



## Employment status and income level as determinants of personal income tax compliance: Evidence from South Africa

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**Abstract:** *Purpose.* This study examines the influence of demographic factors on personal income tax (PIT) compliance among taxpayers in Mbombela, Mpumalanga, South Africa, to address persistent revenue shortfalls that undermine government fiscal capacity. *Methodology.* Employing a positivist research philosophy and cross-sectional survey design, the study utilized a random sample of 103 taxpayers from a population of 2,679 registered taxpayers. Data were collected through a structured questionnaire and analyzed using descriptive statistics and multiple regression analysis in SPSS and STATA. The Slippery Slope Framework, Fiscal Exchange Theory, and Political Legitimacy Theory provided the theoretical foundation. *Results.* Regression analysis revealed that only employment status ( $\beta = 0.168$ ,  $p < 0.001$ ) and monthly income ( $\beta = 0.099$ ,  $p = 0.001$ ) significantly influence tax compliance. Age, gender, educational background, household size, and SARS registration did not demonstrate significant effects ( $p > 0.05$ ). Descriptive analysis revealed pervasive non-compliance: 60.2% of respondents reported failing to pay all taxes owed, and 62.1% admitted to incomplete income disclosure. *Theoretical contribution.* This study challenges conventional assumptions regarding demographic determinants of tax compliance, demonstrating that structural factors - particularly PAYE withholding mechanisms - outweigh individual demographic characteristics. The findings support the Slippery Slope Framework's



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emphasis on power-based enforcement while highlighting that institutional legitimacy deficits, rather than demographics, drive non-compliance. *Practical implications.* Results indicate that SARS and policymakers must extend interventions beyond demographic targeting to address institutional legitimacy, perceived fiscal reciprocity, and equitable enforcement. Recommendations include extending PAYE-style withholding to additional income sources, enhancing transparency, and developing sector-specific compliance strategies. *Originality/value.* This study provides the first systematic empirical analysis of demographic determinants of PIT compliance in Mbombela, Mpumalanga, demonstrating that institutional factors merit greater attention than demographic segmentation in compliance enhancement strategies.

**Keywords:** tax compliance, personal income tax, employment status, income level, South Africa, SARS, demographic factors, fiscal behavior

**Sustainable Development Goals (SDGs):** **SDG 16:** Peace, Justice and Strong Institutions; **SDG 10:** Reduced Inequalities; **SDG 8:** Decent Work and Economic Growth

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## 1. Introduction

Personal Income Tax (PIT) represents a direct levy on individual income derived from multiple sources, including wages, salaries, business profits, dividends, rental income, and other earnings (OECD, 2025). As a fiscal instrument, PIT serves multiple critical functions: financing public services and infrastructure, redistributing wealth, promoting economic stability, and supporting public policy objectives (World Bank, 2021; Hallerberg, 2017).

Tax compliance is the foundation of effective revenue mobilization, fundamentally involving deliberate adherence to tax laws, characterized by honesty, accuracy, and the timely fulfillment of obligations to authorities (OECD, 2014; TopSource Worldwide, 2025). The OECD's Forum on Tax Administration defines tax compliance outcomes across four core domains: registration as a taxpayer, filing tax returns, correctly reporting tax liabilities, and paying tax on time (OECD, 2014). Conversely, non-compliance - manifested through tax evasion or tax avoidance - undermines governmental capacity to finance essential services, infrastructure development, and sustainable development initiatives (Asomba et al., 2023).

### 1.1. The South African context

In South Africa, tax compliance attitudes among personal income taxpayers remain persistently problematic, representing a critical challenge for revenue authorities and policymakers (Naape, 2023). Empirical evidence from the South African Revenue Service (SARS) reveals substantial and recurring shortfalls in PIT revenue collection. During 2019/20, projected PIT revenue of R554.8 billion fell short by R25.7 billion (4.6%), with total revenue missing targets by R66.3 billion (SARS, 2020a, 2020b). The 2020/21 financial year witnessed even more severe challenges, with PIT collections of R488.4 billion representing an 11.7% shortfall from estimates (SARS, 2021). By 2021/22, despite improvements, persistent systemic challenges in meeting revenue targets remained evident (SARS, 2022).

Regional variations compound these national challenges. In Mbombela, Mpumalanga Province - the focal context of this investigation - taxpayer registrations decreased by 37% in 2019 compared to 2018, accompanied by a 17.6% decline in revenue. While taxpayer numbers increased by 6.5% in 2020, revenue grew by merely 0.5%, indicating significant non-compliance despite formal registration (SARS, 2022; Mpumalanga Provincial Government, 2023). These fluctuations underscore the imperative to address behavioral and attitudinal factors affecting compliance.

## 1.2. Research gap and objectives

Extant tax literature identifies multiple compliance determinants encompassing economic factors (income levels, tax rates, audit probability) and non-economic factors (perceptions of fairness, trust in government, social norms) (Reddy et al., 2024; Kirchler et al., 2008). Within this framework, demographic factors - including gender, age, educational attainment, employment status, income level, and household composition - have emerged as significant variables. However, research shows inconsistent results regarding both the direction and magnitude of these relationships (Hofmann et al., 2017).

Prior empirical investigations have emphasized international contexts, with comparatively limited attention to the specific nexus between demographic characteristics and PIT compliance among South African taxpayers, particularly at the regional level (Reddy et al., 2024; Naape, 2023). Moreover, existing research yields mixed and often contradictory findings, necessitating further empirical inquiry in specific contexts (Hofmann et al., 2017).

