eJournal of Tax Research (2018) vol. 16, no. 1, pp. 139-174

Confirming the fundamental principles of taxation using Interactive Qualitative Analysis

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Abstract

Are the existing guiding principles of taxation scientifically grounded and sufficient to support the growing economic pressures on the global community? This article attempts to base the formulation of the principles of taxation on scientifically defensible research. Keeping the various nuances of taxation in mind, together with their possible roots, and their relevance in practice and in education and research, this article postulates the following question: what are the principles of taxation that are essential to taxation internationally, both in the present and as taxation evolves into the future? This research applies a qualitative research method called Interactive Qualitative Analysis in order to address the specific research question: what are the fundamental principles of taxation? Ten guiding principles were formulated through this qualitative research. The findings were then compared to the history of the principles of taxation that emerged between 1776 and 2015. Eight of these principles were confirmed by the history of the principles between 1776 and 2015 and the remaining two principles were supported by history before 1776.

Key words: Taxation, Interactive Qualitative Analysis, fundamental principles, history, focus group

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> *One only knows a thing completely when we know its causes and first principles – only wisdom (sophia) can give this knowledge. This highest level of knowledge must tell what things are and why they are – they must demonstrate these things on the basis of their principles* (Aristotle, cited in Marías, 1967, p. 63).

1. INTRODUCTION

The Interactive Qualitative Analysis (IQA) research method was developed by Northcutt and McCoy in 2004 (Northcutt & McCoy, 2004) as a qualitative research design. Research commences with a focus group from which the affinities emerge through deductive and inductive reasoning (for this article, the affinities are the principles of taxation). The focus group constructs the principles and each participant completes the Affinity Relationship Table (ART). Thereafter, the individual ARTs are combined and the Pareto principle is applied. The Pareto principle declares that 20% of a population will be responsible for 80% of the variations in a population. The application of the Pareto principle leads to the compilation of the Interrelationship Diagram (IRD) which provides the data needed to draw the Systems Influence Diagram (SID). The SID is the final outcome of IQA and, for this study, delivers a visual presentation of the principles of taxation and the relationship between these principles, as formulated by the focus group.

The research question for this article is: *what are the principles in taxation that are essential to taxation internationally, both in the present and as taxation evolves into the future?*

The article applies IQA as a research method to the field of taxation, as well as to compare the findings from the IQA process to identified historical taxation principles. Taxation experts from various countries were consulted through the use of IQA to construct a set of fundamental principles of taxation that is scientifically grounded.

A distinction must be made between the concepts of operational/tax administration matters, overarching tax principles, and fundamental tax principles. Operational/tax administration matters deal with everyday decisions such as whether an amount is taxable or not and whether or not a taxpayer is compliant. Overarching tax principles can be defined as 'broad tax policy considerations that have traditionally guided the development of taxation systems' (OECD, 2014). The working definition, formulated for this article, of a fundamental (tax) principle is: a general truth – constructed through a chain of reasoning – that forms the most important part of the foundation of a unique field of study, from which theories[3] and applied practices can be derived and verified in accordance with the current knowledge available to humanity.[4] This was the definition of a fundamental principle that was given to the focus group participants. A fundamental tax principle thus encompasses practical, as well as tax policy, considerations.

An extract was made from the history of the guiding principles of taxation. For the compilation of the extract, 19 individuals/reviews/committees were consulted. One could very well wonder why it is necessary to revisit these principles if so many in

[3] 'Theories' can be described as ideas that form the basis of something (e.g., a field of study).
[4] Drawn from the Collins Dictionary, Merriam-Webster Encyclopaedia, Oxford Dictionaries and Stanford Encyclopaedia of Philosophy.

high-level roles across the generations have already contributed to the formulation of the principles of taxation. Alley and Bentley, however, emphasise the importance of revisiting the principles of taxation when they note that, although Adam Smith's maxims are seminal, 'in the light of modern business practices … it is suggested that Smith's principles need modernising' (Alley & Bentley, 2005, p. 624).

Attempts to 'craft' or reform the principles of taxation are thus not a new idea, as there have been intensive debates over what the principles should be for at least the last 200 years. In light of this observation, Kabinga (2015, p. 6) remarks that the 'interesting point that can be underscored is that at all times there [has been] a discussion about the "correct" taxation principles and/or the "just" taxation system and that at no time [have] there [been] any unanimously agreed sets of principles'.

The contribution of this research can thus be found in its attempt to align and scientifically ground the fundamental principles of taxation through the use of IQA, synthesised with an analysis of taxation history. This article attempts to base the formulation of the principles of taxation on scientifically defensible research, keeping the various nuances of taxation in mind, together with the possible roots of such nuances and their relevance in practice, as well as in education and research.

This article is structured to commence with an extract from the history of the formulation of the fundamental principles of taxation (1776-2015). The discussion and application of IQA as a research method follows, and concludes with the formulation of the findings of the IQA. The findings from the IQA were then integrated with the history in order to confirm the relevance of the findings of the IQA.

Two principles formulated through the IQA method were not confirmed through the integration with taxation history between 1776 and 2015, although these principles were observed in history before 1776 (Adams, 2001). These two principles are: obligation (taxpayers have a duty to contribute towards the cost of a country), and value system (there should be a general belief in an ideal tax system).

The findings of the research ultimately yielded eight proposed fundamental principles of taxation and were confirmed with the integration of history between 1776 and 2015, namely: certainty, coherence, fairness, practicability, public benefit, raising revenue, tax compliance, and tax understanding.

2. HISTORICAL EXTRACT OF THE GUIDING PRINCIPLES OF TAXATION FROM 1776 TO 2015

In 1776, Adam Smith provided four maxims for taxation that were grounded in his own experience and observation of the world around him. The four maxims of taxation formulated by Smith were (Smith, 1784, p. 888):

- The subject of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities. (Equity and fairness).
- The tax which each individual is bound to pay ought to be certain, and not arbitrary. (Certainty).
- Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. (Convenience of payment).

- Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. (Economy in collection).

Over the past 200 years, many contributors have added to, criticised, or reformulated the above principles of taxation. However, in various countries, there seems to be an array of different ideas about what the principles of taxation should actually be. The non-consensus of taxation principles in various countries is confirmed by Frecknall Hughes (2014). Evidence of this non-consensus can be found in the variety of different tax reviews and committees that have existed over the past 60 years, each formulating its own list of taxation principles.

An extract from the history of contributors who have participated in the quest to formulate the principles of taxation is provided in Table 1. A limitation of this summary may be that only one Third World country tax review (South Africa) is included in Table 1. The inclusion of reviews from several Third World countries would have provided a more in-depth understanding of the demands for taxation of Third World economies. This limitation is, however, due to the restricted availability of such Third World reviews as a result of language differences and access issues.

Table 1: An Extract of the History of Formulating the Guiding Principles of Taxation

Author/s	Principles	Title of publication
Adam Smith England, 1776	-Equity -Certainty -Convenience of payment -Economy in collection (fairness, government revenue, efficiency)	*An inquiry into the nature and causes of the wealth of nations*
Newmarch England, 1861	-Tax according to ability -Savings and contribution to capital not taxed -Taxpayer not his own assessor	*The Newmarch lectures of 1919*
Carter Report Canada, 1966	-Equity -Certainty -Simplicity -Neutrality -Transparency and accountability -Flexibility	*Report of the Royal commission on taxation*: *the use of the Tax system to achieve economic and social objectives*
Asprey Report Australia, 1975	-Fairness -Efficiency -Simplicity -Growth -Stabilisation	*Criteria for tax systems*
Meade Report UK, 1978	-Incentives and economic efficiency -Simplicity and cost of administration and compliance -Flexibility and stability -Distributional effect	*The structure and reform of direct taxation: characteristics of a good tax structure*

Author/s	Principles	Title of publication
	-International aspects -Transitional problems	
Her Majesty's Stationery Office (HMSO) Green Paper report UK, 1981	-Fairness -Cost of administration -Accountability -Fiscal dimensions -Financial control -Practicality	*Requirement of a local tax system*
O'Brien Report Ireland, 1982	-Equity -Efficiency -Simplicity -Low administration and compliance cost	*Criteria for a tax system*
Ridge and Smith: Institute of Fiscal Studies (IFS) Report UK, 1991	-Equity and accountability -Economic efficiency -Administrative feasibility	*Criteria for local tax*
Jackson: Chartered Institute of Public Finance and Accounting (CIPFA) UK, 1994	-Equity or fairness -Certainty -Convenience of payment -Economy in collection and compliance -Transparency	*Characteristics of an effective tax system*
James and Nobes UK, 1997	-Equity -Efficiency -Incentives -Macroeconomic considerations	*The economics of taxation: principles, policy and practice*
Organisation for Economic Co-operation and Development (OECD) Ottawa, 1998	-Certainty and simplicity -Effectiveness and fairness -Efficiency -Neutrality -Flexibility	*Taxation framework conditions (for electronic commerce)*
Institute of Chartered Accountants in England and Wales (ICAEW) Tax faculty UK, 1999	-Certainty -Fair and reasonable -Simplicity -Easy to collect and calculate -Properly targeted -Constant, consultation -Regular review -Statutory -Competitive	*Towards a better tax system*
American Institute of Certified Public Accountants (AICPA) USA, 2001	-Equity and fairness -Certainty -Convenience of payment -Economy in collection -Simplicity -Neutrality -Economic growth and efficiency -Transparency and visibility	*Guiding principles of good tax policy*

