (Margaretha & Tjen, 2014: 309). Payments of municipal services by residents form a huge part of revenue in the municipalities, and the VAT on public services compels the residents to pay for these services.

Since the introduction of VAT in 1991, municipalities were mandated to register as VAT vendors. Definite specifications were given with regards the municipalities' supplies (VAT guide 404). Initially, property rates were among services that VAT was charged by municipalities but the promulgation of (VAT guide 404) specifies the areas to be charged thereby eliminating complications and administrative problems. Due to these trials and doubts, recommendations were made during the budget speech by the Minister of Finance in February 2006, that certain deviations with regard to the VAT treatment of municipalities be prepared, as well as municipal property rates be zero-rated for VAT purposes with effect from 1 July 2006.

The main objects of the suggestions are as follows:

- To intensify the taxable supplies prepared by municipalities in such a way that they could be considered as business enterprises
- To reveal the input tax sustained in association with non-taxable or "out-of-scope" supplies done that are not previously deducted
- To ensure that the accounting and tax administration of municipalities are abridged.

The study of Hadadi *et al.* (2006) on the influence of value added tax in Iran posits that value added tax has been implemented except in only eight countries which depicts that it was a success even in underdeveloped countries like Ethiopia, Uganda, Benin, Burkina Faso, Tanzania. More so, South Korea is the first Asian country that applied tax with assistance of money. Presently most countries are now practicing the VAT inclusive system while using it to increase their revenue. According to Stigling (2013: 130) VAT is a significant indirect tax in the UK, though started in France in 1954 but it has shown a remarkably fruitful taxation regime which has been accepted in most developed nations. VAT has been considered in the United States on a number of occasions, but has not yet been adopted. This means that citizens of USA are not charged VAT on services that are provided to them which entails that their rates are way less than other countries which are paying VAT.

VAT is the most economically resourceful way in which countries can increase significant tax revenues. Ditsobotla residents often struggle to pay for services due to an increase in their standard price which is induced by VAT. VAT directives are important to local government, which annually keep services such as social, health care, and educational services unrestricted from VAT guidelines. As these are considered to be services in the public interest, it is vital not to increase costs for citizens, as the imposition of VAT would do in this case (CEMR, 2013: 40). Public attitudes regarding tax dilemmas have often been undesirable. In the past, taxation existed to a huge point measured as an instrument of oppression exercised by the apartheid class over the matters, hence the residents of Ditsobotla generally believe that the services are expensive since they are not aware that the price they pay for services is inclusive of VAT. Olivier & Honiball (2011: 54) support this assertion that someone who has been educated does not suggest that she may have adequate knowledge in tax matters. This may even be true for professionals as well as laymen.

This study provides an evaluation of the payment of VAT by residents of Ditsobotla municipality and its impact on issues surrounding the public services. Table 1.1 provides the evidence of payment of VAT in the Ditsobotla municipality. The information provided in Table 1.1 depicts that there is evidence of Value added tax payment in Ditsobotla local municipality with a cumulative six-year revenue of R339 083 727.

Table 1.1 Revenue from VAT payment in Ditsobotla local municipality

YEAR	VAT	CUMMULATIVE VAT
2012	11 120 017.40	11 120 017.40
2013	16 001 544.12	27 121 561.5
2014	107 671 194.90	134 792 756
2015	152 353 936.70	287 146 693
2016	51 937 033.87	339 083 727

Source: Adapted from Ditsobotla municipality Audit report 2016

1.2 Problem statement

The Ditsobotla residents struggle to pay their municipal services. It is to be noted that 75% of residents owe millions of rands to the local municipalities. VAT contributes to high revenue collection but Ditsobotla revenue collection is incapable of covering its salary bill. According to table 1.1, it is evident that there is incoming revenue from the payment of VAT in Ditsobotla local municipality, yet the issue remains that the provision of public services is still lacking in the municipality as there are incessant service protests by the residents. It is therefore deemed relevant to conduct a study to investigate the impact of VAT on the provision of public services in Ditsobotla local municipality.

1.3 Aims of the study

This study seeks to address the impact of VAT on the provision of public services to the residents of Ditsobotla local municipality.

1.4 Research questions

The research questions of this study are

1.7 Delimitation of the study

The study of Keeney *et al* (2009: 196) posits that delimitations limit the possibilities and define the limitations of your study. The focus of this study is on Ditsobotla local municipality which is situated in the North West province of South Africa. Also, the participants of this study are the residents who pay service fees at the municipality and the municipal financial workers. The study focuses only on the impact of Value Added Tax on the range of services paid by residents in the municipality.

1.8 Significance of the study

Significance of the study is a part where a research tells the purpose and importance of the study. It tells how the study would benefit the society and other individuals (Ryan *et al*, 2007: 758). In this study the purpose and importance is to find out the impact of VAT on service delivery in the Ditsobotla local municipality. The study seeks to assist the Ditsobotla local municipality to find out if VAT has impact on the nature of services and the protests stemming from non-delivery of anticipated services.

1.9 Definition of terms

Taxation: A means by which governments finance their expenditure by imposing charges on citizens and corporate entities.

Value added tax: Value of goods or services has been increased at each stage of its production or distribution tax.

Revenue: The cash or receivables received by a company for the sale of its goods or services.

Municipality: Elected local government body having corporate status and limited self-governance rights and serving a specific political unit such as town or city.

Residents: Non-citizen allowed by a state to have his or her temporary or permanent stay within its political boundaries.

Public service: Service which is provided by government to people living within its jurisdiction, either direct or by financing or provision of services.

Services: A type of fee charged to cover services related to the primary product or services being purchased.

1.10 Layout of final report

The final study contains the following segments:

Chapter one

This chapter provides the introduction of the research topic and the background of the study. Other topics that presented include the research aims, problem statement, research questions and objectives, delimitation of the study, layout of final report and the definitions of the key terms.

Chapter two

Chapter two provides the theoretical background and the literature review of the study.

Chapter three

Chapter three provides the research methods of the study. The research philosophy, research approach, design and the population of the study are fully discussed. Other topics include sampling techniques, data collecting instrument, validity and reliability and the ethical concepts of the research.

Chapter four

This chapter provides the presentation and interpretation of research results obtained in the empirical research.

Chapter five

This chapter provides the overview of the research, summary of the research results, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2 Introduction

This chapter provides the theoretical framework and literature review of this study. The social political theory, expediency theory, benefit received theory, cost of service theory and the faculty theory are reviewed to charter an appropriate framework for this study and to show the link existing between tax liability and state activities. The literature review further provides the meaning of VAT, the imposition of VAT and the impact of Vat on the provision of service delivery by provincial municipalities.

2.1 Theoretical foundations

The theories of taxation explained in this chapter are the basis upon which the study is framed in the levying of VAT by the municipalities and its collection from residents and the corporate entities in order to provide the services mandated. The following theories are explained below:

Socio Political Theory: The social and political theory posits that the social and political aims should be the major factors in choosing appropriate taxes. It further states that a proper taxation structure should not be made for individual comfort but to settle the unforeseen circumstances of the public (Bhatia, 2009: 29). In this regard, the objectives of taxation in Ditsobotla local municipality should be directed at providing adequate services to the residents. The municipal role-players should therefore, strive to levy and collect VAT to ensure that the municipality provides services as constitutionally mandated.

Expediency Theory: The expediency theory postulates that the taxation system must pass the test of realism and convenience. This means that the taxpayers must be able to pay taxes conveniently (Appah & Ebiringa, 2012: 12). The municipalities in South Africa should have the principle of convenience at heart before attributing VAT rates as it is not expected to be a burden to the taxpayers.

Benefit Received Theory: According to Bhartia (2009: 30) and Anyanfo (1996: 150), there is a supposition that a practical exchange connection exists between taxpayers and the government authorities. This is due to the goods and services provided by the

state to the residents while they are attributed to the cost of these supplies in relation to the received benefits. It is further contended that taxes would be apportioned on the foundation of benefits acknowledged from government spending. The financial managers in municipalities should endeavour to provide adequate services to the residents from the proceeds of VAT to encourage further payment and to keep the process going.

Faculty Theory: Faculty theory stipulates that the government should levy taxes on individuals and corporate entities according to their ability to make payment (Anyanfo, 1996: 150). This exploits an obvious value judgment on the distributive impact of taxes (Appah & Ebiringa, 2012: 12). It is practical that VAT payment is possible as a result of affordability on the part of the taxpayers while his comparative share in the total tax liability would be known by his paying ability (Appah & Ebiringa, 2012: 12). This theory implies that policy makers should make VAT affordable to ensure that the taxpayers make payments consistently.

2.2 Meaning of value added tax

VAT is viewed as a tax charged at each phase of production on the first value added and it reflects a multi-stage consumption tax levied on the change between a firm's sales and the value of its inputs bought and used in producing goods and services. According to Avitsland & Aasness (2004: 392) indirect taxes such as value added taxes (VAT) make a considerable part of tax revenue in developed nations. VAT systems are often categorized by exclusions, abridged rates and zero rankings. The application of Value Added Tax systems has contributed to the mobilization of a quarter of the world's tax revenue. Charlet & Owens (2010: 944) agree that a value-added tax (VAT) is a type of consumption tax that comes from the buyer who pays at the calculated buying price of a commodity or service. These definitions of VAT indicate that it is the value that is added on services and goods.

The restructuring of tax in South Africa brought a new VAT law on services even though there are still some exceptions to this tax regime. VAT is one of the sources of revenue for municipalities but there are debates that arise based on the public being unable to pay VAT as this obviously increases the normal prices. Charlet & Owens

(2010: 944) reported that in some countries, public sectors engage in economic actions such as Denmark where these activities comprise the supply and cleaning of water. In Finland NPOs and public bodies perform such economic activities as well as Portugal where economic activities are carried out via public corporations as they provide goods and services of general interest through hospitals, schools, theatres and transport corporations. They carry out economic activities but generally should not have a profit generating aim. In South Africa, with regard to municipalities supplies of goods or services are treated as taxable supplies in the domain of “*enterprise*” as clarified in section 1 (VAT guide 419). As a result, the subsequent provisions remained subject to VAT at the normal amount without the additional services namely the electricity, removal or disposal of sewage or garbage, gas or water, drainage and goods or services related to or essential for the creation of the above supplies. VAT raises revenue in a neutral and clear manner and that is why it is regarded as the most vital instrument for generating administration revenue and the marginal cost (Charlet & Owens, 2010).

In the view of Bird (2015: 61), VAT is the multi-stage tax levied on goods and services by adding value tax on them as they pass through numerous points in manufacturing process. The United Kingdom Statement of Standard Accounting Practices (SSAP) No. 5 posits VAT as a type of tax which is eventually incurred by the consumers as specific values get ascribed to the goods and services during the transformation stages. In this regard, the common characteristics of VAT include that:

- VAT is a consumption type of tax
- The burden attributed to VAT passes through different stages
- The value that is attributed to VAT is necessary as it is central to the calculation of VAT
- The value added in VAT calculation is viewed as a growth in the worth of goods and services in the production to consumption process.

2.3 Overview of VAT as a system of taxation and revenue

It is practical that almost all the governments of the world levy VAT as a source of income since they engage in economic activities that result in transfer and the output of goods and services. The South African government, as a country with more than 50 million citizens, needs financial resources on a steady basis to ensure that adequate

services are provided to the citizens in all the provinces. According to Ogiji (2004: 37) public revenue represents the expected government income over a relatively short period of time which comprises recurrent and capital revenue. Recurrent revenue is the revenue accruing to the government regularly through taxes, fees, and fines while capital revenue may be regarded as the loans and grants which are received by the government through agencies or from international sources (Granova, 2008: 67).

In South Africa, VAT is levied on all the provinces and there is only one system of VAT that applies to all nine (9) provinces. Gendon (2010: 240) explains that these provinces have different rates, but the combined rate of 13 percent comprising 5% federal GST and 8% provincial constituent is mandatory. In the three provinces, the QST is a dual VAT that applies in Québec at a rate of 7.5% on the inclusive price of GST. 14 % is the customary VAT rate for each VAT vendor in the South African country. There is no breakdown of VAT whether among provinces or taxable organisations.

Granova (2008: 67) highlights that in South Africa, VAT is currently charged at 14% in municipalities which are the service fee plus the VAT rate. Keen & Lockwood (2009: 27) enlightens that when planning and applying a VAT system, a country might use a single VAT rate with the implication that goods and services are taxed at the same rate or different rates based on the country's VAT system. Proceeding to 30 September 1991, the general sales tax was at 13%, the tax net of sales was sufficient to generate adequate revenue which was obligatory by the country but then prior to 1991 it was then replaced by VAT with 10 % rate (Granova ,2008: 70).

VAT income funded the growth of the relevant segments which is statistically important to economic growth development. VAT proceeds in South Africa accounts for as much as 95% in GDP while the higher percentage of it is generated by the municipalities (Granova, 2008: 71). Municipalities are able to generate own income which they derive through providing communities with goods and services. Prior to VAT levying on goods and services, the VAT levied by the communities while paying their services is classified as VAT revenue.

In South Africa, VAT is further viewed as a type of tax levied on the goods and services which are consumed. Vendors whose names appear in the VAT register are indebted to accomplish or accept certain responsibilities (SARS, 2014a: 9-10).

According to Section 23 of the VAT Act, business enterprises are advised to register for VAT on supplies of goods and services that are taxable. Value added tax is levied by business enterprises that are registered under law for VAT as described by SARS (Act of VAT in Section 7(2)).

The Act of Tax Administration (28 of 2011) and the VAT Act controls the documentation and processing of vendors listed in South Africa (SARS, 2014a of 13). 22nd Section of the TA Act posit that the overall registration necessities should meet the terms when there is tax registration, while VAT Act in Section 23 specifies that an enterprise is obliged to register for a VAT when it is making taxable supplies.

The goods or services are essential; poorer households should not have to pay VAT on the goods or services. Direct targeted budgetary assistance is not capable of ensuring that the goods or services can be supplied to everyone, the goods or services are of a cultural nature from a political point of view. Goods and services needs not be taxed as residents raises complains of burden of tax on them (Keen & Lockwood, 2007: 30).

