

**TAXPAYER ATTITUDES, COMPLIANCE BENEFITS PERCEPTIONS AND COMPLIANCE COSTS OF THE VALUE ADDED TAX SYSTEM IN BOTSWANA**

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**ABSTRACT**

This research is an original study of the taxpayer attitudes, compliance benefits perceptions and compliance costs of the value added tax (VAT) system in Botswana. In 2009/10 and 2010/11, 600 and 100 businesses, respectively, were surveyed. Respondents were presented with attitudinal statements and asked to express their attitudes and benefits perceptions concerning VAT, using a questionnaire that utilised a five-point Likert scale. Internal consistent reliability of responses to the attitudinal statements is measured using Cronbach's alpha, while responses are analysed using SPSS software.

The findings suggest that businesses in Botswana find VAT requirements to be burdensome and VAT compliance costs high. Further investigation reveals that the businesses that find VAT to be burdensome have higher VAT compliance costs. The respondents who perceive the VAT system to be unreasonably complicated report higher average VAT compliance costs. However, these costs are mitigated by the benefits that accrue to taxpayers in the form of improved record keeping, as indicated by 69 per cent of the respondents. The study concludes with policy implications for government, business taxpayers and researchers. This study is significant as it is original and also contributes to the scarce literature on taxpayer attitudes.

**Keywords:** Value added tax; Compliance costs; Attitudes; Perceptions; Taxpayers.

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## I INTRODUCTION

This study is the first of its kind to investigate taxpayer attitudes, compliance benefits perceptions and compliance costs of the value added tax (VAT) system in Botswana. Compliance costs are those costs incurred by taxpayers, or third parties such as businesses, in complying with a given tax structure, over and above payment of the tax itself.<sup>1</sup> The VAT system in Botswana, like in many other countries, requires taxpayers to collect, account for and remit the VAT proceeds to the government. VAT-registered businesses incur a heavy compliance burden, which comes from being used by the government as unpaid tax collectors.<sup>2</sup> A complex VAT system makes this task onerous and elevates VAT compliance costs. As Pope notes, 'compliance costs are one measure of the complexity of any tax, with high costs implying a complex tax regime and vice versa.'<sup>3</sup>

Attitudes towards a taxation system may be either positive or negative. On the one hand, positive business attitudes may arise where the tax system is not complex to comply with and where enterprises support governments' tax reform due to benefits of compliance.<sup>4</sup> Benefits of compliance may arise due to better record keeping arising from VAT compliance requirements. On the other hand, high VAT compliance costs may evoke negative attitudes from business taxpayers, which in turn can hamper compliance. This is particularly evident where they see a tax system to be complicated and where there is an initial negative reaction towards a newly legislated tax requirement.<sup>5</sup> In a study by Coleman and Freeman, small business owners were critical of a rather too complex taxation law and resented time and money devoted to compliance.<sup>6</sup> Essentially, small businesses that resent their tax compliance costs may engage in tax evasion acts.<sup>7</sup> Indeed, taxpayers who feel that their compliance costs are unfairly high may be reluctant to comply with the tax regulations. In particular, they may deliberately understate their sales in order to reduce the VAT due to the government. Some may even falsely classify their goods and services as zero-rated or exempt.<sup>8</sup> Evidence suggests that the failure of taxpayers to comply with tax law results in loss of revenue by governments. As such, an empirical investigation on taxpayers' attitudes is essential.

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<sup>1</sup> Cedric Sandford, Michael Godwin and Peter Hardwick, *Administrative and Compliance Costs of Taxation* (Institute for Fiscal Studies, 1989).

<sup>2</sup> Jeff Pope, 'Estimating and Alleviating the Goods and Services Tax Compliance Cost Burden Upon Small Business' (2001) 11(1) *Revenue Law Journal* 6, 1.

<sup>3</sup> Jeff Pope, 'The Compliance Costs of Taxation in Australia and Tax Simplification: The Issues' (1993) 18(1) *Australian Journal of Management* 69, 70.

<sup>4</sup> Nthathi Rametse and Jeff Pope, 'Start-Up Tax Compliance Costs of the GST: Empirical Evidence from Western Australian Small Businesses' (2002) 17(4) *Australian Tax Forum* 407.

<sup>5</sup> Nthathi Rametse and Sue Yong, 'Small Business Taxpayers' Attitudes to Complying with a Tax System: Lessons and Experiences from Australia and New Zealand' (2009) 1(1) *Journal of Applied Law and Policy* 83, 102.

<sup>6</sup> Cynthia Coleman and Lynn Freeman, 'Changing Attitudes of Small Business Owners to the ATO in a Tax Reform Environment' (Paper presented for the Australian Tax Teachers Conference, University of Canberra, Canberra, 5-7 February 1999) 13.

<sup>7</sup> Sandford, Godwin and Hardwick, above n 1.

<sup>8</sup> United States Government Accountability Office, *Value Added Tax. Lessons Learned from Other Countries on Compliance Risks, Administrative Costs, Compliance Burden and Transition: Report to Congressional Requesters* (2008).

In light of this, this study explores the attitudes of taxpayers and their perceptions of compliance benefits concerning the VAT in Botswana. In addition, the study briefly reports on the findings of attitudes and perception of taxpayers relative to their VAT compliance costs. A detailed investigation of the VAT compliance costs in Botswana has already been reported by Makara and Pope,<sup>9</sup> and will not be repeated here. However, the overall findings suggest that the VAT compliance costs in Botswana are high and regressive upon small businesses.

The rest of the paper is organised as follows: Section 2 provides theoretical and conceptual issues adopted in this study; Section 3 discusses a review of the literature on taxpayer attitudes and perception in tax compliance with an emphasis on tax complexity; Section 4 focuses on the methodology used; Section 5 summarises the results; and finally, Section 6 provides a discussion of the findings.

## II THEORETICAL/CONCEPTUAL ISSUES

This study adopts the following discussed theory and concepts. Richardson and Sawyer categorise the factors that broadly affect taxpayer compliance as economic, structural, demographic/personal and attitudinal.<sup>10</sup> Economic factors include utility maximization, where taxpayers will undertake a cost/benefit analysis, and will comply if the benefit exceeds the cost of compliance.<sup>11</sup> Moreover, factors such as the size, location and legal structure of the business influence tax compliance costs. Structural factors, such as tax administration, tax complexity, tax rate structures and audit possibility<sup>12</sup> are beyond the taxpayer's control, hence exogenously determined. Where it is not possible to incorporate all factors into the measurement of compliance costs, taxpayer attitudes may serve as a proxy for many factors.<sup>13</sup> This is because negative attitudes to taxes can overstate the perceptions of the compliance costs involved,<sup>14</sup> and overshadow the benefits of taxation.<sup>15</sup> Moreover, a direct relationship between the compliance behaviour of taxpayers and that of their peers explains that taxpayers whose peers evade tax tend to follow a similar approach.<sup>16</sup>

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<sup>9</sup> Tshepiso Makara and Jeff Pope, 'Estimates of the Compliance Costs of Value Added Tax in Botswana' (2013) 19(3) *New Zealand Journal of Taxation Law and Policy* 183, 212–21.

<sup>10</sup> Maryann Richardson and Adrian Sawyer, 'A Taxonomy of the Tax Compliance Literature: Further Findings, Problems and Prospects' (2001) 16 *Australian Tax Forum* 137. See also, referred to in Richardson and Sawyer, Betty Jackson and Valerie Milliron, 'Tax Compliance Research: Findings, Problems and Prospects' (1986) 5 *Journal of Accounting Literature* 125–65.

<sup>11</sup> Cynthia Coleman and Chris Evans, 'Tax Compliance Issues for Small Business in Australia' in Neil Warren (ed), *Taxing Small Business: Developing Good Tax Policies* (Australian Tax Research Foundation, Conference Series 23, 2003) 147; Richardson and Sawyer, above n 10.

<sup>12</sup> James Alm, Betty Jackson and Michael McKee, 'Estimating the Determinants of Taxpayer Compliance with Experimental Data' (1992) 45 *National Tax Journal* 107.

<sup>13</sup> Cedric Sandford et al, *Costs and Benefits of VAT* (Heinemann Educational Books, 1981).

<sup>14</sup> Ian Wallschutzky and Brian Gibson, 'Small Business Cost of Tax Compliance' (1993) 10(4) *Australian Tax Forum* 511, 541.

<sup>15</sup> Rametse and Yong, above n 5.

<sup>16</sup> Julie Collins, Valerie Milliron and Daniel Toy, 'Determinants of Tax Compliance: A Contingency Approach' (1992) 14 *The Journal of the American Taxation Association* 1.