Author/s	Principles	Title of publication
	-Minimum tax gap -Appropriate government revenues	
Alley and Bentley Australia, 2005	-Equity and fairness -Certainty and simplicity -Efficiency -Effectiveness -Neutrality	*A remodelling of Adam Smith's tax design principles*
President's Advisory Panel on Federal Tax Reform USA, 2005	-Simplicity -Fairness -Economic growth	*Report of the President's Advisory Panel on Federal Tax Reform*
Henry Review Australia, 2010	-Equity -Efficiency -Simplicity -Sustainability -Policy consistency	*Australia's future tax system*
The President's Economic Recovery Advisory Board USA, 2010	-Simplicity -Compliance	*The President's Economic Recovery Advisory Board*
Mirrlees Review UK, 2011	-Equity -Certainty -Convenience of payment -Economy in collection -Minimize negative effect on welfare and economic efficiency -Minimize administration and compliance cost -Fairness in more than a distributional sense -Transparency	*Tax by design*
Davis Tax Committee South Africa, 2015	-Equity -Simplicity -Efficiency -Transparency and certainty -Tax buoyancy	*First interim report on macro analysis*
American Institute of Certified Public Accountants (AICPA) USA, 2017	*Two additional principles were included:* -Information security -Accountability to taxpayers	*Update of the 2001 document*

Compiled from multiple sources: AICPA (2001); AICPA (2017); Alley & Bentley (2005); Asprey Review (1975); Davis Tax Committee (2015); Evans et al. (2010); Meade (1978); Mirrlees et al. (2011); OECD (1998); President's Advisory Panel on Federal Tax Reform (2005); Smith (2000 [1776]); Stamp (1921); The President's Economic Recovery Advisory Board (2010).

When Smith (cited in Stamp, 1921; Kennedy, 1913; Sabine, 2006 [1966]) expounded on the economic point of departure for a good tax structure, he used the following terms: equity (ability), certainty (time, amount, manner of payment), convenience (time, manner), and economy (take as little as possible). The reiteration of Smith's terms (2000 [1776]) can still be found in the tax reviews of Meade (1978) and Mirrlees (2011). In the eighteenth century, Verri (cited in Seligman, 1921) declared that every tax should bring about equilibrium, since it should affect each person according to his or her consumption. In 1830, Paley sought to simplify the concept of what should be taxed by stating: 'We should tax what can be spared' (cited in Stamp, 1921). Thus Paley reiterated the argument made by Turgot in 1764 that tax should fall on disposable wealth, in other words, income that is not needed for production in the following year (Seligman, 1921). In 1861, Newmarch expanded on the principles of Adam Smith by adding that savings and capital contributions should not be taxed.[5] He further declared that a taxpayer cannot be his or her own assessor (cited in Stamp, 1921).

The Carter Report in Canada (1966) formulated additional principles by adding simplicity, neutrality, transparency, accountability, and flexibility to the existing principles of taxation at that time (Alley & Bentley, 2005).

The Asprey Review stated that alternative methods should be explored in assessing an individual for tax purposes, suggesting the two alternatives of economic wellbeing (lifetime income) and consumption (Asprey Review, 1975).

In the Meade Report, written in the late 1970s in England (Meade, 1978), Smith's concepts (2000 [1776]) were refined and reformulated to form an extended list which proclaimed that tax should be just, efficient, and effective, should redistribute wealth, and should be equitable, coherent, straightforward, flexible, stable, and compatible with the country's international position.

A continuation of the development of taxation principles can be found in the OECD Report of 1998, which identified conditions for a taxation framework. These conditions were:

- certainty and simplicity,
- effectiveness and fairness,
- efficiency,
- neutrality, and
- flexibility.

The guiding principles of good tax policy, according to the AICPA (2001), focused on economic growth, minimising the tax gap, and collecting appropriate government revenue (Alley & Bentley, 2005; AICPA, 2001). In 2017, AICPA updated the 2001 document and included two more principles, namely: Information security and Accountability to taxpayers (AICPA, 2017).

[5] Newmarch included this principle based on his understanding that investments should not be taxed as one would need such funds for future growth.

In Australia, the Henry Review (discussed in Evans et al., 2010) was an extension of the Asprey Review. The importance of the stability of a tax system was confirmed by the Henry Review (Evans et al., 2010). The guiding principles identified previously by the Asprey Review (1975) and the Meade Review (1978) were thus extended to include sustainability, and policy consistency as tax policy objectives.

In the UK, the Meade Review was followed by the Mirrlees Review (Mirrlees et al., 2011). Mirrlees (2011, p. 21) states that 'the challenge of a tax design is to achieve social and economic objectives while limiting welfare-reducing side-effects'. In other words, it is necessary to consider how taxes can be designed to maximise their objectives as well as to minimise their negative effect on welfare.

The Davis Tax Committee in South Africa (2015, p. 7) observes that 'attitudes towards the tax system have varied markedly', and that taxation can be seen as a 'market distortion' as well as a method that can be used for the correction of market failures. Adding to these extreme attitudes is the further observation made by the Davis Tax Committee that 'there is no universally recognised theoretical framework or conclusive empirical literature on how to craft a [tax] system' (2015, p. 4). This may indicate that the place of taxation is blurred in the process of its application.

Taxation has existed for thousands of years. Many attempts have been made to find common ground in designing a tax structure. The above overview of different guiding principles mentioned by those in various roles suggests the need for careful reflection in order to achieve a synthesis of the principles which should form the foundation for taxation as a field of study.

3. THE INTERACTIVE QUALITATIVE ANALYSIS (IQA)

The qualitative method used for this research, namely the IQA, is discussed by commencing with a description of the focus group: including its participants, and the entire process of identifying and formulating the resulting principles of taxation. The data collected is then used to draw a Systems Influence Diagram (SID), which is the final outcome of the IQA.

3.1 Focus group

The IQA research method commences with a focus group. A focus group is a group interview with the fundamental purpose of listening to and learning from the group members. The goal is to improve the overall understanding of a construct, issue, or phenomenon. The researcher listens to participants and learns from them, but the group also generates new possible lines of communication and idea-construction between the researcher and the participants, and between the participants themselves (De Vos et al., 2005; Mangioni & McKerchar, 2013). Although each participant may have his or her own ideas, a completely new set of data may emerge when participants interact (Babbie & Mouton, 2004; Cohen et al., 2002).

Interaction is both an element and a function of a focus group because it encourages individuals to bring their personal points of view together (Leedy & Ormrod, 2015; Salkind, 2012). Other functions and possible outcomes of a focus group can be summarised as: generating insight, gathering information, and further refining how participants reach their decisions (Salkind, 2012).

From the researcher's point of view, the ability to understand the thinking processes used by the individuals to arrive at specific conclusions is important. The facilitator[6] of a focus group is actively involved in the focus group, mostly to facilitate the clarification and elaboration of comments made during the session. Therefore, the facilitator has to create a protective and encouraging environment in which participants feel sufficiently secure to voice an experience, opinion, or perception (De Vos, et al., 2005; Salkind, 2012).

A strong limitation in using a focus group is the possibility that there may be participants in the group who feel insecure about voicing their opinions on the research problem (Welman et al., 2005). This feeling can arise if individuals are biased about either the research problem or other members of the group. If the facilitator is unskilled, it could result in one or more participants' taking part more actively than others, or even dominating the activity, while the remaining group members become passive or simply accepting of the view(s) expressed by the dominant participants. The outcome may thus be that the voices of some participants remain unheard, or that their opinions are suppressed. Some group members might also refrain from participating because they accede to what they consider to be polite social behaviour (Berg, 2007; De Vos et al., 2005). However, research methods such as IQA, which make use of focus group techniques, build in procedures which allow the voice of each member of the group to be heard without the possibility that the researcher, facilitator, or other participants can influence the views of each participant (Du Preez & Du Preez, 2012; Northcutt & McCoy, 2004).