2.4 Historical background of VAT Legal framework supporting the imposition of VAT

Municipal services delivered to residents stem typically from the right of South African citizens to have the basic residents' needs fulfilled by the local Government through the municipality as a representative of a local government. In 1991, VAT replaced GST with a rate of 10 % with only property, plant and equipment getting exempted. During 1995, VAT was then increased to 14%. An increase of such magnitude at 4 % in less than five years was such a burden on residents and taxpayers (Granova, 2008: 68). This type of increase did not sit well with South African citizens. Granova (2008: 69) highlighted the consequences of this increase, also, the ANC prepared the slowdown together with COSATU to demand the government to lower or exempt services such as water and electricity. The first service delivery protest strike was mostly joined by the low earning citizens.

In South Africa, there are various legislations that support the imposition of VAT as a source of revenue for the government. These legislations were made to guide the

method of attribution and compilation of VAT, also to enforce the collection of VAT from the final consumers. The Municipal VAT Act specifies the modalities for levying and collecting VAT in South Africa. Other legislations which support efficient financial management reviewed in this study include the Constitution of the Republic of South Africa, Municipal Systems Act, Municipal Financial Management Act and the Public Financial Management Act.

Municipal VAT Act specifies that all deeds done by municipality fall in the normal rules confined in paragraph (a) of the definition of “*enterprise*” in section 1(1) which explains that the degree of chargeable supplies completed by municipalities is considerably improved, events approved by the municipality which are not exactly exempted in the VAT Act. Municipal activities where no exact reflection is charged for the provision of goods or services are out rightly charged for VAT as they are automatically incorporated in the municipal’s enterprise activities. Input tax is deductible on all costs incurred to provide goods and services which are VAT–inclusive are automatically included in a municipality’s “*enterprise*” activities. According to the VAT Act, a local municipality is classified as category B municipality which levies fees and surcharges at normal rate of VAT, under section 7(1) of (a), on every provision done in the progress or continuance of running an enterprise that does not pay VAT at zero percent in 11th Section exempted from VAT payment in section 12. In the case of non-compliance with the contents of the ACT, it is deemed a crime in section 58/1991, therefore, a municipality should comply fully with the prescripts of VAT 419.

In South Africa, the local municipalities levy VAT due to the constitutional rights enshrined in the Constitution of South Africa, Act No. 108 of 1996, Section 229. The Constitution empowers local municipalities to mobilize revenue through charges for goods and other services provided. The following are some of the Acts in South Africa that support self-revenue raising by the municipality:

- Municipal Systems Act (Act 32 of 2000): The Act was established to enhance effective relationship between the municipal role-players and the rural communities. The Act assists in enhancing adequate mobilization of funds and management of funds, and it also ensures that municipalities function efficiently.
- Municipal Financial Management Act (Act 56 of 2003): The aim of this Act was to improve the pace of development in various local municipalities through effective

financial management. It further assisted adequate application budgeting, financial reporting, financial accounting and the application of other necessary principles of management to ensure financial stability in the municipalities.

- **Public Finance Management Act (Act 1 of 1999):** The main aim of this Act was to enhance effective application of financial management in the public sectors in South Africa. It established a base in holding the role-players accountable in all the financial proceeds generated in all the levels of government.
- **Municipal Fiscal Powers and Functions Act (Act 12 of 2007):** This Act ensured that the charges imposed on services provided are adequately regulated by the authorities entrusted to it. Furthermore, it stipulates that the Minister of Finance should make bills payable to the residents in order to improve collection and good debt management.
- **Municipal Demarcation Act (Act 27 of 1998):** The basis of this Act was to establish the fundamentals at which the financial managers should be appointed in the various local municipalities. The basic measures of generating funds, accounting for funds, auditing of expenses and financial reporting were also stipulated in the Act.

2.5 Procedures in levying of VAT

According to the VAT Act, all vendors should ensure that VAT is charged on supplies of goods and services to the residents. VAT Act Section 7(1) stipulates that VAT should be added on goods and services which should be subject to exemptions, deductions and or adjustments. It also states that any vendor supply of goods and services which is supplied by any authority after the starting date in the process or continuance of any enterprise having been carried on by him should be subject to amendments.

In Section 7(1) (b) of the VAT Act, it is stipulated that VAT should be charged on the various importation of goods and services which are done within the South African context by any constituted authority. Section 7(1) (c) posits that VAT should be calculated on any supply of goods and services made by any constituted authority. The various terms and requirements that are stipulated in 7(1) are explained in the Sections below to provide a concise explanation on the reasons for charging VAT.

These standards provided in Section 7(1) (a) are brought forward for the purpose of analysis. They include supply, vendor and goods or services in the process or continuance of organisations.

2.5.1 Supply

The VAT Act Section 1(1) defined supply as the execution regarding to a sale, rental, and or establishment of a credit agreement and any other arrangement, which can be voluntary, compulsory or contempt of law, regardless of the origin of the supply. In order to make supply effective, there should be an existence of two parties which are known as the supplier and a recipient (Stiglingh, 2013: 130). According to this Act of VAT of Section 1(1), the recipient is known as somebody that receives the goods and services or a person that supplies is furnished while the supplier is regarded as somebody that supplies the goods or services to the recipient.

Supply incorporates a wide range of contracts in the VAT framework which is generally characterized. Exchanges should not be neglected for VAT purposes since they are not categorised in the regular process of business (Clegg & Wiid, 2013: 125). Since supply is a general business term, it must be investigated further to understand what is needed to actualise a transaction. This was done by getting a definition which refers supply as to "give" or to "make available the needed goods or services to the recipient" (Oxford dictionary, 2014). In order to escape confusion about whether an exchange is not a supplier of is a supplier, or else if the exchange is a supplier of administrations or merchandise, there are considered arrangements contained in the Act of VAT in Section 8 and 18(3).

2.5.2 Vendor

Act of VAT Section 1(1) posits a vendor as any entity that is listed for VAT. Any persons or entity that is listed for VAT or is obligatory to list for VAT is accountable for VAT payment. In the Act of VAT Section 1(1), these entities are stated as public authorities, municipalities, companies, entity of individuals (commercial or joint ventures), an estate of a deceased or person who is insolvent, trust funds and funded projects by non-citizens' entrepreneur. Partnerships of people with the intention to

enter into business are included for the purpose of VAT, marriage of people in community of property are subject to VAT payment (Stiglingh, 2013: 135).

2.5.3 Goods or services

Supply of goods and services are included in the Act of Section 7(1) (a) as subject to payment of VAT. Act of VAT in Section 1(1), defines goods by way of accessible possessions, products, property, any actual right in any such thing or stable property and electricity, and except-money, physical moving objects which can be felt or touched (Stiglingh, 2013: 135). Deloitte (2013: 121) posits that economic activities which are not a supply of goods and result in the creation of utility could be considered as a supply of services. Clegg and Wiid (2013: 125) affirm that services may be regarded as everything that is not goods. Act of VAT Section 1(1), defines services as activities conducted or which may be conducted by including granting a task submission of any right or the creating the availability of such facility, also excludes supply of goods, money, forms or cards as provided in paragraph (c) of the description of "goods".

2.5.4 Imported goods

According Act of VAT in Section 7(1) (b), VAT can be charged on goods which are being imported into the country which should be assessed, levied and paid to the appropriate authority. VAT must be charged on all imported goods irrespective of whether the importer is a vendor or not a vendor. Act of VAT Section 7(1) (c), specifies that VAT should be levied on any imported goods by any entity. According to Haupt (2014: 30), the VAT payable on any goods imported as a service is due on the service if a resident of South Africa is not registered as VAT vendor.

2.5.5 Imported services

Act of VAT in Section 1(1) defined imported services as the services which are hired from countries other than South Africa. The contents of this definition as recognised in terms of Section 1(1) of the VAT Act are service suppliers which are done by someone who is not a resident supplier or that supplier which conducts business outside the

Republic to a resident, residents or business entities of the Republic of South Africa which results in the utilisation or consumption of such services in the Republic than making supplies taxable.

The Act of VAT in Section 14(4), states that whenever persons or legal entities engage in businesses outside the country that do not comprise the routine businesses of enterprises in other branches traded on by that person in the country, the supplies done by the entities to the branches in the republic are regarded as imported services and are liable to VAT.

2.5.5.1 Resident of the Republic

According to Act of VAT in Section 1(1), residents of the Republic refers to a person, persons or legal entities that operate any enterprise or enterprises or any other business activities which requires having a permanent place in the Republic. According to Section 1 of the Act (58 of 1962) of Income Tax, residents are defined as a person that resides in the country. In the circumstance of a person (besides a natural person), that is incorporated and accepted in the country is a resident. Residents do not comprise persons who are to be completely resident in a different country for determinations of double taxation arrangements in the middle of South Africa or any other countries. The supply made by a person not a resident to a person that is a resident of the Republic of South Africa should be used or consumed in the Republic.

2.5.5.2 Used or consumed services in the Republic

Deloitte (2013: 122) and Olivier and Honiball (2011: 65) admit that utilised and consumed in the Republic of South Africa is never precise. Olivier and Honiball (2011: 64) posit that this might prompt inaccurate outcomes and that the expression exploited in the country should be characterised. Services that are delivered outside the country by persons or entities who are deemed to be non-residents or residents need to be exempted from the anticipated meaning if the residents were not living in the country when service provision was done (Olivier & Honiball, 2011: 64).

In terms of Section 14(5) of the VAT Act, it is enshrined that the following supplies of services to be exempted from tax on imported services:

- A typical supplier to VAT at the normal percentage in terms of the Act of VAT of Section 7(1)(a);
- A made in Republic supplier would be exempted in expressions of Act of VAT in Section 12 or zero-rated in terms of Act of VAT in Section 11;
- In terms of educational service suppliers made by foreign schools to South African schools;
- In terms of services provided by a resident worker that is not a resident to an employer of South Africa;
- In the case where the invoice value does not exceed R100 per invoice for the supply of imported services.

2.5.6 Persons in charge of VAT payment

According to Act of VAT in Section 7(2), the following persons are liable to pay VAT:

- The supply of goods or services by a vendor that registers for VAT, also vendors creating the supplies;
- In the case of goods which are imported into the country, the person that is importing the goods and
- The case of the importation of services, that receiver of services which are imported.

2.6 VAT Registration

The registration of VAT is restricting contemplations that places the SARS in a troublesome space. VAT enrolment incorporates organizations in the VAT framework, in this manner guaranteeing that VAT is fittingly gathered for the fiscus. Organizations enlist for business authenticity for VAT and conceivable VAT discounts (Southern Africa, 2013).

VAT enrolment is essential for VAT accumulations; however, it additionally represents a danger of inaccurate or deceitful VAT repayments being asserted. SARS should guarantee bona fide or suitable organizations move into the net of VAT. This brought about an escalation in the level of verification vital for VAT enlistment that kept honest to authentic organizations from getting auspicious VAT enrolment. In perspective of

these worries, SARS made a decision to update VAT enlistment (Southern Africa, 2013).

SARS presented a solitary enlistment handle for entire duties trying to update the practical prerequisites for enrolment (SARS, 2014a). The path which enlistment is done, as far as this new procedure is concerned was brought into process as from 12 May 2014. Given that the individual is now enrolled for one assessment, the individual may enlist for extra expenses one E-Filing (SARS, 2014b).

Sellers are enrolled people, as well as incorporate any individual that is required to be enlisted. It is vital to know the fundamentals for VAT enrolment in South Africa.

2.6.1 Registration that is compulsory

In the Act of VAT in Segment 23, it is enshrined that all individuals who, on or subsequently on 30 September 1991, carrying on any venture ends up plainly at risk to be risked as a VAT vendor, if the estimation of assessable supplies made by that individual surpassed one million rand in any continuous time 12 of months (Act of VAT in Section 23(1)(a)) or will surpass one million rand as far as a composed authoritative commitment (Act of VAT in Section 23(1)(b)).

The limit of one million rand is not regarded as being surpassed if it was surpassed exclusively resulting as a termination of, or any significant and perpetual decrease in the scale and size of, all enterprise which are carried on"; or "the replacement of any plant or other capital asset used in any enterprise"; or "strange conditions of a transitory nature" (Provision to Act of VAT in Section 23(1)).

Since 1 June 2014, an imported electronic services supplier is thought as an undertaking as far as the meaning of big business in the Act of VAT in Section 1(1). Act of VAT Segment 23(1A) expresses that each individual who carries on such an endeavour should be enrolled towards ending of the month where the aggregate estimation of assessable supplies that the individual made has surpassed R50 000. In the Act of TAX in Section 22(2), any individual who is obligated to be tax registered for tax must finish the fundamental request for enrolment and present the request to SARS before the end of 21 business days from the date of obligation.

2.6.2 Voluntary registration

In a situation where taxable supplies turnover has surpassed fifty thousand rand (R50 000) in the past 12 months' time frame, an enterprise could wilfully enrol as a vendor. In the event that the revenue from taxable exercises has not surpassed fifty thousand rand (R50 000) in the previous time of all the 12 months, however yet, might sensibly be required to surpass the R50 000 inside 12 months from the start date of listing as a vendor, the individual may wilfully enlist for VAT (SARS, 2013a; Act of VAT Section 23(3)).

In the case of a person volunteering to register, that person should be in possession of a stable place of business or residence in South Africa. This is not agreed as a prerequisite for obligatory enlistment (Act of VAT in Section 23(7)). It is the person who is legal that registers for VAT and not the name used for business trading. A person's divisions may be independently enrolled if definite prerequisites are met (Act of VAT Section 50(2)). Each independently enlisted division is considered as a different branch (SARS, 2014).