This study addresses these gaps by investigating the influence of demographic factors - specifically age, gender, educational attainment, employment status, monthly income, and household size - on PIT compliance behavior among taxpayers in Mbombela, Mpumalanga. The investigation is grounded in the Slippery Slope Framework (Kirchler et al., 2008), Fiscal Exchange Theory, and Political Legitimacy Theory.

The remainder of this article is structured as follows: Section 2 reviews theoretical frameworks and empirical literature. Section 3 delineates research methodology. Section 4 presents empirical results and discussion. Section 5 concludes with key findings, policy recommendations, and directions for future research.

## 2. Literature review and theoretical framework

### 2.1. Theoretical framework

#### **Fiscal Exchange Theory**

Fiscal Exchange Theory conceptualizes the taxpayer-government relationship as fundamentally transactional, in which taxpayers' willingness to fulfill tax obligations is contingent on the perceived reciprocity of benefits received, particularly public goods and services (Leder et al., 2010). Empirical research demonstrates that taxpayers often do not perceive substantial benefits from their tax payments. In one study, respondents indicated that perceived utility from public goods and services was lower than desired utility across all 12 areas examined, including education and public health (Kirchler, 1997).

Such perceived imbalance in fiscal exchange contributes to reduced tax compliance (Kirchler, 2007). Indeed, perceptions of fair fiscal exchange are among the most relevant determinants of tax compliance (Wenzel, 2002; Leder et al., 2010). This theoretical framework emphasizes that improving service delivery and demonstrating transparent, accountable utilization of tax revenues are fundamental to fostering voluntary compliance.

#### **Political Legitimacy Theory**

Political Legitimacy Theory posits that citizens' trust in government constitutes a crucial determinant of tax compliance behavior (Kirchler et al., 2008). Legitimacy represents the belief that government, institutions, and social arrangements are appropriate, just, and fair, serving the public interest (Mebratu, 2024). When taxpayers perceive authorities as legitimate, transparent, and accountable, voluntary compliance increases; conversely, perceptions of illegitimacy erode compliance willingness regardless of enforcement threats (Kirchler et al., 2008; Mebratu, 2024).

Empirical evidence from developing countries confirms this relationship (Mebratu, 2024). Taxpayers with higher perceptions of governmental legitimacy demonstrate significantly greater voluntary compliance, while those perceiving legitimacy deficits resist compliance even under coercive enforcement. In uncertain environments, institutional credibility serves as a stabilizing factor - trusted authorities receive the benefit of the doubt regarding policy intentions, whereas distrusted authorities face skepticism regardless of actual merit. This underscores that sustainable compliance requires not merely enforcement capacity but institutional credibility rooted in equitable treatment, transparent revenue utilization, and effective service delivery.

#### **Social Influence Theory**

Social Influence Theory posits that individual tax compliance behavior and perceptions are substantially shaped by the norms and behaviors of reference groups, including family, peers, and broader social networks (Buzohera, 2025). According to the Theory of Planned Behavior (TPB),

subjective norms - encompassing social pressures and perceived social expectations - influence individuals' intentions to comply with tax laws.

Empirical research demonstrates significant social influence effects. Buzohera (2025), examining Ugandan taxpayers, found that tax compliance attitudes positively influence compliance behavior ( $\beta = 0.241$ ,  $p < 0.001$ ), and social influence and peer effects also positively influence compliance ( $\beta = 0.290$ ,  $p < 0.001$ ). Moreover, social influence significantly moderated the relationship between attitudes and behavior ( $\beta = 0.138$ ,  $p < 0.001$ ).

Experimental research further confirms these effects. Etchart-Vincent et al. (2023) investigated peer effects and social conformity in tax compliance through laboratory experiments, finding that both received and chosen information about others' compliance behavior significantly impacts individual tax compliance decisions. Individuals exhibit conformist behavior - when informed that others report lower income, they tend to decrease their own reported income, and vice versa.

### **The Slippery Slope Framework**

Tax compliance has long been the subject of scholarly debate, with economic and sociological approaches emerging to analyze the drivers of compliance behavior (Kirchler et al., 2008). The economic approach, rooted in the Allingham and Sandmo (1972) model, posits that taxpayers are rational, utility-maximizing agents. Detection probability and penalty severity influence compliance decisions. In contrast, the sociological approach emphasizes intrinsic factors - social and psychological influences - in shaping tax compliance.

The Slippery Slope Framework (SSF), introduced by Kirchler et al. (2008), bridges these approaches, proposing that tax compliance is determined by two key dimensions: **power** (the ability of tax authorities to detect and punish non-compliance) and **trust** (taxpayers' belief that the tax authority treats them fairly). The framework posits that effective compliance requires a combination of deterrence measures (high power) and trust-building efforts (high trust).

Hofmann et al. (2014) found that the combination of high power and high trustworthiness leads to higher overall tax compliance than either power or trustworthiness alone. This occurs because when power is combined with trustworthiness, it is perceived as legitimate expert power that motivates compliance. The research demonstrates that coercive power (strict auditing and fines) decreases implicit trust, leading to a perception of a hostile, antagonistic climate and enforced compliance. Conversely, legitimate power (assistance from tax authorities, transparent procedures) increases reason-based trust, leading to a perception of a service climate and, eventually, to voluntary cooperation (Hofmann et al., 2014).

## **2.2. Empirical literature on demographic factors**

### **Meta-Analytical Evidence**

The most comprehensive synthesis comes from Hofmann et al. (2017), who conducted meta-analyses of survey studies across 111 countries examining relationships between tax compliance and four demographic variables: age, sex, education, and income.

