

WILL TAX SIMPLIFICATION LEAD TO MORE COMPLIANCE?

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ABSTRACT

Orientation

It has been said that the fundamental paradox of tax simplification is that, despite consensus, almost every year tax rules become more complex, and by increasing the complexity it can become overwhelming for the taxpayer to comply with the provisions.

Research purpose

This paper seeks to consider whether tax simplification can be a tool to increase compliance. It is acknowledged that simplification is multi-faceted and can be addressed from several areas.

Motivation for the study

The focus of the paper is to address the understandability and readability of tax legislation to increase compliance. This paper considers tax simplification measures which have been implemented internationally to provide a basis for a recommendations in which tax systems could be simplified.

Research approach and methods

A doctrinal methodology is applied, and an analysis is carried out of possible tax simplification measures, based on the commentary of experts in the field of tax law.

Main findings

This paper considers the international trends to provide a basis to reduce the complexity found in tax legislation which could lead to an increased tax compliance. Several measures were identified which could be implemented to address the current areas of complexity experienced globally. Some of these measures include the re-writing of tax legislation using simpler language when drafting legislation, aligning legislation to international standards and simplifying the structure of the legislation.

Practical implications

The research outlines the measures which could be implemented to achieve tax simplification.

Contribution

This research highlights that tax simplification needs to be prioritized to achieve increased compliance and reap the other benefits associated with tax simplification. The paper provides recommendations to contribute to achieving the goal.

Keywords: Tax Simplification, Tax Complexity, Tax Legislation, Flesch Reading Score, Rewrite Legislation, Tax Compliance, International Standards, Structure.

INTRODUCTION

“Tax systems tend to grow more complex over time, alongside accumulated accretion of statutes, regulations, administrative practices, bureaucratic conventions and evolving societal norms” (World Bank, 2009).

Globally, tax systems have also become relatively complex over many years, mainly through numerous changes to tax legislation, various changes in administrative practices and significant changes in society and politics. Legislative changes are often introduced to provide clarity on a section but can result in further complexities. The present research proposes that tax systems are complex and there is a need to simplify them in order to increase compliance. This is a vexing problem as there are many different facets to tax simplification. James & Edwards (2008) suggests that the problem needs to be addressed from different angles. Tran-Nam & Evans (2014) also identify a combination approach in addressing tax simplification. The present research identifies that multiple approaches should be taken but for the purposes of this paper the focus will be on the key element of addressing the language and structure of tax legislation. It is believed that these are key areas which could make substantial improvements in the complexity of tax legislation and ultimately increasing compliance. Therefore, the aim of this research is to firstly understand the rationale for tax complexity to create a platform for the discussion. Secondly, the research will examine international trends where tax simplification in relation to language and structure has been utilized. Finally, the research will make recommendations to improve the simplicity of tax legislation and consider whether this will improve tax compliance.

Research Context

The research is situated in a post-positivist paradigm. Creswell et al., (2016) sees post-positivism as an extension of positivism, since it represents the thinking after positivism, challenging the traditional notion of the absolute and objective truth of knowledge in the social sciences. Post-positivist approaches show a much greater openness to different methodological approaches, and often include qualitative, as well as quantitative methods (Stack, 2019). The approach in the present research can be characterised as legal interpretive research. The methodology adopted is a doctrinal methodology. Doctrinal research can be described as a research methodology that provides a systematic exposition of the rules governing a particular legal category, analyses the relationship between rules, explains areas of difficulty and, perhaps, predicts future developments (McKerchar, 2008). The present research entails a literature survey and an interpretation of tax legislation. Commentary and articles from various tax experts are considered. The research is conducted in the form of an extended natural language argument, supported by documentary evidence. The credibility of the research and the conclusions are ensured by placing greater evidential weight on legislation and the writings of acknowledged experts in the field; discussing opposing viewpoints and advancing conclusions based on credible evidence; and the rigour of the arguments. The research is based purely on literature. As all the data were publicly available,

no ethical considerations arise in relation to their use. All opinions are considered in their written form. The researcher will not exaggerate or filter data or results, and content will not be withheld or analysed selectively to support a certain viewpoint. All sources of data were appropriately acknowledged, and full references are provided.

The Rationale For Tax Simplification

“If paying taxes was to be seen as easy, straightforward, fair, and robust, then individuals and businesses would be more likely to comply with the payment of tax”.