2.6.3. Benefits / Importance of VAT

The biggest question is that, has VAT enabled countries to increase their tax revenues. This is important both in itself—put another way, it relates to the truth of the presumption underlying the 'money machine' concerns raised prominently in recent discussions of possible VAT adoption in the United States (Keen & Lockwood, 2007: 30). In South Africa revenue gain proves to be a necessary and sufficient condition for the VAT to have reduced the marginal cost of public funds. The simplest empirical framing of this question gives a clear-cut answer that the effect of the VAT proves to be significantly positive but fairly modest (Wassenaar, 2004: 51).

A recent development in the theory of taxation is to take cognisance of the fact that tax revenues determine the fiscal affordability of expenditure programmes. This invariably also attempt to pursue equity objectives. It stands to reason that a tax system that attempts to maximise the amount of revenue that can be collected (Keen & Lockwood, 2007: 29), will enhance a government's ability to address the issue of equity through a variety of expenditure programmes. Based on VAT 404 In South Africa, this has become prevalent in the format of welfare grants, community

development and the large-scale subsidisation of housing, education, health services, electricity consumption and water consumption, as depicted by the table below.

Table 2.1: Average annual real growth in government expenditure 1994 to 2006 (VAT 404)

Functional areas	%
Community services	6.6
Prisons	11.4
Housing	7.9
Police	4.9
Health	4.8
Transport	3.6
Education	3.6
Defence	1.7
Agriculture	1.3

2.7 Impact of VAT on Gender

Hasseldine and Hite (2003: 518) state that women have more knowledge of tax than men and they normally make different tax reporting decisions. This clarifies that woman may respond differently to VAT levied services based on their tax knowledge. This demonstrates the ability of women to understand tax better or rather VAT on services than man.

2.8 Age groups

Pomeranz (2013: 150) identified that different age groups struggle with value added tax knowledge, identifies how they are therefore not aware of VAT revenue and its link to service delivery. VAT has been around for almost 50 years but old members of the European Union are struggling to recognise it (Bird, 2015: 62).

2.9 Qualifications Obtained

Highly qualified people questioned whether value added tax was a money machine (Bird, 2015: 62). Furthermore, in developed countries with a high number of qualified people a question of the capability of VAT to substitute the revenue from trade freedom was raised thus showing their enthusiasm to understand VAT and the impact it has on revenue.

2.10 Years of experience in the municipal financial management

Managers have the ability to compare value added statements and income statements. Hence managers focus more on services with VAT as they generate revenue (Gendon, 2010: 241).

2.11 The municipal services offered to residents by Ditsobotla local municipality

Municipal Systems Act, 2000, stipulates that it is a general duty of the municipality to communicate with the residents and give priority to their basic needs. In South Africa, the Constitution Act of 1996 mandates local municipalities as the third arm of government to provide the amenities needed by the residents. As constitutionally mandated, Ditsobotla local municipality provides several services to its indebted residents. These services include water supply, refuse removal, electricity, street lighting, community parks, health services, good roads and refuse removal.

It is believed that the nature of services that are made available by the municipality determines the value of the lives of the people in that community. Granova (2010: 69) conveys the notion that the poor quality of water and the overall poor service provision by any municipality contributes to an unhealthy environment that may not be conducive to stay. Also a high tariff on the services due to the implementation of VAT is likely to attract non-payment for services.

These services were regulated in the Constitution Act that:

- It is for municipalities themselves to control local requirements and expectations in order to provide communities with proper health services according to their needs, such services are vital to everyday life and provision of this service is best executed by the municipality.

- Refuse removal is a vital part service for municipalities to provide for both local and business refuse and waste removals of solids and facilities which are dumping sites.
- This service is needed by every community and should be controlled efficiently and rendered effectively to avoid health risks among citizens.
- It is the prerogative of municipalities themselves to control local requirements and expectations in order to provide communities with proper health services according to their needs, such services are vital to everyday life and provision of this service is best suited by municipality.
- Municipalities should regulate and review compliance to infrastructure regulations and standards by ensuring that all roads are maintained. Municipalities have an extra service required by their communities;
- They should manage and control local parks and recreation facilities in the community

Manyaka (2014: 128) identified that water as a service made available by the municipality has a proportional impact on the lives of the citizens in that community and if such services are inefficiently provided, the environment will no longer be safe for the citizens to stay. Without basic sanitation service it is hard to imagine how human settlement can survive and be sustainable (Manyaka, 2014: 129). Electricity is undeniably one of the most significant services that the municipality provides to the residents (Manyaka, 2014: 130). This provision of street lighting is mainly significant for safety in the road and security of individuals (Manyaka, 2014: 131).

As it is constitutionally mandated that the local municipalities are responsible to provide reasonable services to the residents, it is, therefore, deemed the duties of the municipal role-players to implement effective measures using their resources to meet the basic needs of the residents (Gendon 2010: 243). More so, municipalities can move into a contract with a third party to provide some services to the residents for a specified period of time to ensure proper debt management.

However, some municipalities fail to provide adequate services to the residents due to lack of funds and managerial capacity. Other issues include the inability of residents to pay for the services provided which leaves the municipalities with little or no funds to maintain infrastructures and provide services as well (Granova, 2008: 69). In this

regard, the involved municipalities should implement possible measures to ensure that the needs of the residents are met. On the other hand, households which are approved by municipality as indigents are subsidized fully, especially on basic municipal services (Ditsobotla indigent policy, 2016).

2.12 Factors of service delivery

In the process of service delivery, the most imperative factor to consider is the level at which the municipalities provide services to residents. The decision of the level of a specific service provision is impacted by ability to pay for services, in addition to the residents' needs. At the point where municipalities decide to increase the cost of the services provided, this move invariably affects the financial costs charged to the residents. In the event that a municipality provides services at a more increased rate, the residents may not be able to pay, therefore the municipalities should understand the financial capacity of the residents before increasing the cost of service provision to avoid service protests. Since the municipalities depend on service payments from residents, if the service charges are too high and individuals cannot pay, the municipalities falter in delivering the expected services to the residents (Granova, 2008: 70). The following table presents the various types of services and their levels as provided by Ditsobotla municipality:

Table 2.2 Service Levels in Ditsobotla municipality

Service Type	Level 1 Basic	Level 2 Intermediate	Level 3 Full
Water	Communal standpipes	Yard taps, yard tanks	In house water
Sanitation	(Sewage collection/disposal	VIP Latrine Septic tanks	Full water borne
Electricity	5-8 Amp or non-grid electricity	20 Amps	60 Amps
Roads	Graded	Gravel	Paved/tarred & kerbs
Storm water drainage	Earth lined open channel	Open channel lined	Piped systems
Solid Waste disposal	Communal (Residents)	Communal (Contractors)	Kerbside

Source: Ditsobotla Local Municipality (2017)

2.13 Impact of VAT on service delivery

A variety of reasons therefore exist for government intervention in the economy, without which the welfare of society would have been significantly lower, either in economic terms or in terms of socio-political instability (Wassenaar, 2004: 50). Furthermore, the VAT revenue strengthen the financial position of municipalities, however, the municipalities are entitled to pay tax to SARS. The municipality receives different grants from the government which is part of the tax initially paid to SARS hence The municipality collect VAT on the behalf of the government. Therefore, the grands funds from government assist the municipalities in providing services and sometimes pay salaries to its employees.

Local municipalities ardently need financial proceeds to execute their various economic and developmental responsibilities (Gendon, 2010: 244). The financial proceeds accruing to the municipalities are mobilised through taxes, non-profit tax, rates and other business engagements. Non-tax profits are usually the summation of what the municipalities receive from their economic activities. These economic activities include public services namely water, electricity, drainage and refuse removal. Although there has been more of this type of revenue generation in whole government income, yet there has been gross underperformance because the residents do not pay for their services adequately (Olivier & Honiball, 2011: 65). Despite that VAT has been the main source of income to the government. Based on Ditsobotla revue report, 2016, the municipality has tried to enhance revenue through improving the methods of payment. In Ditsobotla, the Chief Financial Officer (CFO) had to organise a door to door campaign to encourage and arrange with the Ditsobotla municipality residents on to how pay for their services adequately.

With regard to the population of the study, the number of people that pay services in the Ditsobotla local municipality are a small number of residents, who often neither settle their accounts nor make arrangements to honour these bills (ICAS, 2014). The VAT cost is a significant burden, and at the instant, these rules act as a discouragement to applying new strategies for distributing public services. Levitation of

more domestic revenue is urgent for most countries, including South Africa, and the burden of VAT on the public makes them incapable to comply. The VAT implementation strategy has burdened the Ditsobotla residents in such a way that the local municipality fails to raise revenue even for employees' salaries. The municipality expects 80% of their salaries to be paid from revenue generated but such hardly happens because of non-payment for services from Ditsobotla residents (Ditsobotla revenue report, 2016). It is observed that the revenue that keeps the Ditsobotla municipality account active is the payment for services by larger shops such as Minimart Spar, Dada motors, KFC, Steers, Spur, Maxis, Ocean Basket, Wimpy and other big business enterprises (Ditsobotla revenue report, 2016).

Granova (2008: 71) stated that VAT revenue is complicated by various issues, including the economic condition of the nation, which is best categorized by the gross domestic product. Furthermore, the higher the standard of life in the nation, considered as GDP per capita, the more developed the consumption, the better awareness of tax payments and lower tax fraud. Due to the circumstance that VAT increases the price of standard service price in municipalities, this simply means that the South African standard of living is low and could be consuming fewer services, but VAT increases services regardless of consumption levels in the country (Olivier & Honibal, 2011: 65). Cliffe (2012: 156) stated that VAT has been adopted by many countries worldwide, including all OECD countries other than the USA. USA does not charge VAT but their standard of living is very high which proves that for developed countries there is little if any dependence on VAT revenue. The VAT revenue in Ditsobotla is presented in Table 2.2 below.

Table 2.3: VAT proceeds in Ditsobotla municipality from 2012-2016 financial years

Year	VAT proceeds (ZAR)
2012	11 120 017.40
2013	16 001 544.12
2014	107 671 194.90
2015	152 353 936.70
2016	51 937 033.87

Source: Ditsobotla municipality (2017).

Table 2.2 provides evidence that VAT payments are made in Ditsobotla local municipality but it also portrays an erratic manner in which the VAT payment is collected as reflected in the inconsistent values over the years.

Table 2.3 provides VAT proceeds from municipal services in Ditsobotla local municipality and also shows the financial capacity of the residents in the payment of VAT for municipal services.

Table 2.4: VAT proceeds from municipal service delivery from 2012-2016 financial years

Title	2012	2013	2014	2015	2016
Electricity	18510612.50	18570612.50	18530612.50	11901844.3	18550612.57
Water	12058378.40	12098378.40	12038378.40	12060378.48	21791793.32
Sanitation	4767723.83	4807723.83	4867723.83	4787723.83	6204670.41
Refuse removal	6272008.81	6332008.81	6292008.81	1145237.00	6312008.81

Source: Ditsobotla municipality (2017)

In Table 2.3, it is observed that the VAT proceeds in Ditsobotla local municipality from 2012 to 2016 financial years fluctuates because the residents are unable to pay their VAT consistently. This leaves the municipal authorities with no option than to provide services to those residents according to their financial capacity. In this regard, the fiscal exchange theory applies. The fiscal exchange theory suggests that taxpayers in a given place are motivated to pay tax due to the evidence that the government provides adequate services to them. Should the government fail to provide the needed services, taxpayers might discontinue making payments and may opt for violence or service protests (Edmonds & Kennedy 2012: 327). Invariably, the local municipalities will be motivated to provide services to the residents if there is adequate payment compliance by the residents with regards VAT payment and other taxes and rates. More so, defaulting and non-paying residents will not receive adequate service provision in the case of consistent defaults (Olivier & Honiball, 2011: 65). Nevertheless, this theory was propounded to encourage a nation building approach to enhance shared interrelationships amongst residents, municipal role-players and the

government. This theory potentially reduces protests in municipalities that are caused by lack of service delivery.

The constitution regulates that all members of a local community, even the one who pays services sometimes, should be provided with equal services, especially basic services. Further, it regulates that there should not be better service provision provided to other individuals than others.

2.14 Impact of VAT on the ability of Ditsobotla residents to pay for municipal services

According to Maarten et al (2009: 352) tax rates in Netherlands are set by the municipal council which they elect after every four years. The mayor is given power by the government thus enabling the mayor to set the tax rate according to affordability or the payment culture of residents. In South Africa, the government sets the rate on behalf of every municipality but nonetheless Keeney *et al* (2009: 194) posit that an increase in municipal services by tax rates serves to hinder the economy due to insufficient revenue generation even though decreasing it may hamper objectives of revenue generation such as service delivery.

Haupt (2014: 31) conducted a survey which found out that the poverty of many households in low-paying zones makes them incapable rather than reluctant to pay. In particular, the inability to pay dominates more in rural areas than in suburbs and therefore suburbs tend to receive better municipal services than rural ones based on their paying ability. He further explains that this is not surprising as there is a high rate of poverty in South Africa. The main matter at hand was lack of service delivery for basic services in the country. This statement is reinforced by Bikas & Andruskaile (2013: 25) on the question that he raised in his study about the inability to pay services, the response was that unemployment implies low salaries and the rest believe that the rates were too high. He supports that the probability of high class households paying better than low class households. This demonstrates that the inability to pay is caused by many factors though high charges are the main reasons as VAT is levied on them. There is a possibility that a municipality generates revenue through VAT levy when residents lack knowledge on that same VAT on goods and not

services, let alone municipal services. Charlet & Owens (2010: 943) suggest that it should be the interests of all municipalities to create a system that works effectively and to deliver good public services to collect the intended tax. The situation requires an astute balance of alternatives between increasing levies and making the services affordable to the majority of the residents. In the Constitution the Minister of Finance regulated that poor households should be subsidised should they find it hard to make good payment for the municipal service. Manyaka (2014: 135) explains that the middle class try hard to afford municipal services. However, there should be a limit on tariff increases to ensure that residents are not burdened by municipal service fees.