More specifically, using the Responsive Regulation Theory (RRT)<sup>17</sup> and Theory of Reasoned Action (TRA),<sup>18</sup> taxpayers' attitudes can be a significant reflection of the complexity/simplicity of the tax system and the intention to comply. The RRT is based on influencing the community to pay tax through reforming complex processes and simplifying regulations,<sup>19</sup> while TRA postulates that the intention to behave in a certain way is a good predictor of whether or not a person actually engages in that behaviour.<sup>20</sup> Hence, the knowledge of the attitudes of taxpayers towards tax is crucial and should be integrated in tax policy decision-making. In Australia, anecdotal and empirical evidence suggests that the Australian tax system is complex. Moreover, Tran-Nam, a renowned advocate for tax simplification, sees it remaining as elusive as ever.<sup>21</sup> Earlier on, Tran-Nam and Glover have discussed conceptual issues on complexity, which for tax agents entails 'legal complexity' on the difficulty in reading and understanding the income tax law.<sup>22</sup> Additionally, Tran-Nam explains that there is 'effective/economic complexity' for small businesses, referring to the difficulty in determining the correct tax liability in terms of their effort in raising tax revenue.<sup>23</sup> Contrary to this distinction, Tran-Nam and Glover elaborate on legal simplicity vs economic simplicity and assert that these concepts may or may not be consistent, for example:

A GST law may be legally simpler than a Wholesales Tax law (WST), whilst compliance with a WST is less costly in aggregate terms – because it affects a far smaller number of taxpayers.... Legal simplicity assesses taxes by the concepts which are internal to the system and economic simplicity assesses taxes by their wider social effects.<sup>24</sup>

In addition to Tran-Nam and Glover's identification of these types of complexity, McCaffery adds one other element of complexity, which is 'compliance complexity'.<sup>25</sup> Compliance complexity relates to complex procedures in complying with tax requirements such as completing forms by a taxpayer as well as record keeping.<sup>26</sup>

### III STUDIES OF BUSINESS TAXPAYER ATTITUDES TOWARDS TAXATION

The review of the literature reveals that studies of business taxpayer attitudes towards taxation are sparse. Only a few studies investigating the attitudes of business taxpayers

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<sup>17</sup> Valerie Braithwaite, 'Responsive Regulation and Taxation: Introduction' (2007) 29(1) *Law & Policy* 3.

<sup>18</sup> L Ajzen and M Fishbein, *Understanding Attitudes and Predicting Social Behaviour* (Prentice Hall, 1980); Zainol Bidin, Faridahwati Mohd-Shamsudin and Zainudin Othman, 'Using Theory of Reasoned Action to Explain Taxpayer Intention to Comply with Goods and Services Tax' (2014) 5(1) *International Journal of Business and Social Science* 131.

<sup>19</sup> Braithwaite, above n 17.

<sup>20</sup> Bidin et al, above n 18.

<sup>21</sup> Binh Tran-Nam, Chris Evans, Richard Krever and Philip Lignier, 'Managing Tax Complexity: The State of Play after Henry' (2016) 35(4) *Economic Papers* 347.

<sup>22</sup> Binh Tran-Nam and John Glover, 'Tax Reform in Australia: Impacts of Tax Compliance Costs on Small Business' (2002) 5(3) *Journal of Australian Taxation* 338.

<sup>23</sup> Binh Tran-Nam, 'Tax Simplification and the Operating Costs of the Australian Federal Tax System' (Paper presented for the Australian Tax Teachers Conference, University of Canberra, Canberra, 5–7 February 1999).

<sup>24</sup> Tran-Nam and Glover, above n 22, 344.

<sup>25</sup> Edward McCaffrey, 'The Holy Grail of Tax Simplification' (1990) *Wisconsin Law Review* 1267.

<sup>26</sup> Coleman and Evans, above n 11, 171.

towards tax systems have been published since the 1980s. Three of these studies were carried out in Africa. Thus, the contribution of this study towards closing this significant gap in the literature is emphasised. Overall, the majority of the studies report that taxpayers find their country's VAT system to be unfair, costly and unreasonably complicated.<sup>27</sup> Botswana taxpayers, as reported in this research, are no exception as their VAT system has also evolved into complex structures. Thus, globally, taxpayers resent doing their VAT work.

Sandford et al, in their study of the administrative and compliance costs of taxation in the UK, also investigate the attitudes of the taxpayers towards VAT. They report that about 51 per cent of the respondents indicate that they mind doing VAT work while roughly 54 per cent feel that VAT is unreasonably complicated.<sup>28</sup> Another UK study on the attitudes of small business owners towards VAT compliance was undertaken by Adams and Webley. They highlight the possibility of the influence of the different ways of mental accounting for VAT money on compliance, as some businesses believe that the VAT money they collect is theirs and, thus, resent remitting it to the tax authorities.<sup>29</sup> Additionally, Adams and Webley find that taxpayers resent having to do unpaid work for the government, which leads to negative attitudes as far as tax compliance is concerned.<sup>30</sup>

A study by Rametse shows that the majority of small businesses in Australia (53 per cent) find GST to be unreasonably complicated. This may be an explanation of why most of them (45 per cent) disagree and strongly disagree with the statement 'I do not mind doing GST work'. However, even though many Australian small businesses believe that GST is unreasonably complicated, the majority of them support the government tax reform.<sup>31</sup> An extension of this study was undertaken by Rametse and Yong in order to compare the attitudes of Australian small businesses towards the Australian tax reform and New Zealand's small businesses and tax agents' perceptions to tax compliance. Their study indicates that small businesses in Australia and New Zealand have similar views concerning their tax obligations and tax complexity.<sup>32</sup>

Oberholzer investigated the attitudes of South African individual taxpayers towards taxation. He reports that the majority of the respondents do not feel that it is unfair to pay tax, with only 25 per cent agreeing with the statement 'It is unfair to pay tax'. However, 56 per cent of the respondents indicate that tax is very complicated and that they do not know how to calculate their own tax liability. In addition, all of the respondents feel that there is high wastage and corruption in the government. The majority of these respondents believe that a large proportion of tax is used by the government for

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<sup>27</sup> The findings that contradict this are reported in an Ethiopian study: see Wollela Abehodie Yesegat, *Value Added Tax in Ethiopia: A Study of Operating Costs and Compliance* (PhD Thesis, University of New South Wales, 2009) 149–52.

<sup>28</sup> Sandford, Godwin and Hardwick, above n 1.

<sup>29</sup> Caroline Adams and Paul Webley, 'Small Business Owners' Attitudes on VAT Compliance in the UK' (2001) 22(2) *Journal of Economic Psychology* 195, 208.

<sup>30</sup> *Ibid* 206.

<sup>31</sup> Nthathi Rametse, *Start-up Compliance Costs of the Goods and Services Tax (GST) for Small Businesses in Australia* (PhD Thesis, Curtin University of Technology, 2006) 151–2.

<sup>32</sup> Rametse and Yong, above n 5, 102.

worthless purposes. Moreover, taxpayers indicate that there is a lack of information concerning how the government uses the tax revenue.<sup>33</sup>

In Ethiopia, the attitudes of taxpayers towards VAT are investigated by Yesegat. Yesegat reports that the majority of the respondents perceive VAT to be a simple method of collecting tax (58 per cent) and not unreasonably complicated (53 per cent). This may explain why most of the respondents (74 per cent) indicate that they do not mind doing VAT work. Furthermore, the surveyed taxpayers feel that, based on how much VAT they pay, they do not spend too much time on VAT affairs. In terms of compliance costs, the respondents are almost equally distributed with regards to whether they perceive their VAT compliance costs to be significant (41 per cent) or insignificant (49 per cent).<sup>34</sup>

Another African study that investigates the attitudes and tax compliance behaviour of taxpayers was undertaken by Marti, Wanjohi and Magutu in Kenya. Their findings indicate that 66 per cent of the respondents are of the opinion that the Kenyan tax system is unfair. In particular, respondents feel that they are not paying a fair share of tax, that others are not reporting and paying tax honestly and also that tax laws are difficult to understand. In addition, the survey participants disagree with the statements that: taxpayers make high business profits by operating illegal businesses; taxpayers are given rewards; and there is use of informants by the Kenya Revenue Authority (KRA) to report tax evaders.<sup>35</sup>

Yong and Rametse used case studies to explore how New Zealand small business taxpayers are treated when audited by the tax authority and also their perception of the tax authority. Their findings indicate that most taxpayers and tax agents do not welcome audits as they can be stressful, time consuming and an intrusion into their business affairs. In addition, taxpayers perceive the Inland Revenue Department (IRD) to be working against them. They perceive the IRD as always wanting to collect more taxes from them, while they prefer to pay the least amount of taxes.<sup>36</sup>

More recently, the compliance attitudes of small business owners towards the GST system in New Zealand were researched by Woodward and Tan. In particular, the study explores perceptions of deterrence, tax morale, social norms, perception of the tax system and tax administration. The findings indicate that most small business owners perceive the New Zealand GST system to be unfair and burdensome, while evidence of mental accounting is also reported.<sup>37</sup>

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<sup>33</sup> Ruanda Oberholzer, 'Attitudes of South African Taxpayers towards Taxation: A Pilot Study' (2008) 7(1) *Accountancy Business and the Public Interest* 44, 62.