The IQA focus group for this article was held at the Tax Research Network (TRN) conference in Roehampton, London in 2014. The researchers selected the participants for the focus group by means of the non-probability convenience-type sampling technique (Cooper & Schindler, 2003). The researchers' judgment was used to select the participants on the basis of their perceived ability to answer the research question and meet the objectives of the focus group activity, as recommended by Saunders, Lewis and Thornhill (2016). The specific sampling technique used was a convenience sampling technique, also known as the availability sampling technique. The selection took into account the country of origin of each possible attendee, as well as his/her contribution to the field of taxation. In total, 54 people registered for the TRN 2014 conference, including the doctoral colloquium. Of the 54 attendees, 38 were invited to participate in the proposed focus group. Of the invitees, 11 confirmed their attendance, but only nine actually participated in the focus group, resulting in a 24% positive reaction to the original invitation. A focus group should consist of between 8 and 12 participants (Babbie & Mouton, 2004; De Vos et al., 2005; Mangioni & McKerchar, 2013; Welman et al., 2005): therefore, the number of participants was adequate.

[6] The facilitator can be the researcher or an independent person acting as the facilitator.

The nine participants of the focus group originated from eight different countries, including three First World countries,[7] one Second World country,[8] and four Third World countries,[9] thus giving the focus group a truly international flavour and providing a multi-level frame of reference in terms of policies and systems of taxation. A summary of the country of origin, gender, background, and field of interest of each of the nine participants is provided in Table 2.

Table 2: Summary of Focus Group Participants

Country	Gender	Background								Interest
		Economics	Law	Accountancy	Philosophy	Auditing	Marketing	Public Admin	Tax Admin	
Ghana	Male			X			X			Compliance, tax administration
Bangladesh	Female		X					X		Public policy
Jamaica	Female			X					X	Property tax, morale, fiscal studies
Ireland	Male			X						Morale, compliance behaviour
Australia	Male	X								Tax, fiscal federalism
Australia	Male	X	X	X						Comparative tax, capital gains tax
South Africa	Male			X		X				Tax burden, individuals
Wales	Male			X						Role of power in tax policy
Poland	Female		X		X					Tax law, tax avoidance and procedures

[7] 'First World' refers to developed, capitalist, industrial countries; roughly, a bloc of countries aligned with the US after World War II, with more or less common political and economic interests. See One World, Nations Online Project, 'First, Second and Third World', http://www.nationsonline.org/oneworld/third_world_countries.htm. In this study, the countries or subnational jurisdictions represented are Ireland, Wales and Australia.

[8] 'Second World' refers to the former communist-socialist countries, which are industrial states today (formerly the Eastern bloc: the territory and sphere of influence of the Union of Soviet Socialists Republic): ibid. In this study, the country represented is Poland.

[9] 'Third World' refers to all other countries and is often used today to roughly describe the developing countries of Africa, Asia and Latin America: ibid. In this study, the countries represented are South Africa, Jamaica, Bangladesh and Ghana.

Table 2 shows that the theoretical and experiential backgrounds of the participants included economics, law, accountancy, philosophy, auditing, marketing, public administration, and tax administration. Five of the participants were tax academics, three were tax advisors/practitioners and one was involved with policy-making. The participants' fields of interest (Table 2) spanned tax compliance and avoidance, tax administration and procedure, public policy, tax morale and behaviour, fiscal federalism, comparative taxes, capital gains taxes and property taxes, tax burden, and tax law. As taxation can be seen as intertwined with several disciplines, the interdisciplinary nature of the selected participants was vital for the reliability of the results.

3.1.1 Focus group activity

The independent facilitator began the focus group activity with some warm-up exercises, consisting of relaxation exercises, which then gave the participants time for quiet reflection. During this period of quiet reflection, the independent facilitator posed the research question: 'what are the fundamental principles of taxation?' Moving on to the next stage of the focus group activity, the participants were requested to write their thoughts down on flashcards. Each card reflected only one thought, expressed in words, phrases, or pictures; for example: 'confidentiality', or 'property redistribution'. The flashcards were then attached to a whiteboard. This stage took place in complete silence.

The next stage also took place in silence as the participants were asked to sort the cards into sets defined by notions that they perceived to be related or similar (*deductive coding*). The participants could use any criteria for sorting as long as they ultimately reached the agreement that the sets represented the group's thoughts on the fundamental principles of taxation.

After the sorting, the independent facilitator began a process of clarifying the sets with the participants. The independent facilitator requested clarification on each of the sets that the participants had constructed (*axial coding*). Finally, each set was given a name by the group members themselves (*inductive coding*) (Northcutt & McCoy, 2004); for example: 'public benefit', or 'compliance'. This step concluded the focus group activity.

The data were thus generated through inductive reasoning (the process of naming) and deductive reasoning (the process of reorganising), which are described together by John Dewey as the 'double movement of reflective thought' (Cooper & Schindler, 2003; Du Preez & Du Preez, 2012; Northcutt & McCoy, 2004). In the IQA focus group activity, the data collection and analysis become part of the same process, where members participate fully in drawing out themes and creating theories associated with the phenomenon that is being researched.

3.1.2 Formulating the principles

After the focus group activity, the researchers listened to the recording of the focus group activity several times. They also consulted the recording whenever clarification was needed. The researchers used the flashcards to construct a definition for each of the sets (principles of taxation) identified.

The researchers then compiled a document reflecting the gleaned principles of taxation in alphabetical order, as well as the participants' description of each principle as

constructed during the focus group activity and formulated by the researchers. The principle descriptions which follow were accepted as having emerged specifically from the focus group activity in response to the question: 'what are the fundamental principles of taxation?' The principle descriptions are listed alphabetically; the order of listing does not reflect their relative importance.

Certainty (Principle 1): The tax system must be non-arbitrary.[10]

With this proposed fundamental principle, the focus group described the importance of legal certainty, as well as administrative discretion in the tax system. Although discretion is an important aspect of taxation, tax administrators should be consistent.

Coherence (Principle 2): A set of guiding principles and rules should be used as a yardstick to move from chaos to order in the tax environment.

With this proposed fundamental principle, the focus group emphasised the importance of tax administration in developing procedures in order to apply the guiding principles and rules set out in tax legislation. Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system. The neutrality of the tax system should be protected by legislation.

Fairness (Principle 3): Taxpayers with equal ability will contribute equally.

The focus group described this proposed fundamental principle as the vital importance of tax ethics. The tax system should ensure the accountability and participation of all to create justice. The necessary procedures should be in place to promote adequate confidentiality, while adhering to appropriate transparency. The principle of redistribution of property should be observed to create equity.

Obligation (Principle 4): Taxpayers have a duty to contribute towards the cost of a country.

With this proposed fundamental principle the focus group indicated that paying taxes is a 'social and civic responsibility' of citizens in a civilised society. In theory, tax contribution should be voluntary, but in practice it is compulsory.

Practicability (Principle 5): There must be a feasible time to pay taxes.

With this proposed fundamental principle, the focus group indicated that when a tax payment is made, the payment must take place at the right moment: when it is most convenient to the taxpayer. The legislature should understand the business environment. The tax law must be structured to create a feasible situation where the tax law is neither too complex, nor oversimplified.

Public benefit (Principle 6): A government should use its taxes to provide benefits and services to the public for development and the common good.

[10] Tax: the shortened version of 'taxation' was used by the focus group participants and the two forms are therefore used interchangeably in this discussion.

The focus group strongly associated the payment of taxes with public services. Income redistribution should be beneficial to people's lives, as well as to society in general.

Raising revenue (Principle 7): Government finances are dependent on sustainable revenue.

With this proposed fundamental principle, the focus group indicated that a government's finances are dependent on sustainable revenue collected from its country's citizens. Two key concepts are: the basic threshold, where the government must protect low income earners; and the tax rate, to ensure that enough revenue is collected, while the taxpayer has a sustainable portion of income left.

Tax compliance (Principle 8): A tax-paying culture is needed where there is a 'willingness to voluntarily' pay taxes.

With this proposed fundamental principle, the focus group emphasised the importance of the tax moral(s) in a country, where trust should exist between taxpayers and the government. The government should support the taxpayers' perception that the taxpayers are heard. Compliance relates to tax incentives: when tax morals are negative, government will need stringent tax enforcement to discourage taxpayers from avoiding and/or evading tax.

Tax understanding (Principle 9): There is a need for a tax education system.

With this proposed fundamental principle, the focus group suggested that the essence of an understandable tax system lies in tax education. The question as to whether or not taxpayers are aware of the various taxes they may be liable to pay then arises.