2.16. Summary

This chapter reviewed the relevant literature and offered comparative regimes in other legislations globally. The meaning of Value added tax and the overview of VAT as a system of taxation was explained. It further provided the historical background of VAT showing the procedures of levying VAT, registration of VAT and the consequences in the case of failure to pay VAT. The review also provides the nature of payment of VAT in Ditsobotla local municipality and the impact of VAT in the provision of municipal services. This chapter concludes by inferring that the municipal role-players lack skills to mobilise adequate revenue from the payment of VAT which invariably hinders the provision of adequate services to the residents. The following chapter discusses the research method.

CHAPTER THREE

RESEARCH METHODS

3. Introduction

The preceding chapter provided the synthesis of the literature review which focused on the theoretical foundations of VAT and the procedures in the levying of VAT. This chapter provides the research methodology and data collection methods. These include the research paradigm, research approach and design, the population of the study, sampling selection, data collection and analysis. Also, reliability and validity of data collecting instruments and the ethical issues surrounding the study are provided.

3.1 Research design

A design in a research is a blue print of the study which identifies the general strategy selected to guide the study in a logical way which ensures that the research objectives are skillfully addressed (Gray, 2014:128). Bhattacharjee (2012: 73) avers that a research design includes all the stages in a research study, specifically the method of data collection, instrument developing procedures, method of sampling and data analysis in order to seek solutions to the problem under investigation. Punch (2009: 112) believes that a research design is a predetermined structure of the research study which gives a comprehensive plan on how to follow an investigation while Creswell (2014:11) affirms that a research design is a technique of collecting and analysing data in a research process.

In this study, a mixed methods research approach was adopted with an explanatory sequential design. The studies of Creswell (2014: 224) affirm that an explanatory sequential mixed methods design involves two phases where the quantitative data is collected and analyzed in the first phase. More so, the quantitative results are built on in the second phase through a qualitative research (Creswell, 2014: 224). This enhanced an in-depth understanding of the research questions as stated in chapter one. Furthermore, the adoption of explanatory sequential design enabled triangulation by implementing a pluralistic technique as they sequentially compensate for the weakness of the other (Gray, 2014: 197). This explanatory sequential mixed-methods design adopts questionnaires (quantitative) in the first phase and a face to face interviews (qualitative) in the second phase to explain the findings of the study.

3.2 Population of the study

A research population is regarded as a collection of objects, persons, or events that have similar characteristics which are questioned in a study (Kumar, 2011:194). In the views of Gray (2014: 146), a research population consists of all members, or objects to which a researcher generalises the research results.

According to Kumar (2011: 194) research population is regarded as a collection of objects, persons, or events that have similar features. The population of this study involves the municipal employees of Ditsobotla local municipality and Ditsobotla residents. Table 3.1 and 3.2 provides the population of the study.

Table 3.1: Population of the Ditsobotla residents

Designation	Total
Ditsobotla residents	39 001

Source: The Local Government Handbook (2017)

Table 3.2: Population of Ditsobotla financial employees

Designation	Total
Financial employees	65

Source: The Local Government Handbook (2017)

3.3 Sample selection

A sample is the scientific selection of smaller groups of people or objects to represent the entire population (Gray, 2014: 146). In the view of Bhattacharjee (2012: 66), sample selection is a procedure by which a number of observations are done from a larger population. When a sampling has been done, it is fair to generalize the study results from the population it was taken. Sample selection is undertaken to know the characteristics of the study population and to reduce the expenses, save time and avoid the inconveniences of scheduling appointments with the whole population.

3.3.1 Sample selection for the quantitative study

The sample for the quantitative study was selected from the population of the residents and financial workers in Ditsobotla local municipality as presented in Tables 3.3 and 3.4 respectively.

3.3.1.1 Residents

The total of 30 respondents from Ditsobotla residents were selected for this study in the quantitative phase. Convenience sampling was applied in this category to select respondents. In convenience sampling, respondents are selected on the basis of convenience and availability (Maree, 2010: 177). It enables the researcher to gain access to the respondents which guarantees instantaneous data collection. The application of convenience sampling method in the research process saves time and reduces financial cost.

3.3.1.2 Financial employees

The Ditsobotla local municipality has 65 financial employees, out of the 65 financial employees only 30 responded. Census method was applied in this category to select respondents (Kish, 1979: 99). This method provides data in abundant facts, for the same domain and areas that are local.

3.3.2 Sample selection for the qualitative study

The sample for the qualitative study was selected from the population of the study as presented in Tables 3.1 and 3.2.

3.3.2.1 Municipal executives and focus group

The total sample of 4 municipal executives were purposefully selected from the population of the municipal financial workers while the total of 10 residents were selected from the population of Ditsobotla residents. In this phase, sampling was done using a purposive sampling technique. A purposive sampling method refers to a non-probability technique where participants are selected based on their characteristics

(Bhattacharjee, 2012: 70). A purposive sampling is based on a personal judgment of the researcher. It is a technique of sample selection by which respondents are selected on the basis of roles in the organisation, experience and exposure (Relmer & Ryzin, 2011: 156). The merits of adopting a purposive sampling method are as follows:

- Purposive sampling saves time and financial resources as few financial employees are selected from the whole population.
- It enhances the accuracy of information as the experienced financial employees are selected for the exercise.
- In-depth information was collected due to vast knowledge of the participants selected for the study.

It also enabled the researcher to generalize the research findings.

3.4 Data collection

Data collection in this study is the procedure of gathering facts, opinions and feelings of the participants (Leedy & Omrod, 2010: 148). Data was collected using two different sets of questionnaires, face to face interviews and focused group interviews.

3.4.1 Questionnaires

Data for the quantitative study was collected using questionnaires. Questionnaires are structured questions which are framed to collect data by researcher from respondent (Keeney *et al* 2009: 199)). Self-administered questionnaire was used to collect data in this study. 30 questionnaires were self-administered to the residents while another 30 questionnaires were self-administered to financial workers of Ditsobotla local municipality. Maree (2015: 105) states that in self-administered questionnaires, a researcher has to distribute the questionnaires to the respondents directly. Questionnaire was distributed to Ditsobotla residents and Ditsobotla municipal employees by the researcher.

Keeney *et al* (2009: 199) support that self-administered questionnaires have the following advantages:

- They are less costly as you can distribute in many ways
- They are efficient as the distribution can be done in huge numbers at the same time

- The respondent is assured that identity is confidential, opening a participant to honesty
- Less possibility of bias

In the study of Dijkgrdaf (2006: 20) the survey in which the municipality agreed to the following statements: VAT hindered the choice to outsource municipal activities, the introduction of VAT compensation fund cause management. They found out that for the next years the outsourcing of municipal activities was expected all due to the introduction of VAT compensation fund. However, they questionnaire instrument focused more on the impact of VAT on outsourcing of municipal services. This study focuses on solely the impact of VAT on service delivery.

3.4.1.1 Residents

In the questionnaire design for the residents, section 1 sought their biographical information, Section 2 sought to know the various municipal services provided by Ditsobotla municipality while section 3 sought to identify how service provision is based on the ability of residents to pay VAT.

3.4.1.2 Financial employees

In the questionnaire for the municipal financial employees, section 1 was designed to explore their biographical information, section 2 asked to know the various municipal services provided by Ditsobotla residents while section 3 was designed to establish the ability to pay VAT based on different households.

3.4.2 Face to face interviews

An interview is described by Gray (2014: 353) as an exercise which is meant to obtain oral information from a participant by asking a series of questions. In an interview process, the interviewer adopts an interview guide to regulate the interview which assists in getting varied opinions in the study focus (Whiting, 2008: 36; Leedy &

Omrod, 2014: 188). According to Maree (2015: 92), the following are the advantages of adopting face to face interviews in a study:

- It encourages in-depth and comprehensive data collection by having contact with the participant.
- Expressions that matter such as body language and facial expressions are captured.
- The interviewer maintains the flow of the response thereby enabling probing of responses.
- Interview intervals can be extended since the participant has shown considerable interest to participate in the study.
- The interviewer obtains detailed and historical information about the study problem.

As noted in Section 3.5, four (4) municipal role players were interviewed for the purpose of this study. The four (4) municipal role players were contacted for the interview and the dates and time for the interview were accepted. Open-ended questions were formulated for the interviews. Table 3.3 presents the interview schedule dates and time.

The structured interviews were designed as follows:

- **Section 1:** This section sought the biographical information of the participants
- **Section 2:** The section sought the impact of VAT on service delivery.
- **Section 3:** The section perused the impact of VAT on the ability of residents to pay for municipal services.

Table 3.3 Interview schedule for municipal financial employees

Job title	Time	Date
Municipal manager	10:00 – 11: am	01-08-2017
Municipal accountant	10:00 – 11: am	04-08-2017
Internal auditor (1)	10:00 – 11: am	08-08-2017
Internal auditor (2)	10:00 – 11: am	09-08-2017

3.4.3 Focused-group interviews

Focused-group interviews refer to a method of collecting data from the participants where the interviewer selects and makes inquiry from groups of individuals about their perceptions on a particular problem or perspective (Creswell, 2014: 191). The researcher selected 10 participants from Ditsobotla municipality for this study. The following are the advantages of adopting a focused group interviews in this study:

- Focused group interviews provide immediate ideas to unravel the problem under investigation by obtaining the opinions of various participants.
- It provides current insights of the depth of the problem
- The participants interact with the researcher thereby enabling the researcher to ask follow-up questions for clarity purposes.
- Non-verbal responses can be obtained through a focused group interviews.
- Quick responses can be obtained by interviewing groups of people.
- Results can be easier to understand than using more complicated data analysis

The focused-group interviews were designed as follows:

Section 1 perused the biographical information of the respondents, Section 2 asked to know the municipal services offered by Ditsobotla municipality, strength of the municipality in service provision, financial strength of the municipality and if they are aware of VAT charges by the municipality. Section 3 sought the impact of VAT on service delivery on residents of Ditsobotla local municipality while section 4 asked to know the ability of Ditsobotla residents to pay for municipal services.

3.5 Data analysis

Data analysis is viewed by Bastic and Matalon (2007: 138) as a process by which data collected from the participants are interpreted to produce a summary that will be meaningful and reasonable.

Statistical for Social sciences (SPSS) was used in this study to analyse the variables. SPSS is a program that is normally used to analyse data, entry and creation of graphs and tables (Arkkelin, 2014: 161). A descriptive statistic was performed which enabled data to be presented using numbers, percentages, frequencies, graphs and tables.

Correlation analysis and variance analysis was conducted for statistical analysis and this enabled the study to explore the relationships existing between variables and for testing of variables which are interactive.

In the qualitative phase, data collected through semi-structured interviews were prepared through transcription, it was kept ready for statistical analysis. They were further coded into themes and categories using Atlas-ti statistical package and the major strategies to be applied to increase VAT proceeds to increase service delivery were identified. After the process of analysis follows the discussion of each theme and category.

3.5.1 Inductive approach

Inductive approach was used for this study. Inductive coding arises with close by interpretations of transcript and thoughts of the numerous Significances that are intrinsic in the transcript (Gray.2014: 99). The researcher then detects transcript sections that comprise connotation components, and makes a tag for a new class into which the transcript section is allocated.

Inductive approach uses thematic analysis; most of data collected starts with a detailed content, then moves to simplification and lastly theories; (Gray.2014: 99). Participant's data has certain meaning from it, the researcher has to make sense and understand the singularities and phenomena of those meanings.

3.5.2 Thematic approach

Thematic analysis is well thought-out as the most suitable for any study that pursues to find out answers through interpretations. Thematic analysis is a systematic component to data analysis; it permits the researcher to subordinate an analysis of the occurrence of themes with one of the entire content. The meaning of the whole research will be conferred by accuracy and complexity (Gray .2014: 99).

In this study, the qualitative analysis process was determined through explanation of thematic patterns and relationships of research relevancy. According to (Gray, 2014: 99), Thematic Analysis permits the researcher to decide exactly concepts related to each other and the comparison with the simulated data (Cameron, 2009: 86). Thematic analysis makes it possible to link different concepts and ideas of participants and compare them with various data collected from different participants during different times.

Baxter & Jack (2008: 544) further clarifies that thematic analysis is suitable in the following circumstances:

- Interpretation of data- thematic Analysis is proficient to distinguish and ascertain the issues or variables that Affect any subject that the participants generated.
- Inductive approach – collecting of data firstly starts with exact content and then change to wider simplifications and as a final point to concepts.
- Coding- research objectives are considered and some of the raw transcript from which the groups were established. Then categories are done from the raw data.

3.6 Ethical considerations

Ethical considerations according to Bhattacharjee (2012: 132) should be duly observed in the process of research. Hammerseley and Traianon (2012: 29) assert that what is acceptable and what is not acceptable in the process of conducting research must be observed.

Appropriate permission from the respective participants was obtained by the researcher, also ethical clearance was acquired from the North-West University to be permitted to commence with this study.

More so, the selected participants were requested to participate in this research process and all participants were duly informed about the nature of the study before the interview process. Respondents were given the utmost right to partake voluntarily and to withdraw voluntarily at any time. It was also guaranteed that participants at all times be protected against harm and the confidentiality of the respondents' responses was assured.

3.7 Validity and reliability

The term, validity refers to the level of an instruments' capacity to measure what it should quantify (Maree, 2015: 216). The instrument that is meant to collect data should be of a decent standard, dependable and should have the capacity to measure opinions of the respondents proficiently. Construct validity is this study was guaranteed

by formulating the data collecting instruments based on the findings of the literature review. Validity was maintained by guaranteeing that the data collecting instruments were formulated in English language as well as ensuring that only the role-players that have vast experience were interviewed.

Reliability alludes to the level of constancy of an instrument (Maree, 2010: 215). Besides, reliability strives to measure the trustworthiness, stableness, genuineness and accurateness of a measuring instrument (Maree, 2010: 216; Gratton & Jones, 2011: 92). Reliability guarantees that the procedure of information gathering is done in utmost accuracy to guarantee that applicable questions are appropriately credited to specific research questions. Reliability was applied by administering 10 questionnaires to the respondents to guarantee that the questionnaires were clear, straightforward and effectively understood by the respondents. It was discovered that the questionnaires took under twenty minutes to be finished. Each section in the questionnaire was measured utilizing Cronbach's alpha to test the degree of reliability of data. The value of Cronbach's alpha ranges from 0 to +1. Pallant (2011: 85-87) affirms that values over 0.8 are favored while values over 0.7 are adequate. As indicated by Table 4.7, all values are close to 1 above 0.7, proposing that all the items in the scale have generally high internal consistency.