Paying tax is one of the most universal, frequent, and potentially contentious interactions that citizens have with their governments. This section explores the definition of tax complexity to create a foundation and understanding of tax simplification. In addition, this section will investigate the barriers and benefits of a simpler tax system to create a justification of the importance of tax simplification as a core pillar of any tax system

Tax Complexity

Tax complexity has many dimensions and can be defined in different ways. Slemrod (1984) defines the complexity of a tax system as the sum of compliance costs which are incurred directly by individuals and businesses, as well as administrative costs which are incurred by governments. Long & Swingen (1988) provide a comprehensive definition of tax complexity that points to “... *the ambiguity of tax laws; the need for numerous calculations; the frequency of change in the tax laws; the excessive detail in the tax laws, such as rules and exceptions to the rules; the obligation to keep the records; and taxpayer forms and instructions.*”

It is important to understand what tax complexity is to fully understand how to address the problem. Evans et al., (2019) describe tax complexity in broad terms as being ascribed to statutory and effective complexity. Statutory complexity refers to the difficulty with which a body of tax law can be read, understood, and applied. They identify three main indicators of statutory complexity; namely, the length of the tax legislation, its readability, and the extent of tax disputes. Effective complexity refers to the difficulty of complying with procedures and thus “the operating costs of a tax”. They further detail “operating costs of tax” as costs incurred because of the complexity of tax forms, frequent changes to tax rules and complicated calculations. It is noted that there are many contributing factors that add to the complexity of the tax system. This research will focus on the aspects of statutory complexity and will be examining the style and structure in which legislation is written and to determine whether it could be simplified and retain the purpose.

It is evident that many taxpayers find tax legislation complex and often incomprehensible, and this can lead to increased non-compliance, which may be largely unintentional. Palil (2010) suggests that complexity of tax administration has, over time, had a negative impact on tax compliance behaviour. Prebble (1994) quotes Professor David Walker, editor of *The Oxford Companion to English Law*:

“More than any other branch of municipal law, tax law is open to the reproach of being utterly incomprehensible by the individuals affected, and even frequently by their legal advisers. The enormous complexity of the rules of law on each kind of tax gives rise to an enormous volume of dispute and argument, and a great deal of litigation by way of appeal

from assessments ... Neither justice nor reason has any place in tax law, and many decisions of the superior courts are in plain conflict with all sense.”

This research will focus on the ways in which tax simplification can be achieved through considering the aspects of language and structure.

Barriers to Tax Simplification

Tax simplification is an attempt to reduce the complexity of the tax system. Gale (2001) suggests that there are at least three factors which help to explain why taxes become complicated. He explains that conflict among the consensus goals of tax policy is the first factor. He explains that although almost everyone agrees that taxes should be simple, most people also agree that taxes should be fair, conducive to economic prosperity, and enforceable. He concludes that this can result in policy outcomes usually representing efforts to balance one or more goals against the other. That is, sometimes a certain amount of complexity is created or permitted to help achieve other policy goals. He states that attempts to make taxes fairer often conflict with attempts to make taxes simpler. He explains that most countries tailor tax burdens to the characteristics of individual taxpayers. He further emphasises that this may improve tax equity, but it also creates complexity. The second factor as to why taxes are complex, according to Gale, is that tax complexity is a result of the political process; politicians and interest groups have interests in targeted subsidies that reduce taxes for particular groups or activities, but targeted subsidies inevitably make taxes more complex by creating more distinctions among taxpayers and among sources and uses of income. The final aspect Gale describes is that some complexity is necessary to deter tax avoidance. He states that taxpayers may reduce their taxes as long as they comply with the tax legislation, but this activity inevitably raises questions about whether particular activities or expenditures qualify for tax-preferred status. He expresses the view that complex rules are designed to limit avoidance. Taxpayers in turn respond by inventing complex transactions to circumvent the new rules and this can create a vicious cycle that leads to more and more complex rules and increasingly sophisticated and complex avoidance strategies. In addition to the above barriers, Whiting (2019, in Evans et al., 2019:xvi) suggests that some tax simplification measures could be costly, which would result in minimal action being taken by the authorities. It is clear that there are barriers to overcome, but despite these barriers there are benefits to a simpler tax system and these benefits are discussed below.