Value system (Principle 10): There should be a general belief in an ideal tax system.

The focus group associated this proposed fundamental principle with an understanding that the social construction of truth underpins an ideal tax system. When conflicting interests exist, discussion is needed to reach a final consensus. Undisputed tax moral(s) should be the foundation of a tax system.

3.1.3 Completing the Affinity Relationship Table

Each participant in the focus group received the compiled document containing the formulated principles via e-mail. The participants were then requested to indicate whether they perceived any relationship between two principles and, if so, to indicate the direction of the relationship (in other words: does one principle influence the other principle? Does one principle have power over another? Should one principle be placed first and should it then be followed by another principle? Is one principle more important than another?) The IQA research method calls this a simple Affinities Relationship Table invitation (see Appendix) completed by each participant (Northcutt & McCoy, 2004). In other words, the participants were given pairs of affinities and then every participant as individual decided which principle of every two was the most influential.

To complete a more detailed Affinities Relationship Table (individual theoretical coding), the participants were asked to include a brief explanation of the identified relationship, using their own experiences and perceptions: these are called 'if/then' statements (for example: if a tax system has good internal organisation and contains a

well-ordained set of rules and procedures, then it is predictable for taxpayers, thereby offering them legal certainty). The completed detailed Affinities Relationship Table documents were returned to the researchers, who used the information to construct a summarised Affinities Relationship Table for the focus group as a whole (Northcutt & McCoy, 2004). The summarised Affinities Relationship Table was constructed to reflect the focus group's mutual perceptions of the phenomenon of the fundamental principles of taxation.

3.2 Drawing a Systems Influence Diagram

The main purpose of the IQA research method is to ultimately draw a picture of the system (called a Systems Influence Diagram) which represents a mind map of the focus group's views in terms of a specific phenomenon (Northcutt & McCoy, 2004): in this case, the fundamental principles of taxation. The final Systems Influence Diagram for the current research can be found later in this section in Diagram 4. Diagram 4 is not inserted here as this may hinder the flow of thought.

The data contained in the summarised Affinities Relationship Table is used when applying the Pareto principle.[11] Northcutt and McCoy (2004) suggest that using the Pareto principle yields an acceptable group composite for the focus group. The Pareto principle is frequently used by management and systems theorists, who refer to it as the 'trivial many and the significant few principle', with specific reference to the idea that 20% of the variables in a system account for 80% of the total variation in the outcomes of that system (Northcutt & McCoy, 2004). Essentially, this means that a minority of relationships in any system account for the majority of disparities in that system. It is accepted that in any group there will be some disagreement on possible relationships. The Pareto principle is thus a rigorous and commanding technique used to attain and document the degree of consensus in a focus group.

A Pareto principle analysis was performed (see Table 3) on the summarised data. The MinMax Criterion of the Pareto principle analysis provides criteria for deciding which relationships should be included in an Interrelationship Diagram. The cut-off relationship is identified at the point where the maximum variation in the system (the cumulative percentage based on frequency) coincides with the minimum number of relationships (cumulative percentage based on relation).

Table 3 only represents the first 50 relationships out of the total of 90 relationships identified in the research, as the remainder of the relationships were below the cut-off point indicated by the power score (see the last column in Table 3). The power score reaches its maximum of 31.0 at relationship number 41. Relationship number 41 (shaded dark grey) is therefore the cut-off point. This means that the first 41 of the total of 90 relationships in the current system represent 76.5% of the variance in the system.

[11] The Pareto principle is named after the nineteenth-century economist, Wilfredo Pareto (1843-1913). It states that 'something like 20% of the variables in a system will account for 80% of the total variation in outcomes' (Northcutt & McCoy, 2004, p. 156).

Table 3: Pareto Principle Analysis

No.	Affinity pair relationship	Frequency (descending)	Cumulative frequency	Cumulative percentage (relation)	Cumulative percentage (frequency)	Power score
1	1 → 8	8	8	1.1	3.3	2.2
2	2 → 8	8	16	2.2	6.6	4.4
3	3 → 8	8	24	3.3	9.9	6.6
4	5 → 8	8	32	4.4	13.2	8.8
5	2 → 9	7	39	5.6	16.0	10.4
6	8 ← 9	7	46	6.7	18.9	12.2
7	4 → 8	6	52	7.8	21.4	13.6
8	7 ← 8	6	58	8.9	23.9	15.0
9	8 ← 10	6	64	10.0	26.3	16.3
10	1 → 9	5	69	11.1	28.4	17.3
11	3 → 4	5	74	12.2	30.5	18.3
12	3 →10	5	79	13.3	32.5	19.2
13	4 → 6	5	84	14.4	34.6	20.2
14	4 →7	5	89	15.6	36.6	21.0
15	5 →7	5	94	16.7	38.7	22.0
16	6 → 8	5	99	17.8	40.7	22.9
17	7 ← 10	5	104	18.9	42.8	23.9
18	1 → 3	4	108	20.0	44.4	24.4
19	1 → 4	4	112	21.1	46.1	25.0
20	1 → 7	4	116	22.2	47.7	25.5
21	2 → 7	4	120	23.3	49.4	26.1
22	2 → 10	4	124	24.4	51.0	26.6
23	3 → 7	4	128	25.6	52.7	27.1
24	4 ← 9	4	132	26.7	54.3	27.6
25	6 → 7	4	136	27.8	56.0	28.2
26	6 ← 7 (?)	4	140	28.9	57.6	28.7
27	7 ← 9	4	144	30.0	59.3	29.3
28	1 → 2	3	147	31.1	60.5	29.4
29	1 ← 2 (?)	3	150	32.2	61.7	29.5
30	1 ← 3 (?)	3	153	33.3	63.0	29.7
31	1 → 5	3	156	34.4	64.2	29.8
32	1 → 6	3	159	35.6	65.4	29.8
33	1 → 10	3	162	36.7	66.7	30.0
34	2 → 3	3	165	37.8	67.9	30.1
35	2 ← 3 (?)	3	168	38.9	69.1	30.2
36	2 → 6	3	171	40.0	70.4	30.4
37	3 ← 6	3	174	41.1	71.6	30.5
38	4 ← 5	3	177	42.2	72.8	30.6
39	6 ← 9	3	180	43.3	74.1	30.8
40	6 ← 10	3	183	44.4	75.3	30.9

No.	Affinity pair relationship	Frequency (descending)	Cumulative frequency	Cumulative percentage (relation)	Cumulative percentage (frequency)	Power score
41	9 → 10	3	186	45.5	76.5	31.0
42	2 → 4	2	188	46.7	77.4	30.7
43	3 ← 5	2	190	47.8	78.2	30.4
44	3 → 6	2	192	48.9	79.0	30.1
45	3 ← 7	2	194	50.0	79.8	29.8
46	3 → 9	2	196	51.1	80.7	29.6
47	3 ← 9	2	198	52.2	81.5	29.3
48	3← 10	2	200	53.3	82.3	29.0
49	4 ← 6	2	202	54.4	83.1	28.7
50	4 → 9	2	204	55.6	84.0	28.4

Affinities: 1-Certainty, 2-Coherence, 3-Fairness, 4-Obligation, 5-Practicability, 6-Public benefit, 7-Raising revenue, 8-Tax compliance, 9-Tax understanding, 10-Value system

Since relationship number 41 was the cut-off point, relationships numbers 1 to 41 were used to complete an unsorted Interrelationship Diagram (see Diagram 1). The Interrelationship Diagram is a matrix containing the affinity pairs or relationships in the system. For every relationship in this system, two arrows were drawn. The first relationship is 1→8, which means that Affinity 1 has power over Affinity 8. In the unsorted Interrelationship Diagram (Diagram 1), the affinities are indicated from 1 to 10 on both the horizontal and vertical axes. To indicate the first relationship, one needs to start at Affinity 1 on the vertical axis, moving in the row (on the horizontal axis) to the column of Affinity 8. In accordance with the Pareto principle analysis (see Table 3), the arrow must point upwards, indicating that Affinity 1 influences Affinity 8. For the second arrow, the point of departure is Affinity 1 on the horizontal axis, moving downwards in Column 1 to the row of Affinity 8 on the vertical axis. In line with the same result in the Pareto principle analysis (Table 3), the first arrow must now point to the left, confirming that Affinity 8 is influenced by Affinity 1.

This process was completed for every one of the 41 relationships. Once the process was completed, all the arrows pointing upwards in a specific row were counted and recorded in the column entitled ‘Out’. All the arrows pointing to the left in a specific row were counted and recorded in the column titled ‘In’. Then the delta (Δ) was calculated for each row by subtracting the number under ‘In’ from the number under ‘Out’.