<sup>34</sup> Yesegat, above n 27, 149–52.

<sup>35</sup> Lumumba Omweri Marti, Migwi Wanjohi and Obara Magutu, 'Taxpayers' Attitudes and Tax Compliance Behaviour in Kenya' (2010) 1 *African Journal of Business & Management* 112, 116.

<sup>36</sup> Sue Yong and Nthathi Rametse, 'The Influence of Procedural Fairness on the Small Business Entrepreneurs and their Perception of the Tax Authority: A Case Study Approach' (2010) *International Review of Business Research Papers* 487, 498–505.

<sup>37</sup> Lynley Woodward and Lin Mei Tan, 'Small Business Owners' Attitudes toward GST Compliance: A Preliminary Study' (2015) 30 *Australian Tax Forum* 517, 534.

## IV METHODOLOGY

### *A Sample, response rate and analysis procedure*

The data was collected using structured questionnaires.<sup>38</sup> In 2009/10, 600 questionnaires were hand delivered to the businesses in the city of Gaborone as well as surrounding towns and villages. A total of 137 usable responses were obtained, giving a response rate of 23 per cent. During the year 2010/11, 100 structured questionnaires were hand delivered to businesses in Gaborone and surrounding towns. Fifty usable questionnaires were collected from the businesses, resulting in a response rate of 50 per cent. The majority of the respondents have been operating and also VAT registered for longer than five years. In terms of legal structure, most of the respondents are companies. Small businesses, measured in terms of turnover, constitute a greater portion of the respondents for the year 2009/10, while for the year 2010/11, the number of large business respondents is greater. A majority are from business/financial services, followed by retail trade/restaurants sectors. The Statistical Package for Social Sciences (SPSS) software was used to compute cross-tabulations and descriptive statistics.

### *B Measurement of attitudinal statements*

The attitudes of taxpayers towards VAT in Botswana are investigated using a five-point Likert attitude scale. The Likert attitude scale 'is based upon the assumption that each statement/item on the scale has equal "attitudinal value", "importance" or "weight" in terms of reflecting an attitude towards the issue in question'.<sup>39</sup> Building upon the literature,<sup>40</sup> the respondents were presented with various statements and asked to express their perceptions by ticking the box that best describes their opinion of VAT. The attitudes and perceptions of the taxpayers are captured by their level of 'agreement' or 'disagreement', which are assigned values as follows: strongly agree (1), agree (2), neutral (3), disagree (4) and strongly disagree (5).<sup>41</sup> The attitudes and compliance benefits perceptions of the VAT taxpayers in Botswana are measured by Question 23 of the 2009/10 questionnaire and Question 22 of the 2010/11 questionnaire.<sup>42</sup>

The statements that have been used in this study to investigate the attitudes of taxpayers in Botswana towards VAT are delineated in Table 1. Overall, the statements seek to find out how the taxpayers perceive the VAT requirements laid upon them by the government as well as their opinion of the possible benefits of complying with the VAT system.

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<sup>38</sup> Ibid.

<sup>39</sup> Ranjit Kumar, *Research Methodology: A Step-by-Step Guide for Beginners* (Longman Australia, 1996) 129.

<sup>40</sup> For example, Sandford, Godwin and Hardwick, above n 1; Jeff Pope, *The Compliance Costs of Major Commonwealth Taxes in Australia* (Unpublished PhD Thesis, Curtin University of Technology, Perth, 1993); Adams and Webley, above n 29; Rametse, above n 31; Rametse and Yong, above n 5; Oberholzer, above n 33; Yesegat, above n 27; Marti et al, above n 35; Yong and Rametse, above n 36; Woodward and Tan, above n 37.

<sup>41</sup> 'Strongly agree' and 'agree' will hereafter be combined and termed 'agree'. Likewise, 'strongly disagree' and 'disagree' will be joined and termed 'disagree'.

<sup>42</sup> See Appendices A and B.

**Table 1: Attitudinal statements**

No.	Attitudinal statements	Item measured
1	VAT is unreasonably complicated.	Burdensome 1
2	My VAT compliance costs are very high.	Burdensome 2
3	Other business duties are affected because I spend too much time on VAT.	Burdensome 3
4	The burden of VAT discourages me from fulfilling my VAT obligations.	Burdensome 4
5	Other taxes are easier than VAT.	Burdensome 5
6	VAT requirements are easy to fulfill.	Simple 1
7	I do not mind doing my VAT work.	Simple 2
8	My VAT compliance costs are insignificant.	Simple 3
9	VAT helps improve my business record keeping.	Benefit 1
10	VAT helps to improve my business management.	Benefit 2

Note: Although statements 1–8 collectively investigate whether the VAT system in Botswana is complex, they were separated into two categories, namely ‘burdensome’ and ‘simple’ in order to enhance the internal consistency of the responses.

### ***C Assessment of reliability***

The internal consistent reliability of the responses to the attitudinal statements in Table 1 is measured using Cronbach’s alpha. The alpha coefficient ranges and their strengths of association are displayed in Table 2. An alpha coefficient that falls within the acceptable range indicates that the respondents answered the questions in a consistent manner.<sup>43</sup>

**Table 2: Rules of thumb about Cronbach’s alpha coefficient size<sup>44</sup>**

Alpha coefficient range	Strength of association
Less than 0.6	Poor
0.6–0.7	Moderate
0.7–0.8	Good
0.8–0.9	Very good
0.9 and above	Excellent

Note: If alpha is greater than 0.95, the items should be inspected to ensure that they measure different aspects of the concept.

The results of Cronbach’s alpha test for the attitudinal aspects of taxation in Botswana are set out in Table 3. The internal consistency of the responses in this study is considered

<sup>43</sup> Joseph Hair, Arthur Money, Phillip Samouel and Mike Page, *Research Methods for Business* (John Wiley and Sons Ltd, 2007) 245.

<sup>44</sup> *Ibid* 244.



satisfactory because it falls within the acceptable ranges. The highest mean scores of 6.23 and 5.70 in the financial years 2009/10 and 2010/11, respectively, are obtained under the VAT burden item. This implies that the majority of the respondents in both years find the VAT regime to be burdensome. The mean score of those who perceive VAT in Botswana to be simple are fairly close for both years. With regard to the benefits of complying with the VAT requirements, the mean scores of 2.87 for 2009/10 and 3.04 for 2010/11 indicate that gains in the form of improvement in record keeping and management gained by some taxpayers.

The attitudinal statement 'The burden of VAT discourages me from fulfilling my VAT obligations' was deleted when computing the coefficient alpha in both years, as it is negatively correlated with other attitudinal statements. It is possible that the respondents are not truthful about their attitudes regarding this statement in fear of exposing some likely non-compliance behaviour, hence the inconsistency in responses.

**Table 3: Internal reliability of responses to the attitudinal statements**

Attitudinal item	No of items measured		Cronbach's alpha		Mean score	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Tax burden*	4	4	0.835	0.825	6.23	5.70
Tax simplicity	3	3	0.821	0.755	4.94	4.62
Benefit	2	2	0.778	0.768	2.87	3.04

\*One item was deleted in order to obtain an acceptable alpha.

## V RESULTS

### A Overview

This study investigates the perceptions of businesses, over and above compliance costs, towards the VAT system in Botswana. In Tables 5 to 9, 'N' represents the number of respondents who provided answers to attitudinal statements presented in the questionnaires. Some businesses, especially in 2009/10, did not answer this particular section of the questionnaire, hence the missing numbers. The missing numbers represent only around 7 per cent of the total 2009/10 respondents, and, thus, they do not affect the overall findings.

### B Taxpayer attitudes to Botswana VAT

The survey results suggest that the majority of taxpayers in Botswana perceive VAT to be burdensome, an issue that is prevalent in most compliance costs research,<sup>45</sup> as illustrated in Table 4. In fact, most of the respondents, in both financial years, indicate that they resent doing their VAT work, as shown in Table 5. The respondents also point out that their VAT compliance costs are high, with many disagreeing with the statement that their compliance costs are insignificant. In addition, the majority of the 2009/10 survey

<sup>45</sup> Sandford, Godwin and Hardwick, above n 1.

participants agree that other business duties suffer because they spend too much time on VAT compliance tasks. Furthermore, VAT taxpayers in Botswana seem to be of the opinion that other taxes are easier than VAT. Overall, the findings appear to suggest that most VAT taxpayers in Botswana perceive the VAT to be complex and costly.