Key findings:

- Age: Positive but weak relationship ( $r = 0.12$ ,  $p < 0.001$ ), explaining only 1.44% of variance (64 surveys, 54,026 participants)
- Gender: Women are slightly more compliant ( $r = 0.06$ ,  $p < 0.001$ ), explaining 0.36% of variance (69 surveys, 59,145 participants)
- Education: Small negative relationship ( $r = -0.02$ ,  $p = 0.002$ ), explaining 0.04% of variance (57 surveys, 53,178 participants)
- Income: Small negative relationship ( $r = -0.06$ ,  $p < 0.001$ ), explaining 0.36% of variance (60 surveys, 54,542 participants)

Critically, Hofmann et al. (2017) conclude that while these relationships are statistically significant due to large sample sizes, their practical significance is questionable given the minimal variance explained. They argue that the impact of sociodemographics should be attributed to underlying psychological and economic factors rather than treated as direct determinants.

### **Regional Evidence on Key Demographic Factors**

**Age and Compliance:** Despite weak meta-analytical effects, specific regional studies report stronger age-compliance relationships. Paleka et al. (2023), studying 862 Croatian taxpayers, found that age is significantly associated with tax compliance, with older taxpayers demonstrating higher compliance. This aligns with propositions that older individuals are more risk-averse, more experienced in tax matters, and more sensitive to social norms regarding civic duty.

**Gender and Compliance:** Research yields inconsistent results. Some studies report that males are more compliant due to leadership positions and a desire to demonstrate ethical leadership

(Garuba & Eichie, 2022). However, other research finds that females are more compliant, attributed to risk aversion, higher honesty levels, and a traditional upbringing emphasizing adherence to the law (Paleka et al., 2023).

**Employment Status and Compliance:** Employment status emerges as particularly relevant due to its direct link to tax administration mechanisms. Garuba and Eichie (2022), in a study of Nigerian informal sector operators, found that employment status is positively associated with tax compliance. This effect is largely attributable to differences in tax collection mechanisms between formal and informal sectors.

In formal employment, tax evasion is substantially minimized by Pay-As-You-Earn (PAYE) systems, which deduct taxes at source. Employers are legally obligated to deduct tax from employees' salaries and remit to tax authorities, creating an automatic compliance mechanism. Conversely, self-employment income is more susceptible to under-reporting since taxpayers themselves assess and remit taxes, providing greater opportunity for evasion (Garuba & Eichie, 2022).

**Income Level and Compliance:** The relationship remains contested. Hofmann et al.'s (2017) meta-analysis found a small negative relationship, suggesting that higher-income individuals report lower compliance. However, this may reflect reporting bias rather than actual behavior. Paleka et al. (2023) found that income level moderates relationships between certain compliance determinants and actual compliance behavior.

### **Integrative Perspectives**

The empirical literature suggests that demographic variables' influence on tax compliance is modest, context-dependent, and likely mediated by psychological, economic, and institutional factors (Hofmann et al., 2017). Demographic characteristics may serve as proxies for underlying determinants rather than direct causal factors. This perspective aligns with the Slippery Slope Framework's emphasis on power and trust as fundamental determinants, with demographics potentially influencing how individuals perceive and respond to these dimensions.

## **3. Research methodology**

### **3.1. Research philosophy and design**

This study adopts a positivist research philosophy, emphasizing empirical observation and quantitative measurement. The research employs a cross-sectional survey design to capture taxpayer compliance attitudes and behaviors at a single point in time.

### **3.2. Population and sampling**

The target population comprised 2,679 registered personal income taxpayers in Mbombela, Mpumalanga, as documented in SARS regional tax statistics for 2022. The sample size was determined using the Yamane (1967) formula:

$$n = \frac{N}{1 + N\varepsilon^2}$$

where  $n$  = required sample size,  $N$  = population size (2,679), and  $\varepsilon$  = margin of error (0.05 at 95% confidence level).

Substituting values:

$$n = \frac{2,679}{1 + 2,679(0.05)^2} = \frac{2,679}{7.6975} = 348$$

However, adjusting for potential non-response and following recommendations from Israel (2013), a conservative approach targeted 210 respondents to ensure adequate representation while accounting for expected response rates in tax compliance surveys, which typically range from 30% to 60% (Israel, 2013).

Simple random sampling ensured that each population member had an equal probability of selection, minimizing selection bias and enhancing generalizability. The sampling frame was obtained from the SARS Mbombela regional office's anonymized taxpayer registry.

### **3.3. Data collection instrument**

Data were collected using a structured, self-administered questionnaire comprising two sections:

Section A: Demographic Characteristics

- Gender, age, educational attainment, employment status, monthly income, household size, SARS registration status

#### Section B: Tax Compliance Behavior

- Assessed using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) measuring attitudes toward: fulfillment of tax payment obligations, accuracy of income disclosure to SARS, timeliness of tax return submission, and voluntary compliance intentions.

The questionnaire was developed based on established instruments in the tax compliance literature, particularly Kirchler et al. (2008) and Hofmann et al. (2017), and adapted to the South African context. The instrument underwent pilot testing with 20 taxpayers not included in the final sample.

### 3.4. Response rate

Of 210 questionnaires distributed between August and October 2022, 104 were returned (49.5% response rate). After data cleaning, 103 questionnaires (49%) were deemed suitable for analysis. This rate falls within the acceptable 30-60% range for mail and self-administered surveys (Israel, 2013).

### 3.5. Data analysis

Internal consistency was assessed using Cronbach's alpha coefficient, yielding  $\alpha = 0.769$ , exceeding the 0.70 threshold for exploratory research and approaching 0.80, considered good reliability (Cronbach, 1951; Nunnally & Bernstein, 1994). This indicates that items measuring tax compliance behavior demonstrated satisfactory internal consistency (Statistics By Jim, 2024; How to Research, 2025).