Diagram 1: Unsorted Interrelationship Diagram

	1	2	3	4	5	6	7	8	9	10	Out	In	Δ
1		↑	↑	↑	↑	↑	↑	↑	↑	↑	9	0	9
2	←		↑			↑	↑	↑	↑	↑	6	1	5
3	←	←		↑		←	↑	↑		↑	4	3	1
4	←		←		←	↑	↑	↑	←		3	4	-1
5	←			↑			↑	↑			3	1	2
6	←	←	↑	←			↑	↑	←	←	3	5	-2
7	←	←	←	←	←	←		←	←	←	0	9	-9
8	←	←	←	←	←	←	↑		←	←	1	8	-7
9	←	←		↑		↑	↑	↑		↑	5	2	3
10	←	←	←			↑	↑	↑	←		3	4	-1

Affinities: 1-Certainty, 2-Coherence, 3-Fairness, 4-Obligation, 5-Practicability, 6-Public benefit, 7-Raising revenue, 8-Tax compliance, 9-Tax understanding, 10-Value system

The Interrelationship Diagram in Diagram 1 was then sorted according to the delta (Δ), from the highest to the lowest number. Diagram 2 shows the sorted Interrelationship Diagram.

Diagram 2: Sorted Interrelationship Diagram

	1	2	3	4	5	6	7	8	9	10	Out	In	Δ
1		↑	↑	↑	↑	↑	↑	↑	↑	↑	9	0	9
2	←		↑			↑	↑	↑	↑	↑	6	1	5
9	←	←		↑		↑	↑	↑		↑	5	2	3
5	←			↑			↑	↑			3	1	2
3	←	←		↑		←	↑	↑		↑	4	3	1
4	←		←		←	↑	↑	↑	←		3	4	-1
10	←	←	←			↑	↑	↑	←		3	4	-1
6	←	←	↑	←			↑	↑	←	←	3	5	-2
8	←	←	←	←	←	←	↑		←	←	1	8	-7
7	←	←	←	←	←	←		←	←	←	0	9	-9

Affinities: 1-Certainty, 2-Coherence, 3-Fairness, 4-Obligation, 5-Practicability, 6-Public benefit, 7-Raising revenue, 8-Tax compliance, 9-Tax understanding, 10-Value system

In the Pareto principle analysis, four ambiguous relationships were identified: relationships 1 and 3, 6 and 7, 1 and 2, and 2 and 3 (shaded pale grey in Table 3). Ambiguous relationships refer to the situation in which the power between two affinities is strong in both directions, and both directions were included in the selection of relationships above the cut-off point (for example: Affinity 1 influences Affinity 2 and Affinity 2 influences Affinity 1). These relationships with power in both directions were included in the 41 relationships identified through the Pareto principle analysis (Table

3). In the unsorted Interrelationship Diagram (see Diagram 1), only one direction of power between two affinities could be included. As both relationships (e.g., 1→2 and 2→1) were selected by the Pareto principle analysis, the ambiguity had to be resolved. According to Northcutt and McCoy (2004), there are two possible resolutions for ambiguity. The first possibility is that there is an 'undetected common influence' that may be identified in the course of drawing the Systems Interrelationship Diagram; and the second possibility is an 'undetected feedback loop'. These ambiguities may also be resolved during the creation of the Systems Influence Diagram (Northcutt & McCoy, 2004, p. 162). As a relationship in both directions cannot be included in the Interrelationship Diagram, the first occurrence (or the highest frequency) of the relationship must be chosen (see Diagram 1). If the ambiguous relationship is not resolved by this method, then an alternative resolution has been advised by Northcutt (2015) (see Box 1).

The sorted Interrelationship Diagram (see Diagram 2) yielded drivers[12] and outcomes[13] in the system. Drivers are identified as positive deltas (Δ), while negative deltas are outcomes. Drivers and outcomes can be classified as either primary or secondary. When a driver has no 'In' count (Diagram 2), it is classified as a primary driver. The same scenario can be applied to outcomes with no 'Out' count: they are classified as primary outcomes. A driver or outcome with 'In' or 'Out' counts, respectively, is classified as secondary. Tentative Systems Influence Diagram assignments (see Table 4) represent the identification of drivers and outcomes. The tentative Systems Influence Diagram assignments were used to create the Cluttered Systems Influence Diagram (see Diagram 3).

Table 4: Tentative Systems Influence Diagram Assignments

Affinity number	SID assignments
1	Primary driver
2	Secondary driver
9	Secondary driver
5	Secondary driver
3	Secondary driver
4	Secondary outcome
10	Secondary outcome
6	Secondary outcome
8	Secondary outcome
7	Primary outcome

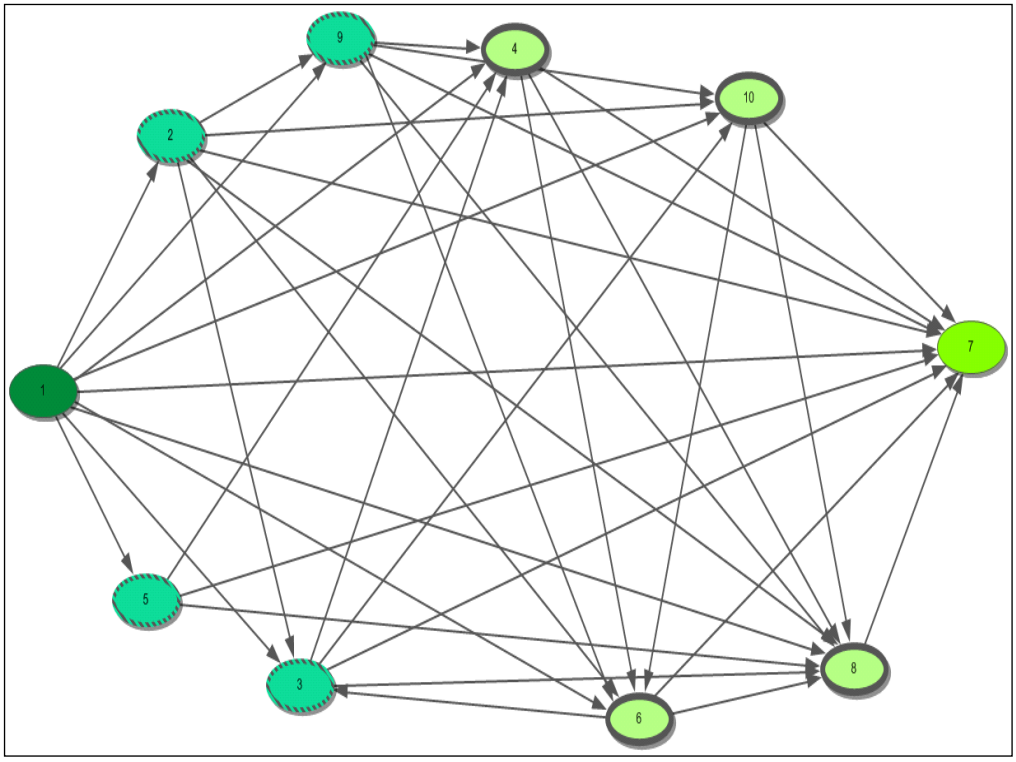
Affinities: 1-Certainty, 2-Coherence, 3-Fairness, 4-Obligation, 5-Practicability, 6-Public benefit, 7-Raising revenue, 8-Tax compliance, 9-Tax understanding, 10-Value system

[12] Primary drivers are elements that can be seen as the fundamental causes/sources of influence on affinities in a system. Secondary drivers are elements that are influenced by the primary drivers and are referred to as relative causes.

[13] Primary outcomes are significant effects caused by many of the affinities. Secondary outcomes reveal only relative effects.

In a Cluttered Systems Influence Diagram, the primary drivers are plotted on the far left of the diagram, and the secondary drivers are placed to the right of the primary drivers. The primary outcomes are plotted on the far right of the diagram, with the secondary outcomes to the left of the primary outcomes. The sorted Interrelationship Diagram (see Diagram 2) was used to draw the Systems Influence Diagram. All the arrows in the Interrelationship Diagram were also indicated on the Systems Influence Diagram as arrows. The direction of said arrows was the same as the direction in the sorted Interrelationship Diagram. Thus, if the sorted Interrelationship Diagram indicated that 1→8 (1 influences 8), then the base of the arrow on the Systems Influence Diagram would be placed at 1, with its tip ending at 8. This procedure was followed for every relationship indicated in the sorted Interrelationship Diagram. The product was a Cluttered Systems Influence Diagram (see Diagram 3).