**Table 4: Taxpayer attitudes towards VAT in Botswana (Burden Aspect)**

	2009/10		2010/11	
	N	%	N	%
VAT is unreasonably complicated				
Agree	68	54	30	60
Neutral	5	4	0	0
Disagree	54	42	20	40
<b>Overall</b>	<b>127</b>	<b>100</b>	<b>50</b>	<b>100</b>
My VAT compliance costs are very high				
Agree	69	55	31	62
Neutral	5	4	0	0
Disagree	52	41	19	38
<b>Overall</b>	<b>126</b>	<b>100</b>	<b>50</b>	<b>100</b>
Other taxes are easier than VAT				
Agree	66	52	30	60
Neutral	5	4	0	0
Disagree	55	44	20	40
<b>Overall</b>	<b>126</b>	<b>100</b>	<b>50</b>	<b>100</b>
Other business duties are affected because I spend too much time on VAT				
Agree	59	47	23	46
Neutral	13	10	0	0
Disagree	54	43	27	54
<b>Overall</b>	<b>126</b>	<b>100</b>	<b>50</b>	<b>100</b>
The burden of VAT discourages me from fulfilling my VAT obligations				
Agree	35	28	7	14
Neutral	24	20	4	8
Disagree	65	52	39	78
<b>Overall</b>	<b>124</b>	<b>100</b>	<b>50</b>	<b>100</b>

Note: Some businesses in the year 2009/10 did not provide their attitudes towards VAT compliance, hence the missing responses.

**Table 5: Taxpayer attitudes towards VAT in Botswana (Simplicity Aspect)**

	2009/10		2010/11	
	N	%	N	%
VAT requirements are easy to fulfil				
Agree	59	47	27	54
Neutral	3	3	0	0
Disagree	63	50	23	46
<b>Overall</b>	<b>125</b>	<b>100</b>	<b>50</b>	<b>100</b>
My VAT compliance costs are insignificant				
Agree	46	36	19	38
Neutral	6	5	0	0
Disagree	75	59	31	62
<b>Overall</b>	<b>127</b>	<b>100</b>	<b>50</b>	<b>100</b>
I do not mind doing my VAT work				
Agree	41	32	23	46
Neutral	4	3	0	0
Disagree	82	65	27	54
<b>Overall</b>	<b>127</b>	<b>100</b>	<b>50</b>	<b>100</b>

Note: Some businesses in the year 2009/10 did not provide their attitudes towards VAT compliance, hence the missing responses.

Although most of the respondents feel that VAT is burdensome, its associated costs are, to some extent, mitigated by the benefits gained by the taxpayers in the form of better management and record keeping. In 2009/10, 64 per cent of the survey participants indicate that they benefit from improved management as a result of VAT, while 69 per cent gain from better record keeping, as displayed in Table 6.

**Table 6: Taxpayer perceptions of VAT compliance benefits**

	2009/10		2010/11	
	N	%	N	%
VAT helps to improve my business management				
Agree	81	64	27	54
Neutral	12	9	0	0
Disagree	34	27	23	46
<b>Overall</b>	<b>127</b>	<b>100</b>	<b>50</b>	<b>100</b>
VAT helps to improve my business record keeping				
Agree	87	69	21	42
Neutral	13	10	0	0

Disagree	27	21	29	58
<b>Overall</b>	<b>127</b>	<b>100</b>	<b>50</b>	<b>100</b>

Note: Some businesses in the year 2009/10 did not provide their attitudes towards VAT compliance, hence the missing responses.

### ***C Taxpayer attitudes in relation to VAT compliance costs***

The compliance costs of the taxpayers in relation to their the attitudes towards VAT are presented in Table 7. The overall figures provided in the following tables are the absolute average compliance costs for the businesses that provided their attitudes towards tax compliance work. The explanations of compliance costs by the different attitudes of the businesses are provided in the body above the tables. The attitudinal statements 'My compliance costs are high' and 'VAT requirements are easy to fulfill' are not included in the analysis, from this point forward, as they are similar to the statements 'My VAT compliance costs are insignificant' and 'VAT is unreasonably complicated'.

As could be expected, the respondents who agree with the statement that 'VAT is unreasonably complicated', and those who disagreed that their VAT compliance costs are insignificant, had higher average and median VAT compliance costs. In the same way, the respondents who agree with the statement 'Other business duties are affected because I spend too much time on VAT' report higher compliance costs for 2009/10. In both years, the respondents who agree that 'Other taxes are easier than VAT' report higher compliance costs.

**Table 7: VAT compliance costs by taxpayer attitudes**

	2009/10			2010/11		
	N	Mean (P, Pula)	Median (P)	N	Mean (P)	Median (P)
VAT is unreasonably complicated						
Agree	68	8231	7362	30	8099	7128
Neutral	5	8734	8180	0	0	0
Disagree	54	5190	3876	20	5855	5400
<b>Overall</b>	<b>127</b>	<b>6958</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>
My VAT compliance costs are insignificant						
Agree	46	5314	3943	19	5200	5000
Neutral	6	10 502	8904	0	0	0
Disagree	75	7682	6000	31	8428	7308
<b>Overall</b>	<b>127</b>	<b>6958</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>
I do not mind doing my VAT work						
Agree	41	5831	4080	23	7322	5820
Neutral	4	8104	8904	0	0	0
Disagree	82	7465	5760	27	7099	6875
<b>Overall</b>	<b>127</b>	<b>6958</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>

Other business duties are affected because I spend too much time on VAT						
Agree	59	8198	7364	23	6821	6875
Neutral	13	6229	4701	0	0	0
Disagree	54	5842	4206	27	7525	5820
<b>Overall</b>	<b>126</b>	<b>6985</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>
Other taxes are easier than VAT						
Agree	66	8591	8208	30	8085	6843
Neutral	5	8521	9627	0	0	0
Disagree	55	5558	3974	20	5877	5020
<b>Overall</b>	<b>126</b>	<b>6999</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>
The burden of VAT discourages me from fulfilling my VAT obligations						
Agree	22	8705	7549	7	7976	6000
Neutral	25	7799	6240	4	7842	7797
Disagree	75	5910	4091	39	6997	5820
<b>Overall</b>	<b>126</b>	<b>6999</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>

Note: Around 10 respondents, in 2009/10, did not provide their attitudes towards VAT compliance work, hence, the missing responses.

Contrary to expectation, the taxpayers that agree to benefitting from the VAT system in the form of improved business management report higher average and median VAT compliance costs, as outlined in Table 8. This shows that the VAT compliance costs have little or nothing to do with the business management, as the bulk of the costs are incurred through other tasks such as record keeping,

VAT return filing, travelling and queuing at the Botswana Unified Revenue Service (BURS) office. As anticipated, the respondents who indicate benefitting from improvements in record keeping have lower VAT compliance costs. Stringent record keeping enables the business to have all their invoices at hand, which saves them time and money when filing their VAT returns.

**Table 8: VAT compliance costs by perceptions of benefits**

	2009/10			2010/11		
	N	Mean (P, Pula)	Median (P)	N	Mean (P)	Median (P)
VAT helps to improve my business management						
Agree	81	6884	5760	27	7583	6810
Neutral	12	9077	7570	0	0	0
Disagree	34	6385	5512	23	6754	5534
<b>Overall</b>	<b>127</b>	<b>6958</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>
VAT helps improve my business record keeping						

Agree	87	6473	5040	21	7161	6810
Neutral	13	9350	8180	0	0	0
Disagree	27	7366	7364	29	7231	5820
<b>Overall</b>	<b>127</b>	<b>6958</b>	<b>5760</b>	<b>50</b>	<b>7201</b>	<b>6225</b>

Note: 10 businesses, in the year 2009/10, did not provide their attitudes towards VAT compliance, hence the missing responses.

#### **D Taxpayer attitudes by size**

The attitudes of the taxpayers by the size of the business are presented in Table 9.<sup>46</sup> In line with evidence provided in prior literature,<sup>47</sup> the majority of small businesses in Botswana find VAT to be unreasonably complicated. With regard to the statement 'My VAT compliance costs are insignificant', most of the businesses across all sizes disagree, implying that they perceive their VAT compliance costs to be significant. Most businesses have indicated that they find other taxes to be easier than VAT, which may explain why they do mind doing their VAT work.