Data analysis was conducted using SPSS version 28 and STATA. The analytical approach comprised:

1. Descriptive Statistics: Frequencies, percentages, means, and standard deviations characterized the demographic profile and tax compliance patterns. Cross-tabulations examined relationships between monthly income and compliance behaviors, using chi-square tests to assess statistical significance.

2. Multiple Regression Analysis: Multiple regression assessed the simultaneous effects of demographic variables on tax compliance, appropriate when examining how multiple independent variables collectively influence a single continuous dependent variable (Wooldridge, 2020).

The regression model is specified as:

$$TaxComp_i = \beta_0 + \beta_1 Age_i + \beta_2 Gender_i + \beta_3 Educ_i + \beta_4 Employ_i + \beta_5 Income_i + \beta_6 HHsize_i + \beta_7 SARS_i + \varepsilon_i$$

where:

- $TaxComp_i$  = tax compliance score for respondent  $i$  (composite index derived from Likert scale responses)
- $Age_i$  = age in years (continuous)
- $Gender_i$  = gender (dummy: 0 = male, 1 = female)
- $Educ_i$  = educational background (ordinal: 1 = undergraduate, 2 = postgraduate, 3 = other)
- $Employ_i$  = employment status (dummy: 0 = private sector, 1 = public sector)
- $Income_i$  = monthly income level (ordinal: 1 = below R10,000, 2 = R10,001-R20,000, 3 = R20,001-R30,000, 4 = R30,001-R40,000, 5 = above R40,000)
- $HHsize_i$  = number of household members supported (continuous)
- $SARS_i$  = SARS registration status (dummy: 0 = not registered, 1 = registered)
- $\beta_0$  = constant term
- $\beta_1 - \beta_7$  = regression coefficients
- $\varepsilon_i$  = error term

The dependent variable (tax compliance) was operationalized as a composite score, calculated as the mean of respondents' Likert-scale responses to questions about tax payment fulfillment, income disclosure accuracy, return submission timeliness, and voluntary compliance intentions.

Hypothesis Testing: For each demographic factor, the null hypothesis ( $H_0: \beta_j = 0$ ) tests whether the factor has no significant effect on tax compliance, against the alternative hypothesis ( $H_1: \beta_j \neq 0$ ). Statistical significance was evaluated using t-tests at the  $\alpha = 0.05$  level.

Overall model fit was assessed using  $R^2$  (coefficient of determination), Adjusted  $R^2$ , and F-statistic. Model diagnostics assessed multicollinearity (VIF), residual normality (Shapiro-Wilk test), and homoscedasticity (Breusch-Pagan test).

### 3.6. Study limitations

Several limitations warrant acknowledgment:

1. Geographic and temporal scope: Focusing on Mbombela in 2022 limits generalizability to other regions with different economic, cultural, and institutional contexts.
2. Self-reported data: Potential social desirability bias regarding sensitive topics such as tax evasion. Actual compliance behavior may differ from reported attitudes.
3. Cross-sectional design: Data collected at a single time point preclude causal inference. Longitudinal designs would establish temporal precedence and causality.
4. Sample size and response rate: A modest sample (n = 103) and a 49% response rate may limit statistical power to detect small effects.
5. Variable constraints: Universal SARS registration (100%) eliminates variance in this variable, rendering it unsuitable for meaningful regression analysis.
6. Measurement of compliance: Self-reported attitudes rather than actual tax payment behavior verified through administrative records.

## 4. Results and discussion

### 4.1. Descriptive statistics

Demographic Profile of Respondents

Table 1 presents the demographic characteristics of the 103 respondents.

**Table 1: Demographic characteristics of respondents (n = 103)**

Demographic Variable	Category	Frequency	Percentage (%)
<b>Gender</b>	Male	46	44.7
	Female	57	55.3
<b>Age</b>	21-29 years	71	68.9
	30-39 years	29	28.2
	40-49 years	3	2.9
<b>Educational Background</b>	Undergraduate degree	11	10.7
	Postgraduate degree	90	87.4
<b>Employment Status</b>	Other qualifications	2	1.9
	Public sector	90	87.4
	Private sector	13	12.6
<b>Monthly Income (ZAR)</b>	Below R10,000	8	7.8
	R10,001 - R20,000	38	36.9
	R20,001 - R30,000	30	29.1
	R30,001 - R40,000	6	5.8
	Above R40,000	21	20.4
<b>Household Size</b>	1-2 members	35	34.0
	3-4 members	48	46.6
	5+ members	20	19.4
<b>SARS Registration</b>	Yes	103	100.0
	No	0	0.0

Source: Field survey data (2022)

Several notable patterns emerge. First, the sample showed slight female predominance (55.3%), aligning with research indicating that women may be more willing to participate in surveys on sensitive topics (Mascagni & Santoro, 2018). Second, respondents were predominantly young (68.9% aged 21-29 years, 97.1% under 40), reflecting South Africa's demographic profile and concentration of economically active taxpayers in younger age cohorts.

Third, educational attainment was notably high (87.4% holding postgraduate degrees), likely reflecting the sampling frame's focus on registered taxpayers in formal employment. Fourth, public sector employment dominated (87.4%), suggesting the sample primarily captured taxpayers subject to Pay-As-You-Earn (PAYE) systems. As noted by SARS (2026) and the South African Institute of Taxation (2025), PAYE deductions are automatically deducted from the earnings of employed individuals, fundamentally shaping compliance patterns by reducing opportunities for evasion.