Diagram 3: Cluttered Systems Influence Diagram

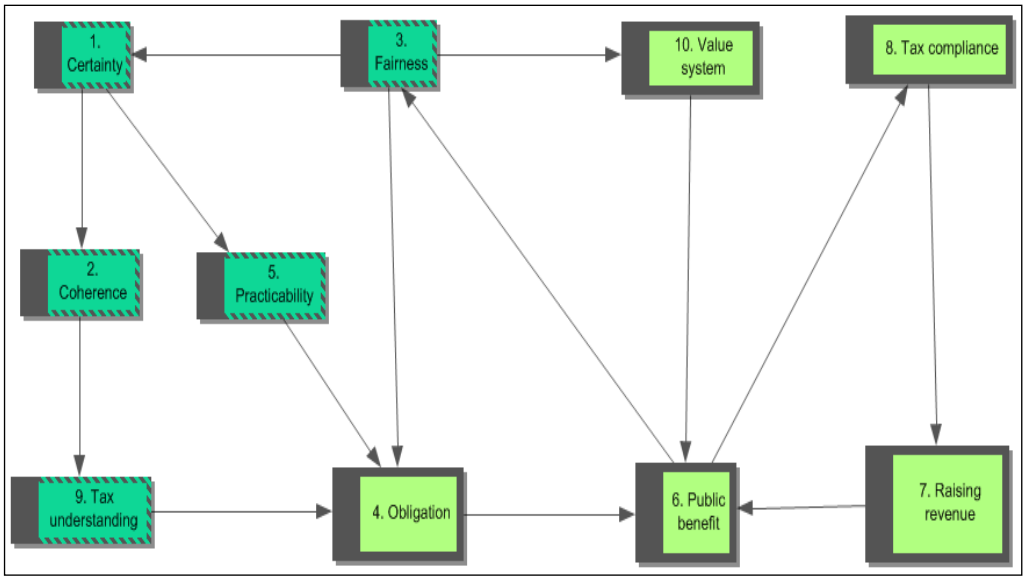


Affinities: 1-Certainty, 2-Coherence, 3-Fairness, 4-Obligation, 5-Practicability, 6-Public benefit, 7-Raising revenue, 8-Tax compliance, 9-Tax understanding, 10-Value system

For each relationship between two affinities, only one pathway should exist. The process of uncluttering therefore then had to be followed. The researchers commenced on the left side of Diagram 3. For every direct relationship marked (for example: 1→8), the researchers looked for an alternative pathway (such as: 1→5→8). When the alternative pathway was found, the direct pathway was deleted. This was a very important process, as redundant pathways needed to be eliminated from the Systems Influence Diagram. The result was a Systems Influence Diagram that adhered to the

principle of the 'trivial many and the significant few', called an Uncluttered Systems Influence Diagram (see Diagram 4).

Diagram 4: Uncluttered Systems Influence Diagram



According to Northcutt and McCoy (2004), ambiguous relationships should be resolved through the Systems Influence Diagram. However, in the current Systems Influence Diagram, the ambiguous relationships were not resolved.

Using the new suggestions provided by Northcutt (Box 1), the Uncluttered Systems Influence Diagram (see Diagram 4) was revisited to reconcile the conflicts. The second occurrence, or lowest frequency, of each ambiguous relationship (see Table 3) was included in the Uncluttered Systems Influence Diagram. The Systems Influence Diagram was examined, focusing on the ambiguous relationships that created bi-directional ('double-headed') arrows. After the process of uncluttering, each bi-directional arrow was resolved by identifying a different pathway for that relationship. By means of the new systematic approach, all the conflicts could be resolved.

Box 1: Reconciling Conflicts in the Systems Influence Diagram

Reconciliation process to consolidate the Systems Influence Diagram and the ambiguous relationships

Step 1: Remove all the redundant links from the Cluttered SID. For each ambiguous relationship, insert the second relationship into the Uncluttered SID still in the delta circular formation.

Step 2: Examine the system, noting conflicts that create a 'double-headed arrow' situation.

Step 3: Starting from bottom right (primary outcome) to top left (primary driver), remove any double-headed arrow (conflicting relationship) if there is another path. Do not remove any of the original relationships that are part of the double-headed arrow pair. If there is no alternate path for the conflicting double-headed arrow, let it remain to be addressed later.

Step 4: Perform the backward-arrow removal process as you would in any Uncluttered SID. However, do not remove any of the original relationships.

Source: Northcutt (2015)

The final Uncluttered Systems Influence Diagram (Diagram 4) represents a mind map of the focus group's activity with regard to the fundamental principles of taxation.

3.3 Strengths and limitations of IQA as a research method

One of the strengths of IQA is the fact that the participants of the focus group activity generate their own themes and then continue to code the data themselves (Bargate, 2014; Human-Vogel & Van Petegem, 2008; Northcutt & McCoy, 2004). The researchers are not involved in the process of data generation or data coding and therefore cannot influence the process or outcomes. A potential limitation of qualitative research in general is possible research bias by the researcher towards the data and its generation (Lasserre-Cortez, 2006). The IQA process, however, addresses the risk of researcher bias (Northcutt & McCoy, 2004). The original voices of the focus group participants are therefore preserved. In the current study, bias was further addressed by using an independent facilitator to conduct the focus group activity.

During the IQA process, themes are identified and coded, and the relationships between the themes are then explored. One strength of the IQA process is that every relationship is explored and no relationship is neglected, which ensures that the various relationships are thoroughly examined, leading to a systematic illustration in the resulting Systems Influence Diagram (Human-Vogel & Van Petegem, 2008). A further strength is the fact that an audit trail exists for the entire process followed during the research (Northcutt & McCoy, 2004).

A potential limitation of the approach is the fact that the IQA process does not allow for individual voices to be distinguished after the focus group activity (Human-Vogel & Van Petegem, 2008) as the outcome of the focus group activity produces a combined voice. For this article, this limitation is not a problem as the purpose of this research was to obtain the combined voice of the focus group participants. Although each participant did complete the individual Affinity Relationship Table, the documents were combined in the Pareto principle analysis to obtain a combined Systems Influence Diagram.

A final possible limitation is the time required to complete the entire IQA process (Bargate, 2014). The time required of the focus group participants was two hours to attend the focus group activity, 30 minutes to complete the document with the descriptions of the principles, and 45 minutes to one hour for the final document containing the individual Affinity Relationship Table. Thus, the time required from the participants for the entire research process was between three and four hours. This limitation was communicated to the participants at the start of the process: the letter of invitation specified the time that would be required, and the independent facilitator described the different stages of the process and the time required for each stage.

3.4 Analysis of the Systems Influence Diagram

In a standard Systems Influence Diagram, the system is dominated by one or more primary drivers and there are one or more primary outcomes (Northcutt & McCoy, 2004). However, for the fundamental principles of taxation, the system does not deliver

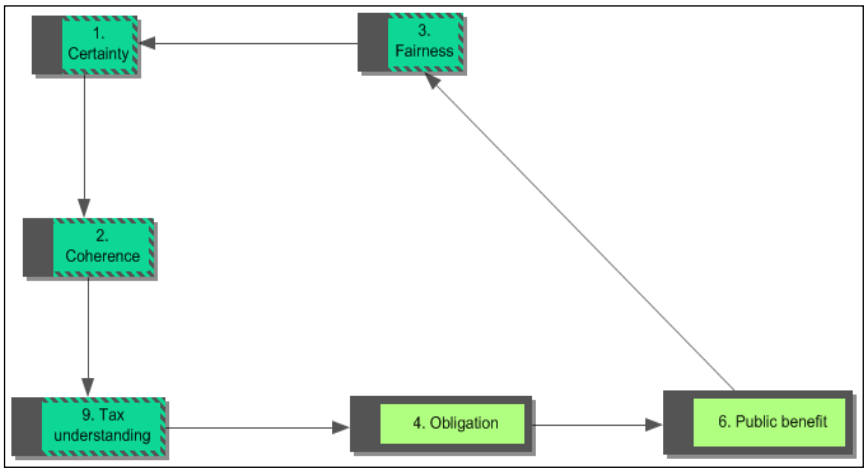
a primary driver or primary outcome. This result confirms the idea that the fundamental principles of taxation are not driven by a single force but that they are all part of a system and that they all influence one another. The same can be deduced from the fact that there is no single primary outcome in the system, which indicates that the principles of taxation do not conclude in a single principle.

The Systems Influence Diagram (Diagram 4) ultimately presented five feedback loops, confirming the interconnected nature of the fundamental principles of taxation. A feedback loop is the circular motion of principles within the system, where there is no beginning or end. The number of feedback loops in the current system is indicative of the multiple influences of the fundamental principles of taxation on one another. The continual influences between the principles at the various stages of the Systems Influence Diagram support the assertion that the fundamental principles of taxation should not be evaluated in isolation, as each principle is influenced by the other principles.