3.8 Summary

This chapter presented the research methodology and data collection methods adopted in this study. A mixed method design was adopted while an explanatory sequential mixed methods design was selected to deal with both quantitative and qualitative approaches. Questionnaires were used to collect data in the quantitative phase while interviews were used in the qualitative phase. SPSS was used to analyse data collected in the quantitative phase while thematic content analysis was used to analyse data collected in the qualitative phase. Ethical principles guiding the process of research observed by the researcher were clearly stated as well as the validity and reliability of the data collecting instruments. The following chapter presents the data analysis of the study.

CHAPTER FOUR

QUALITATIVE, QUANTITATIVE ANALYSIS AND INTERPRETATION OF RESULTS

4. Introduction

This chapter presents the findings obtained in both quantitative and qualitative data. The chapter presents the views obtained through quantitative analysis using the Statistical Package for Social Sciences. Afterwards, the study presents the views of the participants obtained in the qualitative phase (interviews) which was analysed using Atlas-ti statistical package. The study triangulates the findings obtained from both quantitative and qualitative phases in order to gain a detailed understanding of the research problem of this study. The chapter presents the results using tables, graphs, frequencies and percentages to summarise the occurrence and behaviour of the variables in the study.

4.1 Quantitative approach

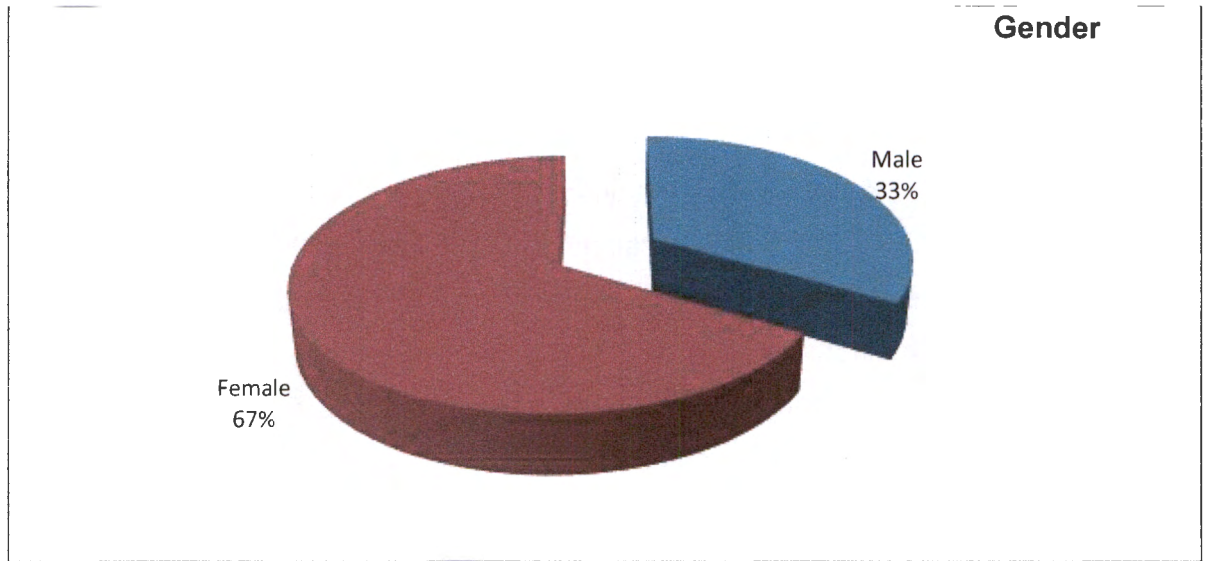
Creswell (2014: 34) avers that quantitative data appears in numerical form such as percentages, statistics, graphs and tables. Further, Creswell (2014: 34) supports that a quantitative research enables theories to be tested by examining the relationships that exist among variables, which is measured using comprehensive instruments and analysing the data through statistical measures.

4.1.1 Biographical information

The demographics are divided into several features which are based on gender, age and qualification. All participants in the study were purposively selected around Ditsobotla local municipality in the North West.

1) Gender

Figure 4.1: Gender



According to Table 4.1 above, the female respondents (67%) were more than male respondents (33%). This depicts that the majority of the women participants responded to the study and their responses were used to make conclusive inferences in this study.

2) Current age group of the residents

The following table and the graph underneath shows the population of respondents if separated into different age groups which range from 25 years and underneath to 55 years and more.

Table 4.1: Current age group

Age group	Frequency	%
25yrs or less	5	8.3
26 - 35yrs	18	30
36 - 45yrs	18	30
46 - 55yrs	12	20
Above 55yrs	7	11.7
Total	N = 60	100

Table 4.1 indicates that five (8.3%) of the respondents are aged 25 years and less, eighteen (30 %) are spread in the middle of 26 and 35 years, eighteen (30%) were aged between 36 and 45 years; eighteen (30) were aged in the range 46 and 55 years; seven (11.7%) were aged in the upper range of 55 and above.

According to Pomeranz (2013: 151), different age groups struggle with VAT knowledge. Pomeranz (2013: 151) identifies how age groups are not aware of VAT revenue and how it links to service delivery. Most of the respondents who participated between 26 and 45 years understand VAT levy on municipal services and the important contribution of VAT in the finances of the municipality.

About 20% of the respondents between 46 and 55 years participated which shows that middle age adults closer to pension years do take interest in VAT and service delivery. They also showed some appreciable understanding of VAT levy on municipal services and how payment defaults can endanger effective provision of services to the residents. Their knowledge might challenge the study of Granova (2010: 68) which affirms that VAT has been in existence for almost 50 years while old members of the European Union are struggling to recognize it as a revenue source for municipalities and local governance commitments (Bird, 2015: 63). This demonstrates that residents in Ditsobotla community, even over fifty (50) years, are understand the significance of VAT levying.

3) Highest qualification of the respondents

Table 4.2: Highest qualification obtained

Highest qualification obtained	Frequency	%
Matric	18	31
Diploma	15	25.9
Degree	18	31
Honors	4	5.2
Master's	4	5.2
Doctorate	1	1.7
Total	N = 60	100

In terms of Table 4.2, eighteen (31%) respondents hold matric, fifteen (25, 9%) hold a diploma, eighteen (31%) hold a degree, four (6.9%) hold honours degrees, while only one (1.7%) holds a doctorate. According to Bird (2015: 61), participants with only matric did not understand VAT levy on municipal services, demonstrating lack of knowledge through their responses. Diploma holders responded better as they tried to link VAT to service delivery now and the participants who hold a first degree and an honours qualification demonstrated knowledge on VAT levy on municipal services through responding to all questions with informed knowledge. They did not raise one of the questions from Granova (2008: 70) “is VAT a money machine” as the participants were aware of the specific financial implications of VAT on service delivery

4.1.2 Responses to research questions

This section presents the responses on the research questions as stated in chapter one.

4.1.2.1 Various services provided by Ditsobotla municipality

This section provides the responses from the respondents on the type of services provided by Ditsobotla municipality to the various residents.

Table 4.3: Services provided by municipality

Item	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
Water supplied is of good quality (N = 60)	21.7	28.3	15	15	20
Sewage collection and disposal is done regularly (N = 60)	25	30	6.7	18.3	20
Refuse is removed regularly (N = 60)	26.7	28.3	5	20	20
Electricity is supplied appropriately (N = 60)	20	38.3	6.7	15	20
Municipal health services are readily available to everyone (N = 60)	10.2	33.9	11.9	27.1	16.9
Municipal roads are in good conditions (N = 60)	13.8	37.9	3.4	27.6	17.2
Street lighting is fully available (N = 60)	16.9	40.7	8.5	11.9	22
Municipal parks and recreation are easily accessible (N = 60)	20.3	40.7	8.5	8.5	22
AVERAGE RESPONSE (%)	19.3	34.8	8.2	17.9	19.8

According to Table 4.3, half of the participants (50%) admitted that they are supplied with good quality water, however 15% were doubtful about this service provision and 35 % did not think the municipality provided them with good quality water. This implies that the municipality should improve in the provision of services to the residents as stipulated by Bastia *et al.* (2013: 110). Furthermore, Manyaka (2014: 131) stated that water as a service provided by the municipality should have a direct influence on the quality of the lives of the people in that community and if such services are not equitably provided, this non-delivery complicates the interplay between services and provisions to the extent that the anomaly leads to unhealthy and unsafe living environments.

55% of participants affirmed that sewage collection and disposal is done regularly, while 6.7% was not certain and 38.3% denied that they had access to this service. Sanitation services to local residents are generally accepted as one of the most basic of services that municipalities must render. Without basic sanitation services it is hard to imagine how human settlement could thrive and survive in some sustainable form (Manyaka, 2014: 138). The municipality is mandated to provide sanitation as it as one of most basic services, keeping communities and citizens in clean environments.

The total of 55% acknowledged that refuse is removed regularly in their various locations while 20% of the respondents disagreed that refuse is removed adequately in their locations. However, only 5% were unsure about the status of refuse removal in their locations. This implies that the municipality should improve in refuse removal as an aspect of service provision to the residents in the municipality. Refuse removal is a vital municipal service provision for both residential and business areas and should be controlled efficiently and rendered effectively to avoid health risks among citizens (Constitution ACT).

The study identified 58.3% of participants who admittedly said electricity was supplied appropriately while 6.7% was not certain and only 35% plainly did not agree. Electricity is one of the most significant services that the municipality should provide to residents (Manyaka, 2014: 138). Electricity is a service that has become synonymous with

modernity and urbanisation to the extent that its provision is considered vital to the society as a whole.

Of the total respondents, 53.1% were convinced about municipal health services being readily available to everyone, while 11.9% was unsure and the rest of 44% did not agree about the adequate provision of health. The Constitution Act posits that municipalities should control the local requirements and expectations in order to provide communities with proper health services according to their needs. Such services are vital to everyday life and provision of this service is best executed by the municipality: the disparities in the levels of perception about the efficiency of delivery of this service raises questions about the capacity of the municipality therefore.

51.7% openly agreed that municipal roads were in some good condition, only 3.4% was unclear and 44.8% indicated that this is untrue. Municipalities should regulate and review compliance to infrastructure regulations and standards by ensuring that all roads are maintained (Constitution ACT). Furthermore, municipal roads play a significant role in accomplishing economic and social development.

57.6% admitted that street lighting is fully available, 8.5% was unclear and the remaining 33.9% indicated that street lighting was not adequate. A local municipality is an arm of governance that is close to the residents, elected by the residents for adequate representation and are accountable to guarantee that communities are safe, street lights should be made available in the middle of all streets to assist in movement at night. This provision of street lighting is significant for safety on the roads and the security of resident individuals (Manyaka, 2014: 138).

61% of participants confirmed the provision of municipal parks and recreation as being easily accessible while 8.5% was not clear and 30.5% disagreed that the parks are easily accessible. Municipalities have an obligation to provide this extra service required by their communities; they should manage and control local parks and recreation facilities in the community (Manyaka, 2014: 138). More so, municipalities should ensure that parks and recreation centres are available to residents in order for them to relax with their family members.

All these services are specified by government to be delivered by the municipality. Ditsobotla local municipality provides them according to the government's requirements. Ditsobotla local municipality seems to demonstrate the mandate by the government fully so, since more than 50% of participants submitted that they perceived the services as adequately provided.

4.1.2.2 Measuring the ability of residents to pay for their municipal services

This section measures the ability of the residents to pay for the municipal services provided by Ditsobotla local municipality. The responses of the respondents are captured below:

Table 4.4: Ability of residents to pay

Item	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
Residents who seldom pay are offered lower services. (N = 30)	25.9	46.6	17.2	6.9	3.4
Residents who often pay are offered average services. (N = 30)	34.5	32.8	20.7	6.9	5.2
Residents who frequently pay are offered higher services. (N = 30)	36.2	31	19	5.2	8.6
AVERAGE RESPONSE (%)	32.2	36.8	19	6.3	5.7

In Table 4.4, 67.3% of the respondents indicated that residents who seldom pay their taxes are offered low services, 10.35% of the residents disagreed that residents who seldom pay are offered lower services while 17.2% of the respondents were unsure about this question. The findings in this section indicate that the majority of the participants perceive that the municipality does not offer adequate services to the residents who rarely pay for their taxes. The study of Bird (2015: 62) affirms that poverty is one of the reasons that inhibits the low income earners to pay for their taxes as well as their municipal services.

More so, 67.3% of the respondents agreed that residents who often pay are offered average services while 11.1 % of the respondents disagreed that residents who often pay are offered average services. However, 20.7 % of the respondents were unsure about this statement. According to the finding in this category, it is ostensible that the municipality does not provide equitable services to all the income earning classes as mandated by the Constitution of South Africa. The findings in this category indicate that all members of the local community, even those who seldom pay for service provision, should be provided with equal services, especially the most basic of services (Constitution ACT).

67.2 % of the respondents further agreed that residents who pay frequently are offered high services while 13.8 % of the respondents disagreed that residents who pay frequently are offered high services. Also, 19.5% of the respondents were unsure about this statement. Constitution ACT stipulates that there should not be unequal service provision to residents than others regardless of their status in the community. In particular, the inability to pay for municipal services is more preponderant in rural areas than in suburbs and therefore, suburbs tend to receive better municipal services than rural areas based on their paying ability. This shows that the inability of residents to pay impact them negatively when it comes to service provision by municipalities. Therefore, the residents living in rural areas are in danger of not receiving quality services due to non-payment for services rendered.