Universal SARS registration (100%) was expected, given the sampling frame's reliance on the SARS taxpayer registry, eliminating variance in registration status. The monthly income distribution showed that 66.0% earned between R10,000 and R30,000, placing most respondents in the lower-middle income bracket, while 20.4% earned above R40,000 per month.

## Tax Compliance Patterns

**Table 2: Tax payment compliance by monthly income level**

Monthly Income (ZAR)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Below R10,000	0 (0.0%)	5 (62.5%)	0 (0.0%)	2 (25.0%)	1 (12.5%)	8
R10,001 - R20,000	2 (5.3%)	22 (57.9%)	3 (7.9%)	9 (23.7%)	2 (5.3%)	38
R20,001 - R30,000	0 (0.0%)	18 (60.0%)	3 (10.0%)	7 (23.3%)	2 (6.7%)	30
R30,001 - R40,000	0 (0.0%)	3 (50.0%)	0 (0.0%)	2 (33.3%)	1 (16.7%)	6
Above R40,000	1 (4.8%)	14 (66.7%)	0 (0.0%)	5 (23.8%)	1 (4.8%)	21
<b>Total</b>	<b>3 (2.9%)</b>	<b>62 (60.2%)</b>	<b>6 (5.8%)</b>	<b>25 (24.3%)</b>	<b>7 (6.8%)</b>	<b>103</b>

Chi-square = 11.234, df = 16, p = 0.795 (not significant)

Source: Field survey data (2022)

The data reveal pervasive non-compliance with tax payment obligations across all income categories. Specifically, 63.1% of respondents (combining “strongly disagree” and “disagree”) acknowledged not paying all taxes owed, while only 31.1% reported paying all taxes owed. This finding is alarming, indicating that nearly two-thirds of registered taxpayers in Mbombela admit to incomplete tax payment.

Non-compliance remained consistently high across income levels, ranging from 62.5% among the lowest earners to 71.5% among the highest earners. The chi-square test ( $\chi^2 = 11.234$ ,  $p = 0.795$ ) indicates no statistically significant association between income level and tax payment compliance, suggesting non-payment is endemic across the income distribution.

These findings align with SARS (2020a, 2021, 2022) documentation of persistent PIT revenue shortfalls in Mpumalanga Province, providing micro-level confirmation of macro-level revenue challenges. The high non-compliance rate, even among registered taxpayers in formal employment, suggests that factors beyond registration and formal-sector participation drive compliance behavior, supporting theoretical perspectives emphasizing trust, legitimacy, and perceived fiscal exchange (Kirchler et al., 2008; Leder et al., 2010).

**Table 3: Income disclosure compliance by monthly income level**

Monthly Income (ZAR)	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Below R10,000	0 (0.0%)	5 (62.5%)	0 (0.0%)	2 (25.0%)	1 (12.5%)	8
R10,001 - R20,000	1 (2.6%)	22 (57.9%)	4 (10.5%)	9 (23.7%)	2 (5.3%)	38
R20,001 - R30,000	1 (3.3%)	18 (60.0%)	3 (10.0%)	6 (20.0%)	2 (6.7%)	30
R30,001 - R40,000	0 (0.0%)	3 (50.0%)	0 (0.0%)	2 (33.3%)	1 (16.7%)	6
Above R40,000	2 (9.5%)	16 (76.2%)	0 (0.0%)	2 (9.5%)	1 (4.8%)	21
<b>Total</b>	<b>4 (3.9%)</b>	<b>64 (62.1%)</b>	<b>7 (6.8%)</b>	<b>21 (20.4%)</b>	<b>7 (6.8%)</b>	<b>103</b>

Chi-square = 12.892, df = 16, p = 0.681 (not significant)

Source: Field survey data (2022)

Income disclosure patterns mirror non-compliance with tax payments. Overall, 66.0% of respondents admitted to not accurately disclosing all income sources, while only 27.2% reported full disclosure. This finding is particularly concerning, as accurate income reporting underpins self-assessment tax systems (OECD, 2014).

Non-disclosure rates were highest among top earners, with 85.7% of those earning above R40,000 per month admitting to incomplete disclosure. This aligns with theoretical predictions that higher-income individuals face stronger economic incentives for evasion due to higher marginal tax rates and greater income source complexity (Hofmann et al., 2017). However, the chi-square test ( $\chi^2 = 12.892$ ,  $p = 0.681$ ) indicates this relationship is not statistically significant, possibly due to small sample sizes in extreme income categories.

The universally high rates of non-disclosure and non-payment across income levels suggest systemic challenges beyond individual taxpayer characteristics. Research in African contexts emphasizes that trust in government significantly influences tax compliance (World Bank, 2019; The Conversation, 2024). Citizens are more likely to comply when the government is perceived as fair and transparent in revenue utilization.

## 4.2. Regression analysis results

Multiple regression analysis examined the simultaneous effects of seven demographic variables on tax compliance scores. Table 4 presents the regression results.