A further noteworthy finding is that *public benefit*, a secondary outcome, is part of all five feedback loops, suggesting that the focus group participants regarded it to be an essential consideration in taxation. It is therefore already possible to assume that the participants ascribed a conditional status to *public benefit* in relation to the other principles, and that they saw taxation as standing or falling on the basis of the public benefit principle.

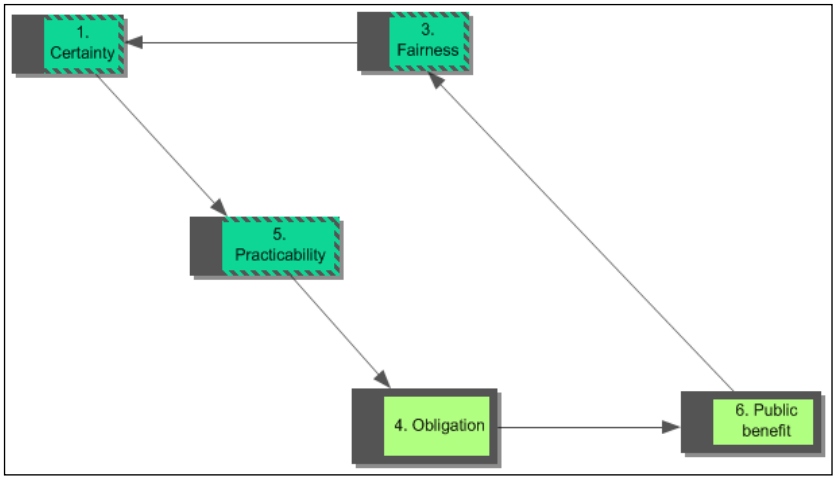
Feedback Loop 1 (see Diagram 5) can be described as follows: ‘educated taxpayers will understand their duties and benefits in a fair and certain (unambiguous) set of guidelines’.

Diagram 5: Feedback Loop 1



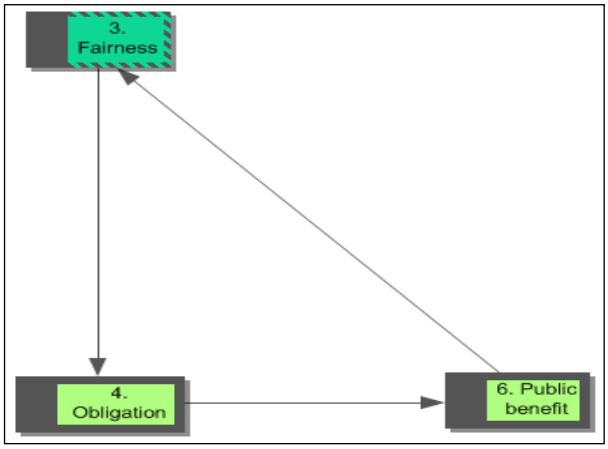
Feedback Loop 2 (see Diagram 6) can be described as follows: ‘convenience of payment contributes to a sense of fairness’.

Diagram 6: Feedback Loop 2



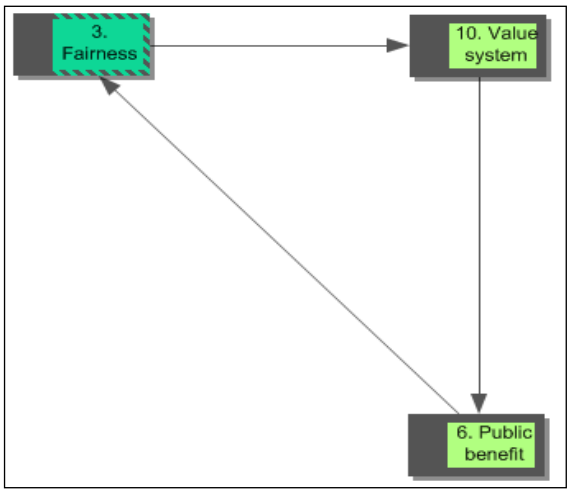
Feedback Loop 3 (See Diagram 7) can be described as follows: 'tax ethics motivates contribution to public benefits'.

Diagram 7: Feedback Loop 3



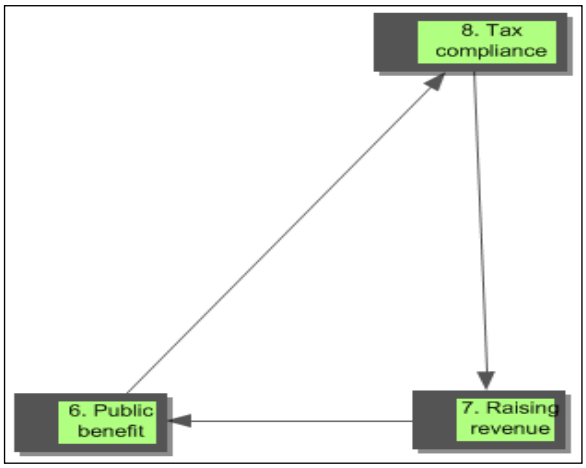
Feedback Loop 4 (see Diagram 8) can be described as follows: 'an ideal tax system provides fair public benefits'.

Diagram 8: Feedback Loop 4



Feedback Loop 5 (see Diagram 9) can be described as follows: 'public benefits are sustained through a tax-paying culture'.

Diagram 9: Feedback Loop 5



4. INTEGRATING THE PRINCIPLES FROM THE IQA WITH THE HISTORICAL EXTRACT

For the integration of the affinities formulated by the focus group with taxation history, the titles of the affinities were used to ensure consistency and to enhance the credibility of the research. For future reiterations of the fundamental principles of taxation, the reformulation of the headings may be necessary.

With the principles that emerged through the integration of taxation history (1776 – 2015) with the IQA, the following observation can be made: of the ten principles identified through the IQA, two were not confirmed through the integration with history (1776 – 2015). These two principles are *obligation* (taxpayers have a duty to contribute

towards the cost of a country); and *value system* (there should be a general belief in an ideal tax system).

The remaining eight IQA principles were confirmed through the integration with the principles from taxation history as summarised in Table 1 in section 2 above. The principles that emerge from history are indicated in brackets and italics in the explanations which follow.

4.1 Certainty: the tax system must be non-arbitrary

The importance of legal certainty and administrative discretion in the tax system (*certainty*) is confirmed. Although discretion is an important aspect of taxation, tax administrators should be consistent (*constant*).

4.2 Coherence: a set of guiding principles and rules should be used as a yardstick to move from chaos to order in the tax environment

The importance of a tax administration developing procedures in order to apply the guiding principles and rules set out in tax legislation is confirmed (*stability*). Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system (*efficiency, practicality*). The neutrality of the tax system should be protected by legislation (*neutrality*).

4.3 Fairness: taxpayers with equal ability will contribute equally

Tax ethics is vitally important. The system should ensure the accountability and participation of all to create justice (*accountability*). The necessary procedures should be in place to promote adequate confidentiality while adhering to appropriate transparency (*transparency and visibility*). The principle of redistribution of property should be observed to create equity (*equity, fairness, reasonable, tax according to ability, properly-targeted, and minimise the tax gap*).

4.4 Practicability: there must be a feasible time to pay taxes

When a tax payment is made, the payment must take place at the right moment: when it is most convenient to the taxpayer (*convenience of payment and economy in collection*). The legislature should understand the business environment. The tax law must be structured to create a feasible situation where the tax law is neither too complex, nor oversimplified (*simplicity and flexibility*).

4.5 Public benefit: a government should use its taxes to provide benefits and services to the public for development and the common good

A strong association exists between the payment of taxes and public services (*fiscal dimension, financial control, and macroeconomic considerations*). Income redistribution should be beneficial to people's lives, as well as to society in general (*minimising the negative effect on welfare*).

4.6 Raising revenue: government finances are dependent on sustainable revenue

Government finances are dependent on sustainable revenue collected from a country's citizens (*appropriate government revenue*). Two key concepts are: the basic threshold, where the government must protect low income earners; and the tax rate, to ensure that

enough revenue is collected while still leaving the taxpayer a sustainable portion of income (*economic growth and sustainability*).

4.7 Tax compliance: a tax-paying culture is needed where there is a 'willingness to voluntarily' pay taxes

The importance of the tax moral(s) in a country should be emphasised; trust should exist between taxpayers and the government. The government should support the taxpayers' perception that the taxpayers are heard. Compliance relates to tax incentives (*compliance*). When tax morals are negative, the government will need stringent tax enforcement to discourage taxpayers from avoiding and/or evading tax (*cost of administration and effectiveness*).