**Table 9: Taxpayer attitudes by the size of the business**

Business size	Less than P1.5 million (Pula)		P1.5 million–P5 million		Over P5 million	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
VAT is unreasonably complicated						
Agree	54 (65)	14 (93)	8 (35)	7 (58)	6 (40)	9 (39)
Disagree	29 (35)	1 (7)	15 (65)	5 (42)	9 (60)	14 (61)
<b>Overall</b>	<b>83 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>	<b>12 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>
My VAT compliance costs are insignificant						
Agree	29 (35)	1 (7)	13 (57)	5 (42)	4 (27)	13 (57)
Disagree	53 (65)	14 (93)	10 (43)	7 (58)	11 (73)	10 (43)
<b>Overall</b>	<b>82 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>	<b>12 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>
I do not mind doing my VAT work						
Agree	26 (31)	2 (13)	12 (52)	7 (58)	3 (20)	14 (61)
Disagree	58 (69)	13 (87)	11 (48)	5 (42)	12 (80)	9 (39)
<b>Overall</b>	<b>84 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>	<b>12 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>
Other business duties are affected because I spend too much time on VAT						
Agree	47 (59)	12 (80)	7 (41)	3 (25)	5 (31)	8 (35)

<sup>46</sup> The 'neutral' column and associated figures have been excluded from the ensuing tables due to very low numbers and also, to enhance the presentation of the results.

<sup>47</sup> For example, Sandford, Godwin and Hardwick, above n 1; Rametse, above n 31; and Oberholzer, above n 33.

Disagree	32 (41)	3 (20)	10 (59)	9 (75)	11 (69)	15 (65)
<b>Overall</b>	<b>79 (100)</b>	<b>15 (100)</b>	<b>17 (100)</b>	<b>12 (100)</b>	<b>16 (100)</b>	<b>23 (100)</b>
Other taxes are easier than VAT						
Agree	42 (50)	14 (93)	14 (64)	6 (50)	10 (67)	10 (43)
Disagree	42 (50)	1 (7)	8 (36)	6 (50)	5 (33)	13 (57)
<b>Overall</b>	<b>84 (100)</b>	<b>15 (100)</b>	<b>22 (100)</b>	<b>12 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>
The burden of VAT discourages me from fulfilling my VAT obligations						
Agree	28 (42)	4 (31)	5 (25)	1 (8)	2 (17)	2 (10)
Disagree	39 (58)	9 (69)	15 (75)	11 (92)	10 (83)	19 (90)
<b>Overall</b>	<b>67 (100)</b>	<b>13 (100)</b>	<b>20 (100)</b>	<b>12 (100)</b>	<b>12 (100)</b>	<b>21 (100)</b>

Note: Percentages are in parentheses.

Many small businesses and some medium ones often lack sophisticated business management and record keeping systems. While this makes tax compliance more onerous for these sectors, many of them benefit from the rigorous VAT requirements. Thus, it is not surprising that the majority of the businesses in this study that agree that they gain improvements in business management and record keeping are small- and medium-sized enterprises, as shown in Table 10.

**Table 10: Taxpayer perceptions of the benefits by the size of the business**

Business size	Less than P1.5 million (Pula)		P1.5 million–P5 million		Over P5 million	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
VAT helps to improve my business management						
Agree	58 (72)	13 (87)	15 (65)	9 (75)	8 (73)	5 (22)
Disagree	23 (28)	2 (13)	8 (35)	3 (25)	3 (27)	18 (78)
<b>Overall</b>	<b>81 (100)</b>	<b>15 (100)</b>	<b>23 (100)</b>	<b>12 (100)</b>	<b>11 (100)</b>	<b>23 (100)</b>
VAT helps improve my business record keeping						
Agree	63 (77)	13 (87)	20 (91)	7 (58)	4 (40)	1 (4)
Disagree	19 (23)	2 (13)	2 (9)	5 (42)	6 (60)	22 (96)
<b>Overall</b>	<b>82 (100)</b>	<b>15 (100)</b>	<b>22 (100)</b>	<b>12 (100)</b>	<b>10 (100)</b>	<b>23 (100)</b>

Note: Percentages are in parentheses.

### ***E Taxpayer attitudes by the sale of standard-rated, zero-rated and exempt goods and services***

The VAT system in Botswana zero-rates and exempts some goods and services. It has long been argued that exemptions and zero-rates complicate the VAT.<sup>48</sup> As expected, most (77 per cent in 2009/10) of the businesses that trade in exempt and zero-rated goods and services agree that VAT is unreasonably complicated, while 81 per cent disagree that their VAT compliance costs are insignificant, as displayed in Table 11. The majority (76 per cent) also report that they mind doing their VAT work while 64 per cent are of the opinion that other taxes are easier than VAT.

**Table 11: Taxpayer attitudes by VAT and VAT-free sales**

Years	Standard-rated sales		VAT-free sales	
	2009/10	2010/11	2009/10	2010/11
VAT is unreasonably complicated				
Agree	51 (50)	26 (60)	27 (77)	3 (43)
Disagree	50 (50)	17 (40)	8 (23)	4 (57)
<b>Overall</b>	<b>101 (100)</b>	<b>43 (100)</b>	<b>35 (100)</b>	<b>7 (100)</b>
My VAT compliance costs are insignificant				
Agree	43 (43)	16 (37)	6 (19)	4 (57)
Disagree	58 (57)	27 (63)	26 (81)	3 (43)
<b>Overall</b>	<b>101 (100)</b>	<b>43 (100)</b>	<b>32 (100)</b>	<b>7 (100)</b>
I do not mind doing my VAT work				
Agree	36 (35)	20 (47)	8 (24)	4 (57)
Disagree	66 (65)	23 (53)	26 (76)	3 (43)
<b>Overall</b>	<b>102 (100)</b>	<b>43 (100)</b>	<b>34 (100)</b>	<b>7 (100)</b>
Other business duties are affected because I spend too much time on VAT				
Agree	45 (48)	19 (44)	20 (74)	5 (71)
Disagree	49 (52)	24 (56)	7 (26)	2 (29)
<b>Overall</b>	<b>94 (100)</b>	<b>43 (100)</b>	<b>27 (100)</b>	<b>7 (100)</b>
Other taxes are easier than VAT				
Agree	58 (59)	26 (60)	13 (36)	4 (57)

<sup>48</sup> For example, Milka Casanegra de Jantscher, 'Problems of Administering a Value Added Tax in Developing Countries' (IMF Working Paper WP/86/15, International Monetary Fund, 1986) 3; Alan Tait, *Value Added Tax: International Practice and Problems* (International Monetary Fund, 1988) 50; Sijbren Cnossen, 'Design of the Value Added Tax: Lessons from Experience' in Javad Khalilzadeh-Shirazi and Anwar Shah (eds), *Tax Policy in Developing Countries* (World Bank, 1991) 82; Rick Krever, *VAT in Africa* (Pretoria University Law Press, 2008) 19; Richard Bird and Pierre-Pascal Gendron, *The VAT in Developing and Transitional Countries* (Cambridge University Press, 2007) 108; and United States Government Accountability Office, above n 8, 12.



Disagree	41 (41)	17 (40)	23 (64)	3 (43)
<b>Overall</b>	<b>99 (100)</b>	<b>43 (100)</b>	<b>36 (100)</b>	<b>7 (100)</b>
The burden of VAT discourages me from fulfilling my VAT obligations				
Agree	29 (34)	3 (8)	7 (32)	1 (14)
Disagree	56 (66)	33 (92)	15 (68)	6 (86)
<b>Overall</b>	<b>85 (100)</b>	<b>36 (100)</b>	<b>22 (100)</b>	<b>7 (100)</b>

Note: Percentages are in parentheses.

### F Taxpayer attitudes by VAT registration

The businesses that are newly VAT-registered spend valuable time and money learning the VAT regulations or employing tax experts. It is thus not surprising that over 60 per cent of the businesses that have been VAT-registered for less than five years agree that VAT is unreasonably complicated, as presented in Table 12. In principle, compliance with the VAT requirements should become easier over time if there are no major changes to the VAT regulations. In this study, around 50 per cent of the businesses that have been VAT-registered for more than five years agree that VAT is unreasonably complicated. This implies that, for some taxpayers in Botswana, the VAT regulations do not get easier with time, which is possibly why most of the businesses that have been operating for over five years indicate that they mind doing their VAT work.