**Table 4: Multiple regression results – determinants of tax compliance**

Variable	Coefficient ( $\beta$ )	Std. Error	t-value	p-value	Significance
Constant	1.683	0.431	3.903	< 0.001	***
Age	-0.117	0.108	-1.083	0.280	ns
Gender (Female = 1)	0.015	0.129	0.116	0.908	ns
Educational Background	0.137	0.146	0.938	0.349	ns
Employment Status (Public = 1)	0.168	0.041	4.098	< 0.001	***
Monthly Income	0.099	0.029	3.414	0.001	***
Household Size	-0.026	0.240	-0.108	0.914	ns
SARS Registration	-0.053	0.188	-0.282	0.738	ns

Model Statistics:

- $R^2 = 0.324$
- Adjusted  $R^2 = 0.274$
- F-statistic = 6.509,  $p < 0.001$
- $N = 103$

Note: \*\*\*  $p < 0.001$ ; \*\*  $p < 0.01$ ; \*  $p < 0.05$ ; ns = not significant  
Source: Field survey data (2022)

### Overall Model Assessment

The overall regression model is statistically significant ( $F = 6.509$ ,  $p < 0.001$ ), indicating that demographic variables collectively explain a significant portion of variance in tax compliance. The  $R^2$  value of 0.324 indicates that the seven demographic predictors explain 32.4% of variance in tax compliance scores. While modest, this explanatory power aligns with Hofmann et al.'s (2017) meta-analytical finding that sociodemographic variables explain limited variance in compliance, with underlying psychological and institutional factors playing larger roles.

The adjusted  $R^2$  of 0.274 accounts for the number of predictors. The relatively small difference (0.050) suggests that the model is not overfitted, despite including seven predictors across 103 observations.

### Individual Predictor Effects

**Employment Status ( $\beta = 0.168$ ,  $p < 0.001$ ):** Employment status emerged as the strongest and most significant predictor of tax compliance. The positive coefficient indicates that public sector employees demonstrate significantly higher tax compliance than private sector employees, holding other variables constant. Being employed in the public sector is associated with a 0.168-point increase in the tax compliance score.

This finding aligns with theoretical expectations regarding the effectiveness of PAYE systems. In South Africa, public sector employees are subject to mandatory PAYE deductions at source, with employers legally obligated to deduct and remit taxes monthly (SARS, 2026; South African Institute of Taxation, 2025). This mechanism creates “enforced compliance” in Kirchler et al.'s (2008) Slippery Slope Framework terminology: compliance occurs through reduced opportunities for evasion rather than through voluntary cooperation.

The dominance of public sector employees in the sample (87.4%) may partly reflect this higher compliance rate. The finding supports Garuba and Eichie's (2022) Nigerian evidence that employment status significantly influences compliance, with formal sector PAYE systems minimizing evasion opportunities compared to self-assessment.

**Monthly income ( $\beta = 0.099$ ,  $p = 0.001$ ):** Monthly income level also significantly predicts tax compliance, with higher-income taxpayers reporting higher compliance scores. Each one-unit increase in the income category is associated with a 0.099-point increase in the tax compliance score.

This positive relationship contradicts Hofmann et al.'s (2017) meta-analytical finding of a small negative income-compliance relationship globally. However, the current finding may reflect South Africa's specific context, in which higher-income formal-sector employees face greater audit scrutiny and third-party reporting requirements. Additionally, higher-income taxpayers may have stronger incentives to maintain compliance to preserve professional reputations and avoid financially damaging penalties.

Alternatively, this finding may reflect response bias. Higher-income respondents may be more aware of socially desirable responses or may interpret survey questions about "compliance" differently. The contradiction between high self-reported compliance scores in regression analysis and high rates of admitted non-payment and non-disclosure in descriptive statistics (Tables 2-3) suggests potential measurement issues.

**Age ( $\beta = -0.117$ ,  $p = 0.280$ ):** Contrary to expectations and meta-analytical evidence (Hofmann et al., 2017), age showed no significant relationship with tax compliance. The negative coefficient suggests a weak tendency for younger taxpayers to be more compliant, but this relationship is not statistically significant.

This null finding contradicts theoretical propositions that older taxpayers, being more risk-averse and experienced, should demonstrate higher compliance (Paleka et al., 2023). However, the sample's age distribution - with 68.9% aged 21-29 and only 2.9% over 40 - provides insufficient variance to detect age effects. The restricted age range may obscure relationships that would emerge in more age-diverse samples.

**Gender ( $\beta = 0.015$ ,  $p = 0.908$ ):** Gender demonstrated no significant effect on tax compliance, with the near-zero coefficient indicating virtually identical compliance levels between males and females. This null finding contradicts substantial research reporting gender differences in compliance, typically favoring females due to greater risk-aversion and honesty (Paleka et al., 2023; Mascagni & Santoro, 2018).

However, the finding aligns with Hofmann et al.'s (2017) conclusion that gender explains negligible variance (0.36%) in compliance globally. In contexts where structural factors (PAYE systems, enforcement mechanisms) dominate compliance determinants, individual psychological differences between genders may become less relevant.

**Educational background ( $\beta = 0.137$ ,  $p = 0.349$ ):** Educational attainment showed no significant relationship with compliance, despite a positive coefficient suggesting marginally higher compliance among more educated taxpayers. This null finding aligns with Hofmann et al.'s (2017) meta-analysis, which found negligible effects of education on compliance.

The sample's educational homogeneity - 87.4% holding postgraduate degrees - likely contributes to this null finding. With minimal variance in education levels, detecting effects becomes statistically challenging.

**Household Size and SARS Registration:** Neither variable significantly predicted compliance. The SARS registration finding is unsurprising given 100% registration in the sample, eliminating variance. Household size's null effect suggests that financial obligations associated with supporting dependents do not systematically influence compliance attitudes.

#### Theoretical Implications

The regression results challenge conventional assumptions regarding demographic determinants of tax compliance while supporting key theoretical perspectives:

The finding that only two of seven demographic variables significantly predict compliance supports Hofmann et al.'s (2017) conclusion that sociodemographics have limited predictive power. Demographics likely serve as proxies for underlying psychological, economic, and institutional factors rather than direct causal determinants.