4.1.2.3 Measuring the ability to pay for municipal services based on different households

This section measured the ability of residents to pay for their municipal services based on different households. The responses of the respondents are captured below:

Table 4.5: Ability to pay based on different households

Item	Strongly Agree (%)	Agree (%)	Unsure (%)	Disagree (%)	Strongly Disagree (%)
Low class pay seldom (N = 30)	37.9	37.9	13.8	6.9	3.4
Middle class pay often (N = 30)	39.7	39.7	12.1	3.4	5.2
Top class pay frequently (N = 30)	43.1	39.7	8.6	0	8.6
AVERAGE RESPONSE (%)	40.2	39.1	11.5	3.4	5.7

In Table 4.5, it is clear that 75.8% of the respondents agreed that low households pay seldom, a total of 10.3% disagreed that the low income households pay seldom while 13.8% of the respondents were unsure about this enquiry. The findings in this category indicate that the municipalities should subsidize for the services provided to the low income households with the service payments from the high income households to ensure that there is equitable service provision to all the residents in the municipality. The studies of Manyaka (2014: 139) stipulate that the municipal role players should provide adequate services to the residents and should consider subsidizing services to the indigents.

82.8% of participants indicated that middle class households pay often, 8.6% disagreed that the middle class pay often while a total of 12.1% of the respondents was unsure about this question. These findings in this section show that almost all the respondents believe that the middle class households pay their taxes most often. In line with this finding, Manyaka (2014: 138) affirms that the middle class household tries hard to afford municipal services while Granova, (2000: 70) specifies that there should be a limit on tariff increases to ensure that residents are not burdened by municipal service fees.

More so, 79.3 % of participants confirmed that upper class residents pay frequently, 11.5 % was unclear and remaining 9.1% disagreed that the top class residents pay their taxes. The findings in this category depict that the top class households are the highest tax payers due to the fact that they are employed or engaged in high-yield businesses. The conclusions of Bird (2015: 60) also indicate that the top household income earners pay their municipality services better than low class households due to their ability to afford more expenses such as service fees than lower income earners.

4.2 Reliability Analysis

According to Panayides (2011: 50), Cronbach's alpha (α) reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability of a questionnaire consisting of Likert-type scales and items. A high value (close to 1) for Cronbach's alpha reliability coefficient indicates the consistency and internal reliability of the items in the scale.

Table 4.6: Reliability analysis of the measuring instruments

Dimension	Cronbach's Alpha (α)	N of Items
Services provided by municipality	0.977	8
Ability of residents to pay	0.951	3
Ability to pay based on different households	0.952	3

The Cronbach's alpha coefficients in Table 4.6 above show that all the questionnaire items are closer to 1 which indicates that most services measured in the scale have good internal consistency. The results show that the questionnaire was reliable and could accurate results in the constructs measured.

4.3 Correlation Analysis

The correlation analysis measures the relationships between two variables (X and Y). It measures both the strength and direction of linear associations between two variables which are between +1 and -1. The association is statistically significant if the p-value is less than 0.05 level of significance (Mukaka, 2012: 2).

The coefficient of Spearman's rank correlation is established by the following equation:

$$r = 1 - \frac{6\sum D^2}{N(N^2 - 1)} \quad [1]$$

Where:

D = variances of ranks of corresponding values of X and Y

N = number of paired values in the data

$$-1 \leq r \leq 1$$

SPSS 23 software package was applied to compute the Spearman's rank correlation analyses and to identify if relationships exist between the variables discussed below.

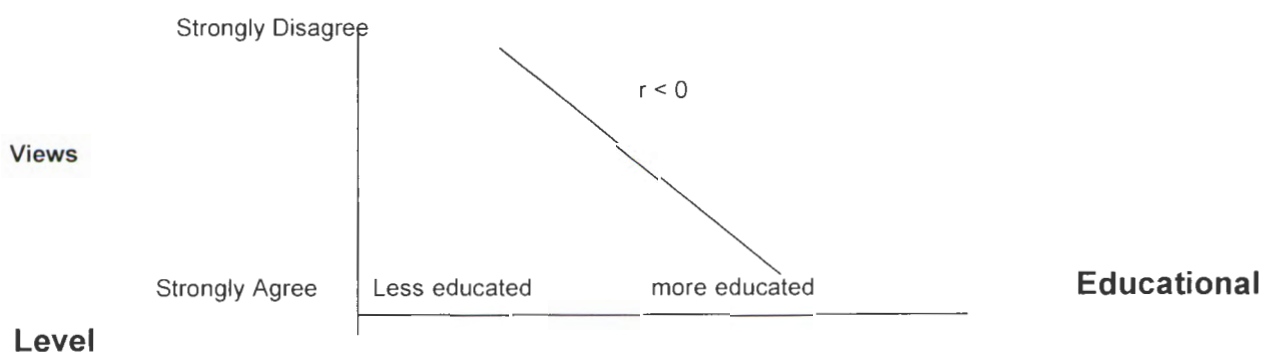
Table 4.7: Spearman’s rank correlation between educational qualification and views of residents about services provided by municipality

Items	Correlation Coefficient (r)	p-value
Municipal health services are available to everyone	-0.281	0.034
Municipal roads are in good condition	-0.319	0.017
Street lighting is fully available	-0.381	0.003
Municipal parks and recreation are easily accessible	-0.409	0.002

SPSS 24 software package was used to conduct the correlation analysis and the results are shown in Table 4.7. Since all the p-values are less than 0.05 level of significance, then the correlation between educational level and views of residents about the items listed in Table 4.7 is significant. Negative correlation coefficients imply that more educated residents tend to agree with the listed services, whereas the less educated residents tend to disagree.

Municipal health services with correlation coefficient of -0.281 and p-value 0.034 demonstrating that educated respondents agreed to this service while less educated ones did not agree on the availability of this service to everyone. P-value of 0.017 and correlation coefficient -0.319 shows that educated respondents agree that municipal roads are in good condition while non-educated rarely agreed. Correlation -0.381 and p-value 0.003 with educated respondents evidently shows that educated respondents agreed on the availability of street lightning while non-educated respondents did not. Lastly correlation coefficient -0.409 and p-value 0.002 demonstrates that educated respondents agree to municipal parks and recreation being accessible while on the other hand uneducated respondents did not agree on that.

Figure 4.4: Views of respondents versus educational level ($r < 0$)



4.4 T – Test between Two Independent Samples

The aim of the T-test analyses is to relate the average responses of two populations. The difference of opinions (views) between the two populations is statistically significant if the p-value is less than 0.05 level of significance. Table 4.8 presents the T-test by gender on sewage collection and disposal. There is a significant relationship between the gender of respondents and their educational levels. The educated respondents agreed more while non-educated respondents agreed less on service provision constructs and facilities by the Ditsobotla local municipality.

Table 4.8(a): Comparing perceptions (views) of male and female residents about services provided by municipality

Coding: 1 = Strongly agree, 2 = Agree, 3 =Unsure, 4 = Disagree, 5 = Strongly disagree

Item	Gender	Sample Size	Mean	p-value
Water supplied is of good quality	Male	20	3.20	0.168
	Female	40	2.65	
Sewage collection and disposal is done regularly	Male	20	3.35	0.038*
	Female	40	2.50	
Refuse is removed regularly	Male	20	3.20	0.137
	Female	40	2.57	
Electricity is supplied appropriately	Male	20	3.00	0.384
	Female	40	2.65	
Municipal health services are readily available to everyone	Male	20	3.50	0.069
	Female	39	2.85	
Municipal roads are in good conditions	Male	19	3.47	0.051
	Female	39	2.72	
Street lighting is fully available	Male	20	3.30	0.063
	Female	39	2.56	
Municipal parks and recreation are easily accessible	Male	20	3.15	0.100
	Female	39	2.49	

*Significant difference

The statistical software package (SPSS 24) was used to perform a t-test between two independent samples (male and female residents) in Table 4.9(a). Since the p-value (0.038) is less than 0.05 level of significance, it means that there is a significant difference of opinions concerning sewage collection and disposal. The mean score (2.50) of the female residents is lower than that of the male residents (3.35). This indicates that female residents tend to slightly agree that sewage collection and disposal is done regularly, whereas male residents tend to slightly disagree. P-values greater than 0.05 level of significance show that there is no significant difference of opinions concerning the other services provided by municipality.

Table 4.8(b): Comparing perceptions of less educated (without degree) and more educated (with degree) residents about services provided by municipality

Coding: 1 = strongly agree, 2 = Agree, 3 =Unsure, 4 = Disagree, 5 = Strongly disagree

Item	Level of Education	Sample Size	Mean	p-value
Water supplied is of good quality	With degree	25	2.60	0.307
	Without degree	33	3.00	
Sewage collection and disposal is done regularly	With degree	25	2.44	0.168
	Without degree	33	3.00	
Refuse is removed regularly	With degree	25	2.40	0.126
	Without degree	33	3.03	
Electricity is supplied appropriately	With degree	25	2.36	0.071
	Without degree	33	3.06	
Municipal health services are readily available to everyone	With degree	24	2.67	0.073
	Without degree	33	3.30	
Municipal roads are in good conditions	With degree	23	2.48	0.029*
	Without degree	33	3.30	
Street lighting is fully available	With degree	24	2.25	0.010*
	Without degree	33	3.24	
Municipal parks and recreation are easily accessible	With degree	24	2.08	0.003*
	Without degree	33	3.21	

*Significant difference

The p-values (0.029, 0.010 and 0.003) in Table 4.9(b) above, show that there is a significant difference of perceptions between the less and more educated residents about some services provided by the municipality. The mean scores of the graduates are lower than those of the residents without degrees. This indicates that graduates tend to slightly agree that municipal roads are in good conditions, street lighting is fully available and municipal parks and recreation are easily accessible, whereas residents without degrees tend to slightly disagree. P-values greater than 0.05 level of significance show that there is no significant difference of opinions concerning the other services provided by municipality.

Table 4.8(c): Comparing perceptions of young (35yrs and below) and old (above 35yrs) residents about services provided by municipality

Coding: 1 = Strongly agree, 2 = Agree, 3 =Unsure, 4 = Disagree, 5 = Strongly disagree

Item	Age Group	Sample Size	Mean	p-value
Water supplied is of good quality	Old	37	2.70	0.381
	Young	23	3.04	
Sewage collection and disposal is done regularly	Old	37	2.76	0.864
	Young	23	2.83	
Refuse is removed regularly	Old	37	2.67	0.494
	Young	23	2.96	
Electricity is supplied appropriately	Old	37	2.62	0.331
	Young	23	3.00	
Municipal health services are readily available to everyone	Old	37	2.92	0.262

	Young	22	3.32	
Municipal roads are in good conditions	Old	36	2.72	0.088
	Young	22	3.36	
Street lighting is fully available	Old	37	2.62	0.188
	Young	22	3.14	
Municipal parks and recreation are easily accessible	Old	37	2.59	0.429
	Young	22	2.91	

Since all the p-values in Table 4.9(c) are greater than 0.05 level of significance, it means that there is no significant difference of perceptions between the young and old residents about the services provided by municipality. This clearly confirms that both the young and the old residents both agree on the regular service delivery of the municipality.

4.5 Average coded responses on the Likert scale

This section measures the average responses of all items measured in the study. They are captured in Table 4.9 below:

Table 4.9 Measuring the average responses of all the items measured

Services provided by municipality		
Item	Mean	Standard Deviation
Water supplied is of good quality	2.82	1.49
Sewage collection and disposal is done regularly	2.77	1.54
Refuse is removed regularly	2.81	1.56
Electricity is supplied appropriately	2.77	1.48
Municipal health services are readily available to everyone	3.07	1.32
Municipal roads are in good conditions	2.95	1.39
Street lighting is fully available	2.84	1.45
Municipal parks and recreation are easily accessible	2.74	1.47
Grand Average Response	2.85	0.11
Ability of residents to pay		
Item	Mean	Standard Deviation
Residents who seldom pay are offered lower services.	2.15	1.00
Residents who often pay are offered average services.	2.15	1.14
Residents who frequently pay are offered higher services.	2.19	1.23
Grand Average Response	2.17	0.00
Ability to pay based on different households		
Item	Mean	Standard Deviation
Low class pay seldom	2.00	1.06
Middle class pay often	1.95	1.07
Top class pay frequently	1.91	1.14
Grand Average Response	1.95	0.04

The main duty of the municipality is to provide the resident community with services. Based on table 4.10 above, the residents agree that this municipality provides those services to them. Gendon (2010: 240) avers that municipalities are the closest arm of governance since they are elected by the residents for proper representation and to provide the services needed.

Therefore, the Ditsobotla municipality is honouring the government mandate based on the standard deviation of service provided, coded 1: strongly agree with 0.11. It is evident that residents are also provided with services on the strength of their service payment. Standard deviation and mean of residents' ability to pay evidently showed that residents who pay seldom are provided with non-satisfactory services, while those residents who pay are provided with not so satisfactory services and frequent municipal service paying households receive satisfactory to standard services.

It is also clear that payment of services by residents is based on the socio-economic stratum of the household. The various household classes in this study include low income, middle income and high income households. Low income households earn a little income to sustain their living and as such have little left to pay for municipal services; middle income households earn average income and can moderately afford a living as well as having little left to pay for the municipal services. High income earners can afford paying for their municipal services and other contingencies. The standard deviation in this study has clearly demonstrated that low class households pay municipal services seldom, middle classes households pay often whereas high class households pay municipal services frequently.

4.6 Qualitative approach

This section presents the corroboration of the participants' responses obtained from face to face interviews and the focus group interviews. The responses from the interviews were coded into themes and categories. Table 4.10 presents the responses obtained from the participants in the interview sessions.