4.8 Tax understanding: there is a need for a tax education system

The essence of an understandable tax system lies in tax education. The question as to whether or not taxpayers are aware of the various taxes they may be liable to pay then arises (*policy consistency and tax buoyancy*).

5. CONCLUSION

Confirming the fundamental principles of taxation is an exercise that might always be controversial due to the interdisciplinary role of taxation in the international economic and socio-political environments, where policy and the implementation of tax systems are embedded in the context of the unique circumstances of every country. The role of taxation in the management and development of a country should direct the focus of adjustments to the fundamental principles of taxation for that particular country.

This article provides scientific grounding for the fundamental principles of taxation. By applying the IQA research method through the use of a focus group, a set of ten principles of taxation was identified and formulated. When these ten principles are compared with the principles of taxation that have been identified historically, it is evident that the existing fundamental principles of taxation have been scientifically confirmed by this research and that two additional principles have been added.

The limitations of the study can be summarised as follows:

- only one Third World country tax review (South Africa) is included in Table 1. This limitation is, however, due to the restricted availability of such Third World reviews as a result of language differences and access issues;
- a general limitation in using a focus group is the possibility that there may be participants in the group who feel insecure about voicing their opinions on the research problem (Welman et al., 2005). This was overcome through the IQA method used for the research;
- another general limitation is research bias by the researcher towards the data and its generation (Lasserre-Cortez, 2006). This was addressed through the use of a facilitator during the focus group;
- the IQA process does not allow for individual voices to be distinguished after the focus group activity (Human-Vogel & Van Petegem, 2008). For the current

research, this was not a limitation as the contribution of the IQA is the voice of the focus group as a whole, and

- a final possible limitation is the time required to complete the entire IQA process (Bargate, 2014). Although time is always a restraint, this was communicated to the participants in the original letter of invitation.

From Diagram 4, it is clear that all of the fundamental principles of taxation identified exercise an influence on each other to some extent (whether great or small). The significance of this observation lies in the fact that, according to the participants of the IQA focus group, all the fundamental principles identified and defined can be seen to influence each other. A fundamental principle of taxation should therefore not be considered in isolation, but should be interpreted and applied with all of the other fundamental principles in mind.

Based on the findings from Diagram 4, the focus group assigned a pivotal role to the principle, *public benefits*, when considering taxation. Therefore, it can be assumed that the focus group believed that the principle of public benefits takes centre stage in the taxation realm.

For future research, the set of principles should be disseminated to experts in taxation from as many countries as possible for their commentary and critique. Their input is vital in the further development and a possible final set of principles in the future. Experts should include tax practitioners, tax advisors, fiscal policy-makers, government tax administrators, tax academics, and the general public. The following questions could be posed:

- critique each principle to support or exclude the principle from the set of fundamental principles of taxation;
- explain the unique situation in your country that could justify additional proposed fundamental principles of taxation;
- explain how the proposed fundamental principles of taxation could thus be adapted to include/exclude principles specific to your country.

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7. APPENDIX

Simple Affinities Relationship Table invitation

IN SEARCH OF THE FUNDAMENTAL PRINCIPLES OF TAXATION

Dear Dr XXX

Your continuous support for my research is highly appreciated.

You are invited to participate in the final stage of this phase of the research project aimed at initiating the conversation on the fundamental principles of Taxation.

Your participation in this research project is voluntary and confidential. You will not be asked to reveal any information that will allow your identity to be determined.

If you are willing to participate in this study, please sign this letter as a declaration of your consent, i.e. that you participate in this project willingly and that you understand that you may withdraw from the research project at any time.

Dr. XXX's signature .....: Date: …….

Researcher's signature.....: Date: …….

Yours sincerely

XXXXXXX

FUNDAMENTAL PRINCIPLES OF TAXATION FORMULATED BY THE FOCUS GROUP:

Principle descriptions

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1 CERTAINTY: *A non-arbitrary tax system*

With this principle the focus group described the importance of legal certainty and administrative discretion in the tax system. Although discretion is an important aspect of taxation, the tax administrators should be consistent.

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2 COHERENCE: *A set of principles and rules to be used as a yardstick to move from chaos to order in the tax environment*

With this principle the focus group emphasised the importance for a tax administration to develop procedures in order to apply the principles and rules as set out in the tax legislation. Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system. The neutrality of the tax system should be protected by legislation.

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3 FAIRNESS: *Taxpayers with equal ability will contribute equally*

The focus group described this principle as the vital importance of tax ethics. The system should ensure the accountability and participation for all to create justice. The necessary procedures should be in place to promote adequate confidentiality while adhering to appropriate transparency. The redistribution of property should be observed to create equity.

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4 OBLIGATION: *A duty to contribute towards the cost of a country*

With this principle, the focus group indicated that paying taxes is a "social and civic responsibility" of citizens in a civilized society. In theory, the contribution should be voluntary, but in practice, it is compulsory.

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5 PRACTICABILITY: *A feasible time to pay taxes*

With this principle, the focus group indicated that when a tax payment is made it must take place at the right moment when it is most convenient. The legislator should understand the business. The tax law must be structured to create a feasible situation where the tax law is not too complex, or oversimplified.

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6 PUBLIC BENEFIT: *A government that uses its taxes to provide benefits and services to the public for development and common good*

The focus group drew a strong association between the payment of taxes and public services. Income redistribution should beneficially impact on people's lives as well as society.

7 RAISING REVENUE: *Government finances are dependent on sustainable revenue*

With this principle the focus group indicated that government finances are dependent on sustainable revenue collected from a country's citizens. Two key concepts are the basic threshold where the government must protect the lower income earners and the tax rate to ensure that enough revenue is collected while the taxpayer has a sustainable portion of income left.

8 TAX COMPLIANCE: *A taxpaying culture where there is a "willingness to voluntarily" pay taxes*

With this principle the focus group emphasised the importance of the tax moral(s) in a country, where trust should exist between the taxpayer and the government. The government should support the taxpayer's perception that he is heard. Compliance relates to tax incentives. When tax morals are negative, the government will then need stringent tax enforcement to deter taxpayers from tax avoidance and evasion.

9 TAX UNDERSTANDING: *The need for a tax education system*

With this principle the focus group suggested that the essence of an understandable tax system lies in tax education. The question to be asked is whether the taxpayer is aware of the different taxes he may be liable to pay.

10 VALUE SYSTEM: *A general belief in an ideal tax system*

The focus group associated this principle with an understanding that the social construction of truth underpins an ideal tax system. When conflicting interests exist, argumentation is needed for a final consensus. Undisputed tax moral(s) should be the foundation of a tax system.

DETAILED AFFINITY (PRINCIPLE) RELATIONSHIP TABLE (DART)

Please complete the attached table below by indicating what you think the direction of the relationship between two principles is. Use the principle descriptions that are supplied with this table to help you with this task.

For example:

If you think that 1 influences 2, then indicate 1 → 2
If you think that 2 influences 1, then indicate 1← 2
If you think that there is no relationship between 1 and 2, then indicate 1 < > 2.

PLEASE NOTE: An arrow may only go in one direction. Although you may feel that the direction of the relationship can go both ways, you must indicate the direction you think illustrates the strongest or most important influence.

Example:

An example of an IF/THEN statement in the case where 1 → 2 may look as follows:
If a tax administrator uses discretion when assessing a tax return, then the same discretion should be used in similar taxpayers' assessments.

PLEASE NOTE: Use a specific example from your own experience to illustrate your point rather than a vague statement.

Thank you for the time and effort that you are willing to put into this research project.

Below is the list of the principles you are requested to consider. Please also refer to the list of principle descriptions for completing the table below. Remember that an arrow can go either left or right, but not in both directions.

Principles	**Possible relationships**
1.Certainty 2.Coherence 3.Fairness 4.Obligation 5.Practicability 6.Public benefit 7.Raising revenue 8.Tax compliance 9.Tax understanding 10.Value system	If Principle 1 influences Principle 2 then: 1 → 2 If Principle 2 influences Principle 1 then: 1 ← 2 If there is no relationship between principles: 1 < > 2

Principle pair			Give an example in natural language using an IF/THEN statement to explain the relationship according to your personal experience
1		**2**	
1		**3**	
1		**4**	
1		**5**	
1		**6**	
1		**7**	
1		**8**	
1		**9**	
1		**10**	
2		**3**	
2		**4**	
2		**5**	
2		**6**	

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8		**10**	
9		**10**	

Thank you for your participation!

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