

## Experiment as setup in Excel

### Introduction letter

Thank you for your participation.

Anculien Schoeman is a senior lecturer at the University of Pretoria, currently undertaking her PhD in Taxation. As part of her research, she needs your assistance in obtaining your views about aspects of the South African VAT system. She has no affiliation with the South African Revenue Service.

Participation in this online questionnaire is completely voluntary, and also completely anonymous. You cannot be identified so please answer the questions as honestly as possible. You may withdraw from the questionnaire at any time should you wish to do so by simply closing the survey window on your device.

The questionnaire should take you around 20 minutes to complete.

If you need to contact her supervisor, please contact Dr Hanneke du Preez at [hanneke.dupreez@up.ac.za](mailto:hanneke.dupreez@up.ac.za) or 012 420 4638.

Should you wish to obtain the final results of the study after completion of the thesis, kindly send an e-mail with your request to [anculien.schoeman@up.ac.za](mailto:anculien.schoeman@up.ac.za).

**Please note that once you complete the questions on one screen and click on the arrow for the next screen, you will not be able to return to that screen to alter your answers.**

Are you willing to participate?

Yes

No

[If no, go to end of survey]

After 213 responses:

New: Are you involved in the financial decisions of a business entity (including a sole proprietor, practice, partnership or any other form of business)?

1 Are you involved in the management of the finances of a business or a practice (a practice hereafter is also referred to as a business)?

Yes

No

[If no, go to end of survey]

Was the gross income (sales) of the business for the last 12 month period more than R50 000, but less than R20 million?

2

Yes

No

[If no, go to end of survey]

The study starts off with some questions about yourself and the business. This will be followed by three scenarios where you are asked to respond to specific questions about two imaginary businesses being conducted by two made up characters: Joe and Sam. The study is then concluded with some questions regarding your thought process when answering the questions about Joe and Sam.

### **Profile questions**

For completeness of the study, please provide the following information about yourself and the business:

1 What is your gender?

- Male
- Female

2 To which ethnic group do you belong?

- African
- White
- Coloured
- Indian
- Other      Please specify

3 What is your age?

- Younger than 20
- 20 to 35
- 36 to 50
- 51 to 65
- Older than 65

4 What is the highest level of education that you have obtained (completed)?

- Lower than matric
- Grade 12/Matric
- Diploma / Certificate (Post Grade 12/Matric)
- Bachelor's degree
- Master's degree
- Doctorate

5 How would you describe your level of VAT knowledge?

- I have no idea how to calculate VAT payable
- I have a vague idea how to calculate VAT payable
- I have a reasonable idea how to calculate VAT payable
- I have a very good understanding how to calculate VAT payable
- I know exactly how to calculate VAT payable

6 In which province in South Africa does the business operate?

- Gauteng
- Western Cape
- Eastern Cape
- Northern Cape
- North-West
- Limpopo
- Free State
- Mpumalanga
- KwaZulu-Natal
- [able to select more than one option]

7 How is the business structured? As a \_\_\_\_\_.

- Sole proprietorship
- Partnership
- Close Corporation
- Private Company
- Public Company
- Non-profit Organisation
- Associate
- Other      Please specify

8 What was the gross income (sales excluding VAT) of the business during the last 12 month period?

- Less than R50 000
- R50 000 to R1 million
- Between R1 million and R5 million
- Between R5 million and R20 million
- More than R20 million

9 In which industry is the business?

- Agriculture
- Automotive
- Engineering & Construction
- Entertainment & Media
- Financial services
- Healthcare
- Higher Education
- Hospitality & Leisure
- Industrial manufacturing
- Legal services
- Metals & mining
- Real Estate
- Retail & Consumer
- Telecommunications
- Transport & Logistics
- Other      Please specify

10 Is the business registered for VAT in South Africa?

- Yes
- No

12 Who completes the VAT returns?

- Myself
- Someone who I pay (eg a tax practitioner or accountant)
- Someone who does it free of charge (eg a friend or family member)
- I do not submit VAT returns