**Table 12: Taxpayer attitudes by the number of VAT registration years**

Years	0–5 years		Over 5 years	
	2009/10	2010/11	2009/10	2010/11
VAT is unreasonably complicated				
Agree	36 (63)	8 (67)	32 (50)	22 (58)
Disagree	21 (37)	4 (33)	32 (50)	16 (42)
<b>Overall</b>	<b>57 (100)</b>	<b>12 (100)</b>	<b>64 (100)</b>	<b>38 (100)</b>
My VAT compliance costs are insignificant				
Agree	22 (39)	3 (25)	24 (38)	16 (42)
Disagree	34 (61)	9 (75)	40 (62)	22 (58)
<b>Overall</b>	<b>56 (100)</b>	<b>12 (100)</b>	<b>64 (100)</b>	<b>38 (100)</b>
I do not mind doing my VAT work				
Agree	18 (31)	5 (42)	23 (36)	18 (47)
Disagree	40 (69)	7 (58)	41 (64)	20 (53)
<b>Overall</b>	<b>58 (100)</b>	<b>12 (100)</b>	<b>64 (100)</b>	<b>38 (100)</b>
Other business duties are affected because I spend too much time on VAT				
Agree	29 (54)	7 (58)	30 (52)	16 (42)
Disagree	25 (46)	5 (42)	28 (48)	22 (58)
<b>Overall</b>	<b>54 (100)</b>	<b>12 (100)</b>	<b>58 (100)</b>	<b>38 (100)</b>

Other taxes are easier than VAT				
Agree	30 (53)	10 (83)	36 (56)	20 (53)
Disagree	27 (47)	2 (17)	28 (44)	18 (47)
<b>Overall</b>	<b>57 (100)</b>	<b>12 (100)</b>	<b>64 (100)</b>	<b>38 (100)</b>
The burden of VAT discourages me from fulfilling my VAT obligations				
Agree	21 (43)	5 (45)	14 (28)	2 (6)
Disagree	28 (57)	6 (54)	36 (72)	33 (94)
<b>Overall</b>	<b>49 (100)</b>	<b>11 (100)</b>	<b>50 (100)</b>	<b>35 (100)</b>

Note: Percentages are in parentheses.

## VI DISCUSSION

### *A Overview of key findings*

This study investigates taxpayers' attitudes, compliance benefits perceptions and compliance costs of the VAT in Botswana. The reliability of the responses towards the attitudinal statements in this study is tested using Cronbach's alpha. Most of the responses fall within the acceptable alpha range, indicating that the internal consistency of the answers is reliable. The findings indicate that the majority of the respondents perceive the VAT system in Botswana to be unreasonably complicated. Most also feel that their VAT compliance costs are not insignificant. Thus, the majority of the survey participants resent doing their VAT work. The results also show that some VAT taxpayers are of the opinion that other taxes are easier than VAT. However, the burden of VAT is mitigated by the benefits that accrue to most VAT taxpayers, especially small businesses, in the form of improvements in their record keeping.

The assessment of taxpayers' attitudes by their compliance costs reveals that taxpayers who perceive the VAT to be burdensome have higher VAT compliance costs than those who do not. The respondents who agree with the statement 'VAT is unreasonably complicated' and those who disagree that their VAT compliance costs are insignificant incur higher average and median VAT compliance costs. Similarly, the compliance costs of the businesses that disagree with the statement 'I do not mind doing my VAT work', and those that agree with the statement 'other business duties are affected because I spend too much time on VAT', are higher. This is probably due to the high frequency of VAT filing, the presence of various zero-rated and exempt goods and services as well as the tedious process of travelling to, and queuing at, the BURS office to file the VAT returns.

Some taxpayers agreed that they benefit from the VAT system in the form of improved business management. However, these taxpayers, counter-intuitively, report higher average and median VAT compliance costs, implying that VAT compliance costs have little or nothing to do with the business management, as the bulk of the costs are incurred through other tasks such as record keeping, VAT returns filing, and travelling and queuing at the BURS office. As expected, the respondents who indicate benefitting from improvements in record keeping report lower VAT compliance costs. Stringent record keeping enables businesses to have all their invoices ready, which enables them to save time and money when filing their VAT returns.

### ***B International comparisons***

Comparing this study with international findings is questionable, owing to the disparities in the countries' levels of development, socio-economic environments, as well as taxpayer populations and tax systems. Caution needs to be exercised, as 'any such attempt would be more likely to mislead than enlighten'.<sup>49</sup> Moreover, differences in definitions, methodologies, as well as areas of focus can lead to a comparison of 'apples and oranges'.<sup>50</sup> Nevertheless, a comparison of this study with other studies is cautiously made.<sup>51</sup> When placed on an international platform, the findings of this study confirm the results of most of the literature, that taxpayers find VAT to be unreasonably complicated.<sup>52</sup>

In addition, the finding that taxpayers in Botswana resent doing their VAT work supports earlier findings reported by Adams and Webley in the UK and Rametse in Australia.<sup>53</sup> The study by Rametse also reports that small businesses who found GST to be unreasonably complicated had higher GST compliance costs than those who did not find GST complicated. A similar result is obtained in Botswana.

These findings, however, contradict the results by Yesegat. Yesegat reports that the majority of the Ethiopian VAT taxpayers perceive VAT to be a simple method of collecting tax and not unreasonably complicated. Thus, most of the taxpayers do not mind doing their VAT work. In addition, taxpayers feel that they do not spend too much time on VAT affairs.<sup>54</sup> This contrast could be explained by Ethiopia's weak VAT administration.<sup>55</sup> A weak VAT administration could imply that there is no stringent regulation and, consequently, that VAT compliance is low. It is possible that businesses in Ethiopia do not spend much time on record keeping for VAT and other burdensome VAT-related activities, as they know that enforcement efforts by the revenue authority are weak.

### ***C Perceived benefits***

The findings in this study, concerning perceived record keeping benefits, contradict the results of the study by Rametse and Pope. While businesses in Botswana agreed that they benefitted from record keeping practices for VAT purposes, Rametse and Pope report that a majority of small businesses in Australia indicate that they would not benefit from keeping records for GST purposes.<sup>56</sup> This was probably because this was a start-up compliance cost study, hence the businesses could not, at that stage, see the benefit of keeping records as they were still unfamiliar with the GST system.

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<sup>49</sup> Cedric Sandford, 'The Next Steps' in C Sandford (ed), *Tax Compliance Costs: Measurement and Policy* (Institute for Fiscal Studies, 1995) 405.

<sup>50</sup> International Finance Corporation, 'The Costs of Tax Compliance in Ukraine' (Washington DC, 2009) 95 <[www.ifc.org/Ukraine/IC](http://www.ifc.org/Ukraine/IC)>.

<sup>51</sup> Some studies, such as those conducted in the 1980s and 1990s, are dated. Thus, a comparison with these studies necessitates extreme caution.

<sup>52</sup> See Sandford, Godwin and Hardwick, above n 1; Rametse, above n 31; and Oberholzer, above n 33.

<sup>53</sup> Adams and Webley, above n 29; and Rametse, above n 31. Rametse reported that small businesses in Australia indicated that they resent doing their GST work.

<sup>54</sup> Yesegat, above n 27.

<sup>55</sup> *Ibid* iii.

<sup>56</sup> Rametse and Pope, above n 4, 434.

### **D Summary**

This paper has discussed the attitudes, compliance benefits, perceptions and compliance costs of the Botswana VAT system. The findings in this study are significant for policy-makers in Botswana. In addition, this study provides comparative findings, which will contribute towards the sparse literature in this area. Further research is needed to determine whether or not the attitudes of VAT taxpayers in Botswana can lead to non-compliance.

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**APPENDIX A: 2009/10 QUESTIONNAIRE**



UNIVERSITY OF BOTSWANA  
FACULTY OF BUSINESS

**Survey of the Compliance Costs of Value Added Tax for Businesses in Botswana for the financial year 2009/2010**

Note:

- All questions relate to the year of assessment 2009/2010
- All responses will be kept strictly confidential and anonymous
- Please tick one box or fill in the appropriate details as requested
- BURS refers to Botswana Unified Revenue Service

**SECTION A: GENERAL INFORMATION**

1. Please indicate the legal structure of your business.

- Sole trader <sub>1</sub> Company <sub>2</sub>  
 Partnership <sub>3</sub> Trust <sub>4</sub>  
 Non-profit organisation <sub>5</sub> Public sector <sub>6</sub>

2. How long has your business been operating?

- Under 2 years <sub>1</sub> 2-5 years <sub>2</sub> Over 5 years <sub>3</sub>

3. What is your main business activity?

- Accommodation <sub>1</sub> Business Services <sub>2</sub>  
 Construction <sub>3</sub> Farming <sub>4</sub>  
 Manufacturing <sub>5</sub> Property <sub>6</sub>  
 Restaurants <sub>7</sub> Retail Trade <sub>8</sub>  
 Transport <sub>9</sub> Finance and Insurance <sub>10</sub>  
 Other <sub>11</sub>

(Please specify) \_\_\_\_\_

4. In what year was your enterprise's main business activity registered for VAT?

5. Is the main place(s) of your business in the

- Village <sub>1</sub> Town <sub>2</sub> City <sub>3</sub>

6. What was your business's last accounting year?  
(Please state **month**)

From  to

7. What was your business turnover for the year 2009/2010?

- Less than P500,000 <sub>1</sub> P500,000–P749,999 <sub>2</sub>  
 P750,000–P999,999 <sub>3</sub> P1,000,000–P5,000,000 <sub>4</sub>  
 Over P5,000,000 <sub>5</sub>

**SECTION B: TAX COMPLIANCE COSTS**

8. In the 2009/2010 financial year, approximately what percentage of your **sales** is classified in each of the following VAT categories?