TABLE 4.11 Thematic analyses found from open-coding themes

DESCRIPTION	COMMON THEMES	DIFFERENT OPINIONS OF MUNICIPAL ROLE PLAYERS	DIFFERENT OPINIONS OF FOCUS GROUP
SECTION 1 SERVICES PROVIDED BY THE MUNICIPALITY			
Service provision	Basic services	Other services provided	
Impact of lack of finance on service delivery	Lack of services delivery to community	Indigent residents	
VAT implementation attract non-payment		Service charges increased by VAT	High services make it hard to pay
SECTION 2 IMPACT OF VAT ON SERVICE DELIVERY IN THE MUNICIPALITY			
Payments capability		Service payment based on payment capacity	
Consistency of VAT proceeds from past years		Fluctuations of VAT proceeds	
Obstruction of service delivery by VAT proceeds		Service delivery affected by low VAT proceeds	
SECTION 3 IMPACT OF VAT ON THE PAYMENT ABILITY OF RESIDENTS			
VAT rate		VAT rate on municipal services	
VAT and service delivery			VAT knowledge

4.7 Discussion of findings from the interviews and focus group interviews

The study sought to establish the impact of VAT on service delivery in Ditsobotla municipality. A few quotes from interviews are used to clarify verbatim answers from the coded data. The direct quotations are used together with endorsements from the literature reviewed and in the process confirm the credibility and insights of the respondents.

Views of respondents (Ditsobotla municipal employees and residents) contributed to the derivation of the themes above. Identifying and explaining data, organizing and connecting themes to subthemes contributes to the final interpretations arrived at from this strand. Codes are designations or markers allocated to exact components or sections of associated sense recognized within the field notes and transcriptions. Coding of Four (4) municipal employees interviewed ranged from ME01 TO ME04 and focus group coding for residents from MR01 to MR 02. This was done to protect participant's identities.

4.7.1 Years of experience in the municipal financial management

All participants from municipal employees demonstrated a high knowledge of VAT in the municipality. ME01 said *"As the head of the municipality I take note of how VAT increases services, but there is nothing that can be done as it is mandatory by Government and we need revenue from it."* Managers have the ability to compare Value added statements and income statement. Hence managers focus more on services with VAT as they generate revenue (Gendon, 2010: 239).

4.7.2 Municipal services provided by Ditsobotla local municipality

Municipality has a duty to honour the government mandate as its main task is to provide services to the communities. Therefore, all municipalities should deliver services to communities. This section covers municipal services provided. Service provision is one of the most important mandates of a municipality. All communities are mandated to have access to all the basic services. Without service delivery there will be no need for municipal existence. The priority of each municipality is service delivery to local communities.

- **Basic services provided**

Electricity, water, sanitation and sewage are services provided to communities. These have become basic services in communities. Some participants pointed out that this service provision is delivered by different departments. Code ME01 indicated that *“We have electricity, water, sanitation and sewage department which ensure that service delivery is carried out efficiently and effectively.”* This indicated that the municipality has relevant departments that provide such services. ME01 added *“Municipality endeavours to provide this service to us.”*

Code MR06 added that *“There are also employees collecting refuse and drainage in their community. Municipal Systems Act, 2000 add on this by regulating that it is a general duty of the municipality to deliver services to community while giving priority to basic services such as electricity, water, refuse removal and drainage.”* Further, Gendon (2010: 240) also believes that local government municipality is the extension of government responsible for effective representation and service provision. Therefore, Ditsobotla municipality delivers basic services to the local communities, and there is evidence in MR06 that the municipality needs to do this as effectively as it can.

4.7.3 Different opinions on services provided by municipality

Apart from common themes that developed from the data, other services were highlighted by the municipal role-players.

- **Other services provided by municipality**

Municipal role players are people involved in the day to day operations of municipalities and they are expected to have good knowledge of all services provided in the municipality. Code ME02 said, *“There are four basic services electricity, water, refuse removal and drainage. However, the municipality provides other services such as municipal health services, municipal roads and storm water, street lighting and municipal parks and recreation.”* In the constitution ACT 1996 the following services are included in the mandate of all services to be provided by municipality to the community. The Ditsobotla municipality provides more than just basic services to the community, honouring the constitution’s mandate.

- **Lack of services delivery to community**

Lack of finances infringes on and affects service delivery in the municipalities. Lack of finances maybe be due to non-payment for services by residents. According to code ME02, it was clear that the municipality finances are not enough to provide services: *“The municipality is struggling financially, it is hard to deliver services to residents when they are not paying for services”* and code ME03 adds *“The municipality cannot function well without adequate financial resources.”* Granova (2008: 68) provides that most local municipalities do not provide equitable services to the residents due to reasons associated with funding and competent human resources to handle the affairs of the municipality. Other issues are non-payment for the services provided which leaves the municipalities with little or no funds to maintain infrastructure and provide services as well. The municipality is obliged to find a way to deliver services regardless of lack of finances caused by non-payment by residents.

4.7.4 Different opinions on the impact of lack of finance on service delivery by municipal role players

Beside common themes that emerged from the data, municipal role players highlighted other opinions that are discussed below.

- **Municipal indigent residents**

One of the biggest problems in the municipality is residents who are declared indigents. All communities have indigents, which generally means that such residents are unable to afford paying for services provided by the municipality. One participant, codeME02 explained that *“Our municipality has lots of indigents, residents who are unable to pay for services, Municipality write off their debts and offer them free services, this causes high percentage in municipal finance decrease as the financial resources meant for service provision is used to subsidise services for the indigents.”* This shows that indigent residents negatively affect the municipality rendering efficient and adequate service. Regardless of indigent’s policy, the municipality should be able to generate revenue from municipal services, in order to provide services to the same residents declared as indigents.

Nonetheless, there is a need for revenue enhancement in order to recover the municipal service bills forfeited by municipalities through indigents. The municipality's service delivery needs financial resources to enable them to deliver the services effectively and efficiently to their respective communities.

Based on the Ditsobotla Indigent policy (2016), households which are identified by municipality as indigents are subsidized fully especially on basic municipal services. This is catered and budgeted for in the yearly budget through resolution of council. However, with revenue still lacking, this then confirms that indigent residents negatively affect the financial status of the municipality.

4.7.5 VAT implementation attracts non-payments

VAT has been implemented in many countries. The burden arising from VAT levies is passed onto the residents who have to pay higher service fees. There is a difference between services that are VAT levy free in municipalities and services which have VAT levied on them.

4.7.6 Different opinions on VAT implementation attracting non-payments

Participants, municipal employees and residents had different opinions on this.

- **Vat escalates municipal services costs**

Margaretha & Tjen (2014: 310) provided that elements of VAT are dissimilar in most authorities, as the directories, rules and practices differ in application. This can affect taxpayer's compliance due to the increased cost burden. The study showed that compliance burden of VAT in South Africa is very high. South Africa is not yet developed and therefore VAT burden is bound to arise. Stigling (2013: 130) stated that VAT has been accepted by numerous countries worldwide which comprise all OECD countries other than the USA. USA does not charge VAT but their standard of living is very high which proves that for developed countries there is no dependence on VAT revenue. One of the municipal role players, MEO3, clearly said "*Residents might not be aware of VAT increasing their services but it is evident that VAT has power to*

increase services when you take a closer look at standard tariffs excluding VAT and those including VAT.”

This statement supported the Ditsobotla revenue report of 2016 that this strategy of introducing VAT as a source of revenue for the government, has burdened the Ditsobotla residents in such a way that the Ditsobotla local municipality fails to raise revenue even for its employees' salaries. The municipality expects 80% of their salaries to be paid from revenue generated but such hardly happens because of non-payments from Ditsobotla residents whose levies are exacerbated by VAT calculations.

- **High services make it hard to pay**

Municipal services may be increased by many factors. Service also depends on the amount consumed by the receiver, and this could mean higher services and higher VAT. Code MR05 affirms what the residents say: *“I cannot afford municipal services, I do not understand why are they always high”* while MR08 added *“These services are confusing sometimes you are not even sure, if you consumed that much of services”*. According to Olivier & Honibal (2011: 64), due to the circumstance that VAT increases the price of standard service price in municipalities, South African standards of living are low, consumption rates might be low mainly and VAT rate will still increase the cost of beyond the paying capacity of local municipal residents' levels in the country.

4.8 Impact of VAT on service delivery

VAT as a source of revenue for government, negatively affects the municipality in delivering of services to the communities. The capacity to pay for municipal services by the residents affects revenue, because these municipal services have VAT levied on them and this funds from it is submitted to SARS. SARS then provide grants to the municipalities to perform basic services Service payments decrease, affect VAT consistency and this fluctuation of VAT proceeds causes uncertainty in the budgets and projections on income and expenditure by the municipality.

4.8.1 Payments capability of residents

Possible matters that stand in the way of revenue include what is actually collected and what is due to the municipality. Failure by residents to honour their service payments exerts serious constraints on the municipality's ability in providing equitable services to the residents. Municipality is forced to cut off services for non-paying residents, and this enables them to offer paying residents adequate services ironically.

- **Service delivery based on service payments capability**

Services delivered to residents are possible to be delivered based on how capable they are in the payment for municipal services. One participant emphasized that lack of service payment by residents affect method of service provision. Code ME02 said that *"Some residents are not indigents as they are capable of paying services but choose not to pay, the municipality does not offer any of those unpaid services"*. Gendon (2010: 240) posit that government need financial resources to execute their economic and non-economic obligations. Hence, DLM cannot offer services to residents who do not pay, as the paying residents will then suffer on their behalf.

The local municipalities will be capable to ensure service provision if the residents pay their VAT as levied by the municipality. It is certain that the non-paying residents will not receive adequate service provision in the case of consistent defaults (Olivier & Honiball, 2011: 64). It is clear that residents struggling to pay for services decreases DLM revenue, as the municipality generate revenue from this Vat levied services which assist them with proper service delivery .The decrease in revenue to provide services is generally because the municipality receives different grants from the government which is part of the tax initially paid to SARS hence The municipality collect VAT on the behalf of the government Therefore, it is impossible for DLM to provide municipal services to residents who consume municipal services without payment.

4.8.2 Consistency of VAT proceeds

Vat decrease and increase causes instability in the provision of municipal services. Municipalities suffer from embarking on service delivery decisions, due to inability to measure VAT proceeds from service payments by residents. This obstructs service delivery and such situations can cause protests.

- **Obstruction of service delivery by VAT proceeds decrease**

VAT decrease is one of the factors that decrease municipal revenues and a decrease in revenue has the ability of affecting service delivery. CodeME01 convincible stated that “*VAT proceeds have decreased drastically in recent years due to lack of service payment by residents*”. Olivier and Honiball (2011: 65) support that although there has been more part of this type of revenue generation in whole government income, yet there has been gross underperformance due to the fact that the residents do not pay for their services adequately.

Based on the DLM VAT proceeds report, it is observable that the VAT proceeds in Ditsobotla local municipality from 2012 to 2016 financial years, fluctuated due to the inability of the residents to pay their VAT consistently. This shows that DLM VAT proceeds decreased for the past five years disabling the municipality to render proper service to the community. Wassenaar (2004: 50) support that the VAT revenue strengthen the financial position of municipalities, however, the municipalities are entitled to pay tax to SARS. The lower the VAT proceeds the lower the tax to be paid to SARS and the decrease in grants to be provided for service rendering.

- **Protests and VAT proceeds**

Lack of revenue in municipalities indicates lack of municipal service payments by residents. Residents struggle to pay municipal services causing revenue to decrease, inadequate service provision which result to service delivery protests. CodeME03 stated that “*DLM has been experiencing service delivery protests for the past five (5) years, the residents do not honour service payments, which is usually supported by VAT proceeds, yet they expect adequate services*”. Mareen *et al* (2009: 352) states that the fiscal exchange suggests that taxpayers in a given place get the enthusiasm to pay for their services as they have the evidences of service provision and if government fails, taxpayers might opt for violence or service protests. Doubtfully, DLM need to provide services to residents, but this can be done through proceeds from municipal service payment with assistance from VAT increase in revenue. Therefore, this exchange theory needs to be practiced by DLM.

4.9 Impact of VAT on the ability of residents to pay municipal services

Municipalities consist of residents from different households. In those households there are residents who are able to afford their municipal services bills. Nonetheless only few have demonstrated the ability to pay the municipal services in communities. VAT rate on municipal services possess a capability of burdening residents. Some residents may not familiar with VAT rate nor even VAT levy on service delivery.

4.9.1 VAT rate

VAT rate is included in the municipal services received by residents, therefore residents have to abide and pay their municipal services together with that percentage of VAT added on them. Other residents find this rate high, considering their municipal bills.

- **Tax rate on municipal services**

Tax rate percentage is included in municipal service standard fees, this result in municipal services going up. All residents who demonstrated their knowledge from VAT indicated that VAT rate was high. According to Maarten *et al* (2009: 352), tax rates in Netherlands are set by the municipal council which they elect after every four years. The mayor is given power by the government thus enabling the mayor to set the tax rate according to affordability or payment culture of residents.

In South Africa, the tax rate is set by the government giving no one a choice of negotiation on the percentage. However, Keeney *et al* (2003: 196) posit that Increase in municipal services by tax rate serves to hinder the economy due to insufficient revenue generation, however decreasing it may hamper the objectives of revenue generation such as service delivery. This confirms that DLM has no option but to use mandated tax rate from government as the tax rate is set to assist with revenue generation.

4.9.2 VAT anc service delivery

VAT is levied on services that are delivered by municipality to residents. The invoices of residents include VAT added on each service provided and consumed by residents. Differentiation of VAT on municipal services by residents may be needed.

- **VAT knowledge**

Knowledge of VAT by residents is of importance. Resident's municipal service bills are inclusive of VAT and quite frankly residents may be unsure of this VAT levy process by municipalities. There were some residents who could not understand VAT and its link to service delivery. Some participants code MR02, code MR04 and codeMR07 explained that "*VAT is the extra amount charged on goods*". They did have understanding that it was an extra amount, which is true but their thoughts were that VAT is chargeable only on goods and not services let alone municipal services.

It should be the interests of all municipalities to create a system that work effectively and to deliver good public services to collect the intended tax outcomes from the residents that are proportionate to the service provided and ensure their understanding on VAT levy (Charlet & Owens, 2010: 944). For that reason, the DLM needs to dedicate some time to residents, enlightening them on municipal services that include VAT.