10 What is the current standard VAT rate in South Africa?

[Block to type it in]

- H1A1: An increase (decrease) in the VAT rate will result in small business entities registered as VAT vendors declaring fewer (more) sales on their VAT returns,
- H1A2: An increase (decrease) in the VAT rate will result in small business entities registered as VAT vendors declaring more (fewer) purchases on their VAT returns,
- H1B1: The larger the increase (decrease) in the VAT rate, the fewer (higher) will be the sales that small business entities registered as VAT vendors will declare, and
- H1B2: The larger the increase (decrease) in the VAT rate, the higher (fewer) will be the purchases amount that small business entities registered as VAT vendors will declare.

Hypotheses addressed:

### Scenario 1

Following is a short scenario about a business owner called Joe. Please read the scenario carefully and then answer the questions that follow.

Joe is a sole proprietor and supplies the same products or services as you do.

Assume the following information for this scenario:

- None of the supplies or purchases made are exempt from VAT nor is a VAT rate of 0% applicable.
- All transactions are **cash** only.
- Joe is a registered VAT vendor.
- The VAT rate is **15%**.
- Joe faces the same likelihood of being audited as currently exists for all such businesses in South Africa.
- If an audit is conducted and it is found that Joe declared an incorrect amount of VAT, the penalty will be 10% of the outstanding taxes.

1 During the current 12 month period, Joe made sales worth R2 million (excluding VAT), in cash.

What is the total amount of **sales** that you think Joe would be likely to report for VAT purposes?

Assume that SARS will automatically calculate the VAT applicable from the amount that you report here.

[Text entry]

2 Joe also made the following purchases in cash in this 12 month period:

- R500 000 for business purposes, for which he has valid tax invoices
- R250 000 for business purposes, for which he does not have valid tax invoices
- R100 000 for personal expenses

What is the total amount of **purchases** that you think Joe would be likely to report for VAT purposes?

Assume that SARS will automatically calculate the VAT applicable from the amount that you report here.

[Text entry]

- H1A1: An increase (decrease) in the VAT rate will result in small business entities registered as VAT vendors declaring fewer (more) sales on their VAT returns,
- H1A2: An increase (decrease) in the VAT rate will result in small business entities registered as VAT vendors declaring more (fewer) purchases on their VAT returns,
- H1B1: The larger the increase (decrease) in the VAT rate, the fewer (higher) will be the sales that small business entities registered as VAT vendors will declare, and
- H1B2: The larger the increase (decrease) in the VAT rate, the higher (fewer) will be the purchases amount that small business entities registered as VAT vendors will declare.

Hypotheses addressed:

## Scenario 2

Here is a second scenario for Joe. Some of the facts may have changed from Scenario 1 to Scenario 2, so please review the information carefully before responding to the questions.

Joe is a sole proprietor and supplies the same products or services as you do.

Assume the following information for this scenario:

- None of the supplies or purchases made are exempt from VAT nor is a VAT rate of 0% applicable.
- All transactions are cash only.
- Joe is a registered VAT vendor.
- The VAT rate is [10%/14%/16%/20%]. [Each group is exposed to one treatment only]
- Joe faces the same likelihood of being audited as currently exists for all such businesses in South Africa.
- If an audit is conducted and it is found that Joe declared an incorrect amount of VAT, the penalty will be 10% of the outstanding taxes.

1 During the current 12 month period, Joe made sales worth R2 million (excluding VAT), in cash.

What is the total amount of **sales** that you think Joe would be likely to report for VAT purposes?

Assume that SARS will automatically calculate the VAT applicable from the amount that you report here.

[Text entry]

2 Joe also made the following purchases in cash in this 12 month period:

- R500 000 for business purposes, for which he has valid tax invoices
- R250 000 for business purposes, for which he does not have valid tax invoices
- R100 000 for personal expenses

What is the total amount of **purchases** that you think Joe would be likely to report for VAT purposes?

Assume that SARS will automatically calculate the VAT applicable from the amount that you report here.