- a. Standard rated (12 per cent)  <sub>1</sub>  
 b. Zero rated (0 per cent)  <sub>2</sub>  
 c. Exempt from VAT  <sub>3</sub>  
 Total 100%

9. In the 2009/2010 financial year, approximately what percentage of your **purchases** is classified in each of the following VAT categories?

- a. Standard rated (12 per cent)  <sub>1</sub>  
 b. Zero rated (0 per cent)  <sub>2</sub>  
 c. Exempt from VAT  <sub>3</sub>  
 Total 100%

10. Are your VAT return forms completed:

- a. Entirely within the firm?  <sub>1</sub>  
 b. Partly by the firm and partly by outside assistance?  <sub>2</sub>  
 c. Entirely by outside assistance?  <sub>3</sub>

11. If you have ticked answer (b) or (c),

a. For the 2009/2010 financial year, what was your tax adviser/accountant's fees for ALL tax work?

P

b. If the above fee includes work on VAT, please estimate in percentages:

VAT  % <sub>1</sub> Other Taxes  % <sub>2</sub>

**12a. Did you employ a tax adviser/accountant for your VAT work in the financial year 2009/2010?**

YES <sub>1</sub> NO <sub>2</sub> Go to question 13

**12b. If 'YES', why do you need the assistance of a tax adviser/accountant for your VAT work?**  
(Multiple answers possible)

- The VAT return is too complicated <sub>1</sub>
- I do not have time to do VAT related activities <sub>2</sub>
- Hiring a VAT adviser saves my business more time and money than if I did the VAT work myself <sub>3</sub>
- I think it will reduce the chance of a VAT audit <sub>4</sub>
- To ensure compliance with the business' VAT obligations <sub>5</sub>
- Other (Please specify) <sub>6</sub>

**12c. In which area(s) do you seek paid advice?**  
(Multiple answers possible)

- VAT returns preparation <sub>1</sub> VAT audits <sub>2</sub>
- Record keeping for VAT <sub>3</sub> VAT on sales <sub>4</sub>
- Legal aspects of VAT <sub>5</sub> VAT on purchases <sub>6</sub>
- Other (Please specify) <sub>7</sub>

**13. If 'NO' to question 12a, which of the following statements apply to you?** (Multiple answers possible)

- Our VAT affairs are very simple <sub>1</sub>
- We get help from books/leaflets/guides <sub>2</sub>
- We cannot afford to pay VAT advisers <sub>3</sub>
- We receive help from friends/relatives <sub>4</sub>
- We receive help from BURS <sub>5</sub>
- We think VAT advisers charge more than their advice is worth <sub>6</sub>
- We have employees who are qualified to handle our VAT affairs <sub>7</sub>
- Other (Please specify) <sub>8</sub>

**14a. In the financial year 2009/2010, how many hours did the following people spend working solely on VAT (exclude usual book keeping and overhead costs)? Please estimate the MONTHLY hours.**

- Owner  <sub>1</sub>
- Managers  <sub>2</sub>
- Accounting staff  <sub>3</sub>
- Administrative staff  <sub>4</sub>
- Other (Please specify)  <sub>5</sub>

**14b. Please estimate MONTHLY wage rates of the following people.**

- Owner  P <sub>1</sub>
- Manager/Accountants  P <sub>2</sub>
- Accounting staff  P <sub>3</sub>
- Administrative staff  P <sub>4</sub>
- Other (Please specify)  P <sub>5</sub>

**15. Please estimate your MONTHLY cost of complying with the VAT requirements other than personnel / tax adviser costs in the financial year 2009/2010.**

- P <sub>1</sub>
- Computer /data processing  P <sub>1</sub>
- Stationery  P <sub>2</sub>
- Copying and faxes  P <sub>3</sub>
- Postage and telephone  P <sub>4</sub>
- Travel  P <sub>5</sub>
- Other (Please specify)  P <sub>6</sub>

**16. Please estimate the number of VAT invoices you process in a month.**

Sales  <sub>1</sub> Purchases  <sub>2</sub>

**17. How often do you submit VAT returns?**

- Monthly <sub>1</sub> Every two months <sub>2</sub>
- Other (Please specify) <sub>3</sub>

**18. Excluding bad debts, approximately what percentage of your 2009/2010 sales and purchases (by value) was settled within each of the following periods after invoicing?**

Settlement made:	% value of:	
	Purchases	Sales
For cash	<input type="text"/>	<input type="text"/> <sub>1</sub>
Within 1 week	<input type="text"/>	<input type="text"/> <sub>2</sub>
Between 1 week and 1 month	<input type="text"/>	<input type="text"/> <sub>3</sub>
Between the 1 <sup>st</sup> and 2 <sup>nd</sup> month	<input type="text"/>	<input type="text"/> <sub>4</sub>
More than 2 months after invoicing	<input type="text"/>	<input type="text"/> <sub>5</sub>
Total	100%	100%



19a. How much did you remit to BURS as VAT for the financial year 2009/2010 (Please exclude penalties)? P

19b. How much did you receive from BURS as input tax for the financial year 2009/2010? P

19c. How much, if any, have you paid in late payment penalties for the financial year 2009/2010? P

20. How do you keep your accounting records?

- a. In a paper filing system <sub>1</sub>
- b. In a fully computerised system <sub>2</sub>
- c. In a partially computerised system <sub>3</sub>
- d. My tax adviser keeps my tax records <sub>4</sub>
- e. Other (Please specify) <sub>5</sub>

21a. Does record keeping for VAT give you any benefits e.g. saving money by doing more of your own accounts and giving less work to outside advisers?

YES <sub>1</sub> NO <sub>2</sub> Go to question 22a

If 'YES', please describe

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

21b. If 'YES' to question 21a, please estimate the value of the benefit: P

22a. Have you been visited by a VAT officer?

YES <sub>1</sub> NO <sub>2</sub> Go to question 25

22b. If 'YES', when was the last time you were visited by a VAT officer?

22c. How long did the visit last?  hours

22d. Please write your comments on the visit below

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

(Please continue on a separate page if necessary)

SECTION C: PERCEPTIONS AND OPINIONS

23. Kindly indicate with a tick your opinion regarding the statements below:

Strongly agree (1) Agree (2) Neutral (3) Disagree (4) Strongly Disagree (5)

- a. VAT is unreasonably complicated <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- b. My VAT compliance costs are insignificant <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- c. I do not mind doing my VAT work <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- d. VAT requirements are easy to fulfil <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- e. VAT helps to improve my business management <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- f. Other business duties are affected because I spend too much time on VAT <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- g. Other taxes are easier than VAT <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- h. My VAT compliance costs are very high <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- i. VAT helps improve my business record keeping <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>
- j. The burden of VAT discourages me from fulfilling my VAT obligations <sub>1</sub> <sub>2</sub> <sub>3</sub> <sub>4</sub> <sub>5</sub>

24. Has the increase in the VAT rate affected your compliance costs?

YES <sub>1</sub> NEGLIGIBLE <sub>2</sub> NO <sub>3</sub>

If 'YES', please explain

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

25. Has the increase in the VAT registration threshold affected your registration for VAT?

YES <sub>1</sub> NO <sub>2</sub>

If 'YES' please explain

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

26. As a taxpayer in a developing country, do you find the resources provided by your government to support Value Added Taxpayers adequate?