4.10 Conclusion

The mixed methods research approach which enhanced to use of both questionnaires and interviews to collect data provided the study with different results and different views. With regards to the findings of this study, majority confirmed that VAT has a significant effect on service delivery in the Ditsobotla local municipality. The lack of funds has ability to deter the effectiveness of service delivery in the local municipality. Ditsobotla evidently demonstrated decrease in VAT proceeds in past five years which evidently resulted in service riotous protests by the residents. The participants affirmed that services are provided according to affordability by the residents while most of the residents are not able to honor payment for those services provided by the municipality. The next chapter provides the overview of the study, conclusions and recommendations.

CHAPTER FIVE

OVERVIEW OF THE STUDY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The preceding chapter provided the research results of the study. This chapter centers on the overview of the study, conclusions and recommendations. In this chapter, conclusions were made based on the findings from the quantitative and qualitative phase of the study. Recommendations were also made as a measure to improve VAT payment in order to improve service delivery in Ditsobotla local municipality.

5.2 Overview of the study

In Chapter one, an introduction of the research focus was made which provided an introduction and a background to the study. The background further provided the financial status of VAT payment in Ditsobotla municipality which motivated the study. Furthermore, Chapter one provided the problem statement, aims of the study, research questions and objectives, delimitations of the study as well as the layout of the final dissertation.

Chapter two focused on the theoretical background and literature review of the study. The theories selected to underpin the study include the socio-political theory, expediency theory, benefit received theory and the faculty theory. The meaning of value added tax was addressed, including topics that framed the principal contentions of this study such as an overview of VAT as a system of taxation, historical background of VAT in South Africa, procedures in levying VAT, registration of VAT, municipal services offered by Ditsobotla municipality and the impact of VAT on service delivery.

In Chapter three, the research methods were specified. The study adopted a mixed methods research which enhanced the use of both questionnaires and interviews to collect data from the respondents and participants. An explanatory sequential mixed methods design was adopted to collect and analyze data. Literature review and the empirical study followed a methodological approach which helped in the discussion of the quantitative results from questionnaires and qualitative results obtained from the face to face interviews and focused-group interviews. Data analysis was discussed,

reliability and validity were established while the ethical issues surrounding the process of research were competently discussed.

Chapter four provided the research results obtained from questionnaires, interviews with the municipal role-players and the focus group interviews from the residents. The quantitative data was analyzed using SPSS and presented through percentages, frequencies, tables and graphs. Statistical analyses such as the T-test, ANOVA, chi-square test of independence and reliability analysis were conducted to examine the interrelationships among variables and the reliability of the questionnaire as a data collection instrument. The qualitative data was analyzed using Atlas-ti statistical package. Data was transcribed, coded into themes and categories while the central ideas were discussed. Discussion of data was made following a narrative thick description with regards the responses of the participants. These views were weighed against the principal findings in the literature reviewed to achieve a well-articulated argument regarding the findings of this study.

Chapter offers an overview of the entire chapters of the dissertation. A summary of findings from each research question is presented and conclusions are made. Recommendations for any future study on the questions explored in the study are derived from the data and the evident shortcomings of the current research protocols.

5.3 Summary of findings

The summary of findings of this study is based on the research objectives which were presented in Chapter one of this study. They are to:

- Find out the municipal services offered by Ditsobotla local municipality.
- Assess the impact of VAT on service delivery in Ditsobotla local municipality.
- Find out the impact of VAT on the ability of Ditsobotla residents to pay for municipal services.

5.3.1 Assessing the municipal services provided in the Ditsobotla municipality

According to the findings of the study, the participants indicated that the various communities receive the following municipal services: water, which is of good quality, sewage collection and disposal which is done regularly, sanitation and refuse removal which is done every week, electricity is supplied appropriately to everyone though on a

pay-as-you-go basis, street lighting is available and municipal parks and recreation are easily accessible. However, municipal health services are not readily available to the community.

Lack of finances in the municipality is now causing slackened service delivery.

Residents do not pay their municipal services timeously and accordingly. Implementation of VAT on service accounts substantially increases municipal service bills; therefore, residents find it hard to honour municipal service payments.

5.3.2 The impact of VAT on service delivery in Ditsobotla local municipality

The Ditsobotla local municipality offers services according to affordability of such services. According to the findings of the study, residents who pay seldom receive lower services; residents who pay often receive average services and residents who pay frequently then receive higher services. VAT proceeds for the past five years have indeed decreased quite substantially. The decrease in VAT proceeds retards the rate of service delivery in the municipality. The implication of this finding is that Ditsobotla municipality could only deliver equal and equitable services to the residents if they are able to pay for their services.

5.3.3 The impact of VAT on the ability of Ditsobotla residents to pay for municipal services

Residents' ability to pay for municipal services is influenced by their different households. Low class residents pay seldom; middle class residents pay often while high class residents frequently pay. Residents in low paying zones are reluctant to pay municipal services. VAT rate is set nationally at 14 % and some participants did not understand the meaning of VAT and how it is levied. This finding indicates that the role players should ensure that the VAT burden should be reasonable to enable the residents afford the payment for their services. Also, tax education is deemed important to improve the culture of payment amongst residents.

5.4 Limitations

The study encountered some limitations which include:

- Absence of sources or information on value added tax in other municipalities in the South African context which slowed down the capacity of the researcher to offer a wider and comparative view of VAT in other South African municipalities.
- Failure of municipal role players and residents to honour appointments as scheduled resulted in re-scheduling of face to face interviews and focus group interviews which ultimately delayed the process with some substantial financial effects on the researcher.
- Inability to collect appropriate financial statements on time at the municipality showing the level of VAT payment and collection delayed the progress of the study.

5.5 Recommendations

The recommendations of this study are:

- The municipality needs to ensure that residents have and are exposed to proper knowledge about financial resources that enables them to provide services.
- The residents should be allowed to make inquiry about their service bills so that financial managers assist them with full explanation of VAT levy on the municipal services and the importance thereof.
- The Ditsobotla municipality should ensure that municipal health service provision is active, efficient and prompt.
- The role-players should identify diverse various measures to enhance payment compliance so that VAT proceeds could be substantially increased and thereby invariably promote service provision.
- The municipality should ensure that the VAT burden is reasonable to ensure that all residents across class are able to pay.
- The municipality should ensure that there is equitable provision of municipal services to the residents to motivate the residents to pay for their services as well as minimizing the rate of service delivery protests.
- Ditsobotla local municipality needs to provide equal service to their community members. This could be done through equal service payments by residents and therefore residents need to re-visit VAT implementation due to the high demand for efficient municipal services.

5.6 Conclusion

This study concludes that VAT has a significant impact on service delivery. As it is noted that the municipality provides numerous services to the residents, the municipal role-players are expected to identify diverse various strategies to ensure that the residents comply with the payment of VAT and consequently improve service delivery. VAT remains a mandate from government therefore, the role-players should endeavor to make the burden easy to enable the residents to comply with payment so that the service obligations of the municipality are effectively executed. More so, the study identified that there is the need to educate residents on the importance of service payment so that the municipality provides more services to the residents. This study established that VAT is not well-understood by the residents, and there is a need for an intervention strategy by the role-players to ensure timeous service payment and accelerated provision of services in Ditsobotla local municipality.

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Annexure: a



Interview questions for the municipal role-players



NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is Tumisang Mokakale. I am a Master of business administration student of the North-West University, Mafikeng campus. I am conducting a research study on the impact of Value Added Tax (VAT) on service delivery in Ditsobotla local municipality. I wish to invite you to participate in the study answering the interview questions. The interview will require approximately 15 to 20 minutes to be completed.

In case you solemnly agree to take part in this study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

Tumisang Mokakale

0833154514

mokakaletumi@gmail.com

Section 1

Please answer the questions below or select the response with which you agree with by crossing (X) the relevant box after each question / statement from questions 1-8

Example:

	Yes	No
I live in Ditsobotla	X	

Biographic data

1. Please indicate your gender

Male	Female

2. Please indicate your current age group in years

25 or less	26-35	36-45	46-55	56-65	Above 66

3. Highest qualification obtained

Diploma	Degree	Honours	Masters	Doctorate	Other

4. Years of experience in municipal financial management

Less than 5 years	6-10 years	11-15 years	16-20 years	Above 20 years

5. Position

Designation	
Municipal Accountant	
Municipal Manager	

Internal Auditor 1	
Internal Auditor 11	
Others	

SECTION 2

The municipal services offered to residents by Ditsobotla local municipality

1) What services does the municipality offers?

ii) Are those services provided these services to the residents? Yes/no

iv) If yes how has that been done and if no what are the causes?

IV) Is lack of finances one of the reasons that enable the municipality to provide services? Yes/no

v) If YES why and if NO why?

v) What are the different service levels in the municipality?

v) Does the municipality charge VAT on this service? YES/NO

iv) If YES does the implementation of VAT attract non-payment of services and if YES, why?

lv) if NO do you know what VAT is?

Section 3

The impact of VAT on service delivery on the residents of Ditsobotla local municipality?

i) Does the municipality offer services according to resident's capability of honouring their service payments? YES/NO

ii) If YES, how?

ii) Are you aware of VAT proceeds from service payments for the past five years?
YES/NO

iii) If YES, do you think the proceeds were consistent throughout the five years?
YES/NO

v) Will the municipality provide adequate services should the residents honour they
service payments? Yes /no

iv) Based on the past five years VAT proceeds did it obstruct service delivery in any
way? YES/NO

v) If YES why?

Section 4

Impact of VAT on the ability of Ditsobotla residents to pay municipal services?

i) Does the poverty of many households in low-paying zones makes them incapable rather reluctant to pay services? yes /no

i) Does the VAT rate unable residents to pay services? YES/NO

ii) If YES what is the rate?

iv) If YES why do you think so?

v) If NO what is your intake on VAT and service delivery payments by residents?

Annexure: B

Interview questions for the municipal role-players



NORTH-WEST UNIVERSITY
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is Tumisang Mokakale. I am a Master of business administration student of the North-West University, Mafikeng campus. I am conducting a research study on the impact of Value Added Tax (VAT) on service delivery in Ditsobotla local municipality. I wish to invite you to participate in the study answering the interview questions. The interview will require approximately 15 to 20 minutes to be completed.

In case you solemnly agree to take part in this study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

Tumisang Mokakale

0833154514

mokakaletumi@gmail.com

Section 1

Please answer the questions below or select the response with which you agree with by crossing (X) the relevant box after each question / statement from questions 1-8

Example:

	Yes	No
I live in Ditsobotla	X	

Biographic data

25 or less	26-35	36-45	46-55	56-65	Above 66

SECTION 2

The municipal services offered to residents by Ditsobotla local municipality

i) Is the municipality able to provide this services to the residents? Yes/no

.....

ii) And if no what are the causes?

.....
.....

iii) Does the municipality lack finances that can enable them to provide services?
Yes/no

.....

iv) Does the municipality charge VAT on the services?

.....
.....

v) If NO do you know what VAT is?

.....
.....

SECTION 3

Impact of VAT on service delivery on the residents of Ditsobotla local municipality?

i) Does the municipality offer services according to residents' capability of honouring their service payments?

.....
.....

ii) Will the municipality provide adequate services should the residents honours their service payments? yes /no

.....
.....

SECTION 4

Impact of VAT on the ability of Ditsobotla residents to pay for municipal services?

i) What causes the inability to pay for the services?

.....
.....

ii) Is the VAT rate very high?

.....
.....

iii) Do you think VAT is the cause of non-payment of services by residents? yes/no

.....
.....

iv) If YES why do you think so?

.....
.....

v) If NO what is your intake on VAT and service delivery payments by residents?

.....
.....

Annexure: C

Questionnaire



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT

Dear Participant,

My name is Tumisang Mokakale. I am a Master of business administration student of the North-West University, Mafikeng campus. I am conducting a research study on the impact of Value Added Tax (VAT) on service delivery in Ditsobotla local municipality. I wish to invite you to participate in the study answering the interview questions. The interview will require approximately 15 to 20 minutes to be completed.

In case you solemnly agree to take part in this study, please note that your participation will be voluntary and you may withdraw as and when you wish. I would also like to assure you that your identity will be kept secret and your responses will not be used against you.

Thank you for your assistance.

Yours sincerely,

Tumisang Mokakale

0833154514

mokakaletumi@gmail.com

Section 1

Please answer the questions below or select the response with which you agree with by crossing (X) the relevant box after each question / statement from questions 1-8

Example:

	Yes	No
I live in Ditsobotla	X	

SECTION 1

Biographic data

1. Please indicate your gender

Male	Female

2. Please indicate your current age group in years

25 or less	26-35	36-45	46-55	56-65	Above 66

3. Highest qualification obtained

Matric	Diploma	Degree	Honours	Masters	Doctorate

4. Years of experience in municipal financial management

Less than 5 years	6-10 years	11-15 years	16-20 years	Above 20 years

5. Position

Designation	
Municipal Accountant	
Municipal Manager	
Internal Auditor 1	
Internal Auditor 11	
Financial manager	
Financial controller	
Financial clerks	
Financial interns	

SECTION 2

Objectives and dimensions	Strongly agree	agree	unsure	disagree	Strongly agree
SERVICES PROVIDED BY MUNICIPALITY:					
• Quality of Water supply to residents					
• The effectiveness of sewage collection and disposal					
• The effectiveness of Refuse removal					
• Sufficient supply of electricity					
• Availability of municipal health services					
• Maintenance of municipal roads					
• Readiness of Street lighting					
• Accessibility of Municipal parks and recreation					

SECTION 3

Objectives and dimensions	Strongly agree	agree	unsure	disagree	strongly disagree
ABILITY TO PAY BASED ON DIFFERENT HOUSEHOLDS					
Low class pay seldom					
Middle class pay often					

Top class frequently					
----------------------	--	--	--	--	--

SECTION 3

Objectives and dimensions	Strongly agree	agree	unsure	disagree	strongly disagree
ABILITY TO PROVIDE SERVICE BASED ON PAYMENT ABILITY OF RESIDENTS					
Residents who pay Low class pay seldom					
Middle class pay often					
Top class frequently					