[Text entry]

1 Would you say that the VAT rate increased, decreased, or remained the same from scenario 1 to scenario 2?

- The VAT rate increased by 1 percentage point
- The VAT rate increased by 5 percentage points
- The VAT rate decreased by 1 percentage point
- The VAT rate decreased by 5 percentage points
- The VAT rate remained at the same rate.
- I do not know

2 Before you continue with the questionnaire, please select option five below:

- 1
- 2
- 3
- 4
- 5
- 6
- 7

Hypothesis: H2A: A larger increase (decrease) in the VAT rate will result in small business entities being more likely to deregister (register) for VAT.  
[only participants in the 1% or 5% increase treatment groups (thus 16% or 20%) will get these questions]

### Scenario 3

Following is a short scenario about another business owner, this time called Sam. Please read the scenario carefully and then answer the questions that follow.

A person is required to register as a VAT vendor in South Africa when his/her taxable supplies (sales of products or services on which VAT can be levied) exceeds R1 million in a 12 month period.

Ignore any information obtained from the previous questions.

Sam trades with the same products or services as you do.

Assume the following information:

- None of the supplies or purchases made are exempt from VAT nor is a VAT rate of 0% applicable.
- All transactions are cash only.
- Sam is a registered VAT vendor.
- The VAT rate is **15%**.
- Sam faces the same likelihood of being audited as currently exists for all such businesses in South Africa.
- If an audit is conducted and it is found that Sam declared an incorrect amount of VAT, the penalty will be 10% of the outstanding taxes.

1 Sam made sales of **R1.1 million** in a 12 month period and did not make any purchases on which he can claim back any input tax.

The VAT rate now increases to [16%/20%]. What do you think is the likelihood that Sam will deregister as a VAT vendor?

[each treatment group will only be exposed to one of the 2 treatments]

Extremely unlikely    Somewhat unlikely    Neither likely nor unlikely    Somewhat likely    Extremely likely

2 Sam made sales of **R900 000** in a 12 month period and did not make any purchases on which he can claim back any input tax.

The VAT rate now increases to [16%/20%]. What do you think is the likelihood that Sam will deregister as a VAT vendor?

[each treatment group will only be exposed to one of the 2 treatments]

Extremely unlikely    Somewhat unlikely    Neither likely nor unlikely    Somewhat likely    Extremely likely

Hypothesis: H2A: A larger increase (decrease) in the VAT rate will result in small business entities being more likely to deregister (register) for VAT.  
[only participants in the 1% or 5% decrease treatment groups (thus 14% or 10%) will get these questions]

### Scenario 3

Following is a short scenario about another business owner, this time called Sam. Please read the scenario carefully and then answer the questions that follow.

A person is required to register as a VAT vendor in South Africa when his/her taxable supplies (sales of products or services on which VAT can be levied) exceeds R1 million in a 12 month period.

Ignore any information obtained from the previous questions.

Sam trades with the same products or services as you do.

Assume the following information:

- None of the supplies or purchases made are exempt from VAT nor is a VAT rate of 0% applicable.
- All transactions are cash only.
- Sam is **NOT** registered as a VAT vendor.
- The VAT rate is **15%**.
- Sam faces the same likelihood of being audited as currently exists for all such businesses in South Africa.
- If an audit is conducted and it is found that Sam declared an incorrect amount of VAT, the penalty will be 10% of the outstanding taxes.

1 Sam made sales of **R1.1 million** in a 12 month period and did not make any purchases on which he can claim back any input tax.

The VAT rate now decreases to [10%/14%]. What do you think is the likelihood that Sam will register as a VAT vendor?

[each treatment group will only be exposed to one of the 2 treatments]

Extremely unlikely    Somewhat unlikely    Neither likely nor unlikely    Somewhat likely    Extremely likely

2 Sam made sales of **R900 000** in a 12 month period and did not make any purchases on which he can claim back any input tax.

The VAT rate now decreases to [10%/14%]. What do you think is the likelihood that Sam will register as a VAT vendor?