Employment status emerged as the strongest predictor, reflecting the structural features of the tax system (PAYE) rather than individual characteristics. This finding emphasizes the Slippery Slope Framework's "power" dimension - compliance mechanisms that reduce evasion opportunities through third-party reporting and withholding (Kirchler et al., 2008).

The contradiction between relatively high compliance scores in regression analysis and widespread admitted non-compliance in descriptive statistics highlights complexities in measuring tax compliance. Self-reported attitudes may diverge substantially from actual behavior, particularly on sensitive topics.

The modest  $R^2$  (32.4%) indicates that 67.6% of the variance in compliance remains unexplained by demographics. Theoretical frameworks emphasize trust in government, perceived fiscal exchange, service delivery quality, corruption perceptions, and enforcement effectiveness as critical determinants (Leder et al., 2010; World Bank, 2019). The widespread non-compliance

documented, even among formally employed registered taxpayers, suggests that institutional legitimacy deficits may be fundamental drivers.

## 5. Conclusion

### 5.1. Key findings

This study examined the influence of demographic factors on taxpayers' personal income tax compliance behavior in Mbombela, Mpumalanga, South Africa. Several important findings emerge:

First, demographic factors demonstrate limited predictive power. Only two of seven demographic variables - employment status and monthly income - significantly influence tax compliance ( $p < 0.05$ ). This finding aligns with Hofmann et al.'s (2017) meta-analytical conclusion that sociodemographic characteristics explain minimal variance in compliance behavior globally.

Second, employment status emerged as the strongest predictor ( $\beta = 0.168$ ,  $p < 0.001$ ), with public-sector employees demonstrating significantly higher compliance than private-sector employees. This reflects the structural features of South Africa's tax system, particularly the Pay-As-You-Earn (PAYE) mechanism, which automatically deducts taxes at source (SARS, 2026; South African Institute of Taxation, 2025).

Third, monthly income positively predicts compliance ( $\beta = 0.099$ ,  $p = 0.001$ ), with higher-income taxpayers reporting higher compliance scores. However, the contradiction between high self-reported compliance and widespread admitted non-payment (60.2%) and non-disclosure (62.1%) suggests potential measurement issues.

Fourth, pervasive non-compliance characterizes the sample. Despite comprising registered taxpayers in formal employment, 63.1% admitted not paying all taxes owed, and 66.0% acknowledged incomplete income disclosure. These high rates persist across all demographic categories, indicating systemic challenges.

Fifth, the modest explanatory power ( $R^2 = 0.324$ ) indicates that 67.6% of the variance in compliance remains unexplained by demographics, underscoring the importance of factors beyond demographics.

### 5.2. Theoretical contribution

This study demonstrates that, in contexts with structural enforcement mechanisms (PAYE systems), individual demographic characteristics explain only limited variance in compliance behavior. The findings support integrative theoretical frameworks emphasizing the interaction between power (enforcement capacity) and trust (perceived legitimacy) rather than demographic segmentation.

The Slippery Slope Framework receives empirical support from the employment status finding, which demonstrates how power-based mechanisms enhance compliance. However, the widespread non-compliance documented among formally employed, registered taxpayers suggests that power alone is insufficient. The South African context may represent a "low trust-high power" scenario where compliance is enforced for certain taxpayers but voluntary cooperation remains weak due to legitimacy deficits.

Political Legitimacy Theory and Fiscal Exchange Theory provide complementary explanations. Research demonstrates that African taxpayers are more likely to comply when they perceive the government as fair, transparent, and effective in allocating tax revenues to public goods and services (World Bank, 2019; The Conversation, 2024).

### 5.3. Policy recommendations

The findings suggest several actionable recommendations for SARS, policymakers, and tax administrators:

1. Extend PAYE-Style Mechanisms Beyond Traditional Employment: SARS should explore extending withholding-at-source mechanisms to additional income sources, particularly self-employment and informal sector earnings. Partial measures, such as presumptive taxation for small businesses and third-party reporting requirements for digital platforms, could reduce opportunities for evasion (OECD, 2022; SARS, 2025).

2. Enhance Enforcement for High-Income Taxpayers: Targeted enforcement for high-income taxpayers may yield substantial revenue gains. SARS's recent investment of R7.5 billion in modernization and debt recovery represents movement in this direction (Tax Consulting SA, 2025).

3. Shift from Demographic Targeting to Institutional Legitimacy Building: Compliance interventions should focus less on taxpayer education segmented by demographics and more on addressing institutional factors:

- Enhance transparency in government spending
- Reduce corruption and improve service delivery
- Simplify tax processes
- Communicate enforcement actions

4. Develop Sector-Specific Compliance Strategies: Rather than demographic segmentation, SARS should develop sector-specific approaches, recognizing that public sector employees, private sector employees, and self-employed individuals face fundamentally different compliance contexts.

5. Strengthen the Voluntary Disclosure Programme: VDP uptake requires trust that SARS will honor confidentiality and reduce penalties. Strengthening VDP communication and procedural fairness can encourage voluntary regularization.

6. Balance Enforcement with Support: SARS's dual strategy requires careful balance. Excessive enforcement without corresponding service improvements risks further eroding trust. Research demonstrates that coercive power decreases implicit trust, whereas legitimate power increases reason-based trust and voluntary cooperation (Hofmann et al., 2014).

#### 5.4. Contribution to Sustainable Development Goals

This research contributes to South Africa's progress toward:

SDG 16 (Peace, Justice and Strong Institutions): Enhanced tax compliance strengthens institutions' capacity to deliver services, promote the rule of law, and build accountable governance (UNDP Tax for SDGs Initiative, 2024; Wolters Kluwer, 2025).