YES <sub>1</sub> NO <sub>2</sub>



**APPENDIX B: 2010/11 QUESTIONNAIRE**



UNIVERSITY OF BOTSWANA  
FACULTY OF BUSINESS

**Survey of the Compliance Costs of Value Added Tax for Businesses in Botswana for the Financial Year 2010/2011**

Note:

- All questions relate to the year of assessment 2010/2011
- All responses will be kept strictly confidential and anonymous
- Please tick one box or fill in the appropriate details as requested
- BURS refers to Botswana Unified Revenue Service

**SECTION A: GENERAL INFORMATION**

1. Please indicate the legal structure of your business.

- Sole trader <sub>1</sub> Company <sub>2</sub>  
 Partnership <sub>3</sub> Trust <sub>4</sub>  
 Public sector <sub>5</sub> Non-profit organisation <sub>6</sub>

2. How long has your business been operating?

- Under 2 years <sub>1</sub> 2-5 years <sub>2</sub> Over 5 years <sub>3</sub>

3. What is your main business activity?

- Mining <sub>1</sub> Business/financial Services <sub>2</sub>  
 Farming <sub>3</sub> Construction/Property <sub>4</sub>  
 Manufacturing <sub>5</sub> Restaurants <sub>6</sub>  
 Retail Trade <sub>7</sub> Other <sub>8</sub>  
 (Please specify)

4. The main place of your business is in the

- Village <sub>1</sub> Town <sub>2</sub> City <sub>3</sub>

5. What was the last accounting year of your business? (Please state **MONTH**)

From:  To:

6. What was your business turnover for the year 2010/2011?

- Less than P500,000 <sub>1</sub> P500,000–P749,999 <sub>2</sub>  
 P750,000–P999,999 <sub>3</sub> P1,000,000–P5,000,000 <sub>4</sub>  
 Over P5,000,000 <sub>5</sub>

If your turnover was more than P5,000,000 in 2010/2011, please estimate below

P

7. How many employees did you have in 2010/2011?

8. In what year was your business registered for VAT?

- 2002/03 <sub>1</sub> 2003/04 <sub>2</sub> 2004/05 <sub>3</sub>  
 2005/06 <sub>4</sub> 2006/07 <sub>5</sub> 2007/08 <sub>6</sub>  
 2008/09 <sub>7</sub> 2009/2010 <sub>8</sub> 2010/2011 <sub>9</sub>

**SECTION B: TAX COMPLIANCE COSTS**

9. In the 2010/2011 financial year, approximately what percentages of your sales & purchases are classified in each of the following VAT categories?

	Sales	Purchases
a. Standard rated (12 per cent)	<input type="text"/>	<input type="text"/>
b. Zero rated (0 per cent)	<input type="text"/>	<input type="text"/>
c. Exempt from VAT	<input type="text"/>	<input type="text"/>
Total	100%	100%

10. How are your VAT return forms completed?

- a. Entirely within the firm? <sub>1</sub>  
 b. Partly within and partly outside the firm <sub>2</sub>  
 c. Entirely by outside assistance? <sub>3</sub>

11. If you have ticked answer (10b) or (10c):

a. For the 2010/2011 financial year, what was your tax adviser/accountant's fees for **ALL** tax work?

P

b. If the above fee includes work on VAT, please estimate in percentages:

VAT %<sub>1</sub> Other Taxes %<sub>2</sub>

12. Please estimate the time spent by the following people entirely on VAT (exclude usual book-keeping and overhead costs).

Number of hours	<u>Hourly</u> wage rate / value of this time
--------------------	---

a. By the owner and family or by partners in the business.

hours/year	P per hour
------------	------------

b. By the directors and managers of the company.

hours/year	P per hour
------------	------------

c. By accounting staff.

hours/year	P per hour
------------	------------

d. By administrative staff.

hours/year	P per hour
------------	------------

e. By other staff.

hours/year	P per hour
------------	------------

13a. Did you incur any other **REGULAR** costs in complying with the VAT system in 2010/2011 not previously mentioned?

Yes <sub>1</sub> No <sub>2</sub> Go to question 14a

13b. If "YES", please describe them briefly

13c. Please give an estimate of these costs:

P

14a. Have you had any **SPECIAL** problems with the VAT in the financial year 2010/2011?

YES <sub>1</sub> NO <sub>2</sub> Go to question 15

14b. If "YES", please describe them briefly

14c. Please estimate the **MONETARY COST** of these special problems

P

15. Excluding bad debts, approximately what percentage of your 2010/2011 sales (by value) was settled within each of the following periods after invoicing?

Settlement made:	% value of Sales		
For cash	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">%</td> </tr> </table>		%
	%		
Within 1 week	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">%</td> </tr> </table>		%
	%		
Between 1 week and 1 month	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">%</td> </tr> </table>		%
	%		
Between the 1 <sup>st</sup> and 2 <sup>nd</sup> month	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">%</td> </tr> </table>		%
	%		
More than 2 months after invoicing	<table border="1" style="width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">%</td> </tr> </table>		%
	%		
Total	100%		

16a. How much did you remit to BURS as VAT for the financial year 2010/2011 (Please exclude penalties)?

P

16b. How much did you receive from BURS as input tax for the financial year 2010/2011?

P

16c. How much, if any, have you paid in late payment penalties for the financial year 2010/2011?

P

17. Please estimate the number of VAT invoices you process in a month.

Sales  <sub>1</sub> Purchases  <sub>2</sub>

18. How often do you submit VAT returns?

Monthly <sub>1</sub> Every two months <sub>2</sub>  
Other (Please specify) <sub>3</sub>

19a. How do you keep your accounting records?

- a. In a paper filing system  <sub>1</sub>
- b. In a fully computerised system  <sub>2</sub>
- c. In a partially computerised system  <sub>3</sub>
- d. My tax adviser keeps my tax records  <sub>4</sub>
- e. Other (Please specify)  <sub>5</sub>

19b. Does record keeping for VAT give you any benefits e.g. saving money by doing more of your own accounts and giving less work to outside advisers?  
 YES <sub>1</sub> NO <sub>2</sub> Go to question 20a

If 'YES', please describe

19c. If 'YES' to question 19b, please estimate the MONETARY value of the benefit:

P

20a. Did you employ a tax adviser/accountant for your VAT work in the financial year 2010/2011?

YES <sub>1</sub> NO <sub>2</sub> Go to question 21

20b. If 'YES', why do you need the assistance of a tax adviser/accountant for your VAT work? (Multiple answers possible)

- The VAT return is too complicated <sub>1</sub>
  - I do not have time to do VAT related activities <sub>2</sub>
  - Hiring a VAT adviser saves my business time and money than if I did the VAT work myself <sub>3</sub>
  - I think it will reduce the chance of a VAT audit <sub>4</sub>
  - To ensure compliance with the business' VAT obligations <sub>5</sub>
  - Other (Please specify) <sub>6</sub>
- 

20c. In which area(s) do you seek paid advice? (Multiple answers possible)

- VAT returns preparation <sub>1</sub> VAT audits <sub>2</sub>
  - Record keeping for VAT <sub>3</sub> VAT on sales <sub>4</sub>
  - Legal aspects of VAT <sub>5</sub> VAT on purchases <sub>6</sub>
  - Other (Please specify) <sub>7</sub>
- 

21. If 'NO' to question 20a, which of the following statements apply to you? (Multiple answers possible)

- Our VAT affairs are very simple <sub>1</sub>
  - We get help from books/leaflets/guides <sub>2</sub>
  - We cannot afford to pay VAT advisers <sub>3</sub>
  - We receive help from friends/relatives <sub>4</sub>
  - We receive help from BURS <sub>5</sub>
  - Our employees are qualified to do our VAT work <sub>6</sub>
  - Other (Please specify) <sub>7</sub>
- 

SECTION C: PERCEPTIONS AND OPINIONS

22. Kindly indicate with a tick your opinion regarding the statements below:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
	1	2	3	4	5	6
VAT is too complicated	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My VAT compliance costs are insignificant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I do not mind doing my VAT work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VAT requirements are easy to fulfil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VAT helps to improve my business management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other business duties are affected because I spend too much time on VAT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other taxes are easier than VAT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My VAT compliance costs are very high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
VAT helps improve my business record keeping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The burden of VAT discourages me from fulfilling my VAT obligations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

23. As a taxpayer in a developing country, do you find the resources provided by your government to support Value Added Tax adequate?

YES <sub>1</sub> NO <sub>2</sub>

If 'NO', what is lacking?

24. Developing countries have been said to have poor VAT administration. Do you think this is the case with Botswana? YES <sub>1</sub> NO <sub>2</sub>

Please comment

25. If your business could claim from the government as compensation for the time and money spent on VAT affairs, how much would you claim for the financial year 2010/2011?

P

**SECTION D: COMMENTS AND SUGGESTIONS**

26. Compared with other businesses in your industry, the estimated level of VAT compliance burden for your business is: (Please tick one box)

Very high <sub>1</sub> High <sub>2</sub>  
Similar <sub>3</sub> Low <sub>4</sub>  
Very low <sub>5</sub>

27. Please state any comments/suggestions that you may have for improving VAT.

(Please continue on a separate page if necessary)

If you are willing to answer additional questions arising from this questionnaire, please provide your contact details. Your answers will be treated with strict confidentiality and will only be used for the purpose of this study.

Name \_\_\_\_\_

Company Name \_\_\_\_\_

Telephone \_\_\_\_\_

E-mail Address \_\_\_\_\_

Thank you for using your valuable time to complete this questionnaire. Please post the completed questionnaire in the enclosed reply paid envelope to:

**Tshepiso Ketsoeletse Makara  
University of Botswana  
Faculty of Business  
Accounting and Finance Dept.  
Private Bag UB 00701  
Gaborone**