[each treatment group will only be exposed to one of the 2 treatments]

Extremely unlikely    Somewhat unlikely    Neither likely nor unlikely    Somewhat likely    Extremely likely



### Post-experiment questions

Finally, I would like to understand some of your thought processes as you answered some of the questions.

1 Where were you when you completed the online questionnaire?

- Home
- Office
- Cafe or any other public place
- Elsewhere: please specify

2 How well did you feel you understood what was required of you in the questionnaire?

- Extremely well
- Very well
- Moderately well
- Slightly well
- Not well at all

3 If there was anything you did not understand, what did you not understand?

[type here]

4 Please think about the approach you followed in deciding on the amounts (sales and purchases) Joe would report for VAT purposes when there is a[n] [increase/decrease] in the VAT rate (scenario 2).

How much do you agree or disagree with the following statements:

- a I assumed Joe would report the correct amounts because it is the right thing to do.  
[Strongly agree to strongly disagree, 5 points]
- b I assumed Joe would report the correct amounts because evasion is unfair to others.  
[Strongly agree to strongly disagree, 5 points]
- c I did not even think of not reporting the correct amounts for Joe.  
[Strongly agree to strongly disagree, 5 points]
- d I did not put a lot of thought into the amounts I reported for Joe, I just reported what he earned/spent.  
[Strongly agree to strongly disagree, 5 points]
- e Not reporting all of Joe's sales would make me feel guilty.  
[Strongly agree to strongly disagree, 5 points]
- f I wanted to provide honest answers.  
[Strongly agree to strongly disagree, 5 points]
- g I assumed Joe would report the correct amounts because the possibility of getting caught is too great.  
[Strongly agree to strongly disagree, 5 points]
- h I assumed that Joe would report the correct amounts because the possible penalties for cheating are high.  
[Strongly agree to strongly disagree, 5 points]
- i I did not think I can report incorrect amounts as the device on which I completed the questions would know how much I should have reported for Joe.  
[Strongly agree to strongly disagree, 5 points]

My answer for scenario 2 where Joe is exposed to a[n] [**increase/decrease**] in the VAT rate would have been different had the question asked me how much sales or purchases I would report in 5 real life instead of how much Joe would report.

Very unlikely      Somewhat unlikely      Neither likely nor unlikely      Somewhat likely      Very likely

6 Please think about the approach you followed in deciding whether Sam would [deregister/register] as a VAT vendor when there is a[n] [increase/decrease] in the VAT rate scenario 3).

How much do you agree or disagree with the following statements:

- a I assumed Sam would register as a VAT vendor if it was compulsory to do so because it is the right thing to do.  
[Strongly agree to strongly disagree, 5 points]
- b I assumed Sam would register as a VAT vendor if it was compulsory to do so because evasion is unfair to others.  
[Strongly agree to strongly disagree, 5 points]
- c I did not even think that Sam would not register as a VAT vendor if it was compulsory to do so.  
[Strongly agree to strongly disagree, 5 points]
- d I did not put a lot of thought into considering whether Sam would register as a VAT vendor as it was compulsory to do so.  
[Strongly agree to strongly disagree, 5 points]
- e If I reported that Sam is not a registered VAT vendor and it is compulsory for him to be registered, it would make me feel guilty.  
[Strongly agree to strongly disagree, 5 points]
- f I wanted to provide honest answers.  
[Strongly agree to strongly disagree, 5 points]
- g I assumed Sam would register as a VAT vendor if it was compulsory to do so because the possibility of getting caught is too great.  
[Strongly agree to strongly disagree, 5 points]
- h I assumed Sam would register as a VAT vendor if it was compulsory to do so because the possible penalties for cheating are high.  
[Strongly agree to strongly disagree, 5 points]
- i I did not think I can choose that Sam would not be a registered VAT vendor if it was compulsory to do so as the device on which I completed the questions would know if he should be registered.  
[Strongly agree to strongly disagree, 5 points]