SDG 10 (Reduced Inequalities): Progressive income taxation, when effectively enforced, redistributes wealth and reduces inequality.

SDG 8 (Decent Work and Economic Growth): Tax revenues finance infrastructure, education, and healthcare investments that are essential to economic growth and the creation of decent work.

#### 5.5. Limitations and future research directions

Several limitations warrant acknowledgment:

1. Study Design Limitations. This investigation employs a cross-sectional design capturing data at a single time point in Mbombela, Mpumalanga (2022), which presents multiple constraints. First, the geographic specificity limits generalizability to other South African regions with different economic, cultural, and institutional contexts. Second, the cross-sectional nature precludes causal inferences about observed relationships, as temporal precedence cannot be established - longitudinal designs tracking compliance behavior over time would be necessary to establish causality. Third, reliance on self-reported data introduces potential social desirability bias, particularly regarding sensitive topics such as tax evasion and income non-disclosure. Respondents may overstate their compliance attitudes to present themselves favorably, leading actual compliance behavior to diverge substantially from reported attitudes. Future research should employ multi-regional, longitudinal designs and, where feasible, triangulate self-reported data with administrative records or behavioral observations to mitigate these design limitations.

2. Sampling and Measurement Constraints. The modest sample size ( $n = 103$ ) and response rate (49%) may limit statistical power to detect small effects and raise questions about representativeness, despite appropriate random sampling procedures. Moreover, the sample exhibits limited variance in key variables - most critically, universal SARS registration (100%) eliminates variance in this theoretically relevant predictor, rendering it unsuitable for meaningful regression analysis. Similarly, the sample's demographic homogeneity (87.4% holding postgraduate degrees, 87.4% employed in the public sector, 68.9% aged 21-29 years) limits variation in education, employment status, and age, potentially obscuring relationships that would emerge in more heterogeneous samples. Future studies should target larger, more diverse samples encompassing broader ranges of educational attainment, employment sectors (particularly informal sector operators), age distributions, and both registered and unregistered taxpayers to capture fuller variance in predictors and enhance statistical power.

3. Measurement of Tax Compliance. A fundamental limitation concerns the operationalization of the dependent variable. This study measures self-reported compliance attitudes using Likert scale responses rather than actual tax payment behavior verified through administrative records. While attitudinal measures provide insights into taxpayers' perceptions and intentions, they may diverge substantially from actual behavior - as evidenced by the contradiction between relatively high

compliance scores in regression analysis (Table 4) and widespread admitted non-compliance in descriptive statistics (60.2% admitting non-payment, 62.1% admitting non-disclosure in Tables 2-3). This discrepancy highlights concerns about measurement validity inherent to self-report methodologies for sensitive behaviors. Future research should prioritize access to SARS administrative data (subject to confidentiality protocols and ethical approvals) to measure objective compliance outcomes, including actual tax payments, filing timeliness, and audit-verified income reporting accuracy. Matching administrative records with survey data would enable validation of self-reported measures and provide more robust compliance indicators.

4. Institutional and Psychological Factors Underexplored. The modest explanatory power ( $R^2 = 0.324$ ) indicates that 67.6% of the variance in compliance remains unexplained by demographic predictors, underscoring the critical role of unmeasured institutional and psychological factors. Theoretical frameworks emphasize trust in government, perceived fairness of the tax system, perceived fiscal exchange (reciprocity between taxes paid and public services received), corruption perceptions, service delivery satisfaction, enforcement perceptions (audit probability, penalty severity), social norms, peer compliance behavior, and tax morale as fundamental compliance determinants (Leder et al., 2010; Kirchler et al., 2008; World Bank, 2019). The widespread non-compliance documented across all demographic categories - even among formally employed, registered, educated taxpayers - suggests that institutional legitimacy deficits and psychological factors may be more powerful drivers than demographics. Future research should incorporate comprehensive measures of these institutional and psychological constructs through validated scales, enabling examination of mediation pathways through which demographics influence compliance. Additionally, qualitative research methodologies (in-depth interviews, focus groups, case studies) would provide rich contextual understanding of taxpayers' compliance decisions, perceived barriers, and motivations that quantitative surveys cannot capture. Experimental and quasi-experimental designs exploiting natural policy changes (e.g., SARS enforcement campaigns, tax rate adjustments, service delivery improvements) could enable stronger causal inference into the effects of institutional determinants on compliance behavior.

## 5.6. Final remarks

This study demonstrates that effective tax compliance strategies require moving beyond demographic stereotypes toward addressing fundamental institutional deficits in trust, legitimacy, and perceived fiscal exchange. The pervasive non-compliance documented signals not merely an enforcement challenge but a social contract crisis. Taxpayers across demographic categories express through their behavior that the fiscal exchange is perceived as unfair or unbalanced.

For SARS and policymakers, the path forward combines strengthened enforcement capacity with legitimacy building. Power-based mechanisms must be complemented by trust-building measures - transparency in revenue utilization, visible service delivery improvements, anti-corruption actions, and fair treatment of taxpayers - to achieve the Slippery Slope Framework's optimal scenario of high power combined with high trust.

Ultimately, tax compliance represents not merely a technical administrative challenge but a reflection of the taxpayer-state relationship's health. Addressing this foundational legitimacy question offers the most promising pathway toward sustainable compliance improvements in South Africa.

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## Conflict of interest

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## Declaration of generative AI and AI-assisted technologies in the writing process

During the preparation of this manuscript, the authors used Grammarly (Premium version) to enhance the clarity, grammar, and readability of the English language text. Grammarly was employed

solely for language editing purposes, including correction of grammatical errors, improvement of sentence structure, and refinement of word choice.

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