Benefits of a simple Tax System

Gale (2001) suggests that pleas for simplification need to be buttressed by an understanding of the likely outcome of simplification efforts. It is submitted that a simpler tax system is very desirable as it has numerous benefits. The first benefit of a simpler tax system is the reduction in taxpayers' costs of complying with the tax system in terms of time, money, and mental anguish, as well as reducing the overall burden of taxation. Gale goes on to state that there would be a greater likelihood of taxpayers' taking advantage of tax incentives or subsidies as more taxpayers will understand how to qualify for these incentives. In addition, Gale believes that making taxes simpler are likely to increase compliance rates. An example of this is the reduction in illegal tax evasion, as he believes that, to some extent, people do not pay taxes because they do not understand the tax law. Clarifying and simplifying tax rules will facilitate taxpayers' understanding of tax legislation. James et al.,(2015) concur with this

benefit as they believe that overly complex and obscure legislation might reduce the willingness of taxpayers to comply voluntarily with the requirements of the tax system.

Gale (2001) further explains that people who cannot understand tax rules may also question the fairness of the tax system and feel that others are reaping more benefits than they are, and thus prove more likely to evade taxes. James et al., (2015) echo this sentiment as they claim that complex taxes generate unfairness because, for example, not everyone is able to take advantage of the various complexities of a tax system. Finally, Gale describes simpler taxes as generating more public support and thus should be an essential part of any effort to improve the delivery of government services. James et al., (2015) have similar views as they state that the primary purpose of taxes is to pay for public expenditure. It is clear from the benefits described above that a simpler tax system would not only increase compliance rates, but there are additional benefits for both the taxpayer and the government such as what? state these benefits and not assume them as self evident. The next section will focus on the reforms which have been rolled out in some countries to create a simpler tax system.

The international tax legislation reforms

Two key factors which are the focus of this research are examining the content of legislation and the style of language which can pose a challenge in understanding tax legislation. In an attempt to simplify the legislation, it is important to investigate how countries throughout the world have attempted to address the issue of complex legislation. It is proposed that the simplification of tax legislation is a global goal. Many countries have taken steps to achieve this goal, including New Zealand, America, Egypt and South Africa. This section evaluates the progress made in these countries regarding tax legislation reforms in relation to style and language.

New Zealand Tax Legislation Simplification

Evans et al (2019) report that New Zealand has made great advances in simplifying their tax legislation and has been addressing this problem since 1994 with the commencement of their tax rewrite project spanning the 90s through to 2014. They explain that the area of simplification for which New Zealand is most well-known is the rewriting of tax legislation to improve readability and its ability to be understood. It is submitted that New Zealand has been a world leader in its efforts to reduce complexity through rewriting and reorganising their income tax legislation.

Evans et al., (2019) describe the various phases of implementation of the project. The first phase of the project was the reorganisation of the Income Tax Act, 1976, and the Inland Revenue Department Act, 1974. Evans et al., (2019) report that this phase produced three new statutes: the Income Tax Act, 1994, the Tax Administration Act, 1994, and the Taxation Review Authorities Act, 1994. The authors continue to describe that the second phase was rewriting the core provisions in the Income Tax Act, 1994, followed by rewriting the major income, deduction and timing provisions, including the definitions. These appeared in a completely new statute, the Income Tax Act, 2004. Finally, Evans et al., (2019) describe the Tax Rewrite Project, which addressed the remaining parts of the Income Tax Act, 2004, rewritten as the Income Tax Act, 2007, in an attempt to further fine tune the legislation.

Evans et al., (2019) explain that a review of the rewrite project was essential to evaluate whether the project was successful. Evans et al., (2019) refer to the early work of

Tan and Tower (1992) in relation to evaluations of the rewrite project, which examined the state of income tax legislation prior to the commencement of the tax rewrite project. They describe the tools used as predominantly readability tools available through most word processing packages, such as the Flesch Reading Ease Score and Flesch Kincaid Grade Level, amongst others. The Flesch readability test provides a score from zero to 100. A score of 100 means the document is very easy to read, a score of zero means the text is very difficult to read. The readability tools indicated that the material would be best understood by university graduates, as scores ranged between zero to 30.

The studies of Richardson & Sawyer (1998) evaluates each stage of the tax rewrite project using the readability measures. Their studies indicate further improvement in readability as measured by the Flesch Reading Ease Score. In particular, the results of Saw and Sawyer (2010) suggest that New Zealand's income tax legislation should now be more readable, such that a university undergraduate should be able to read and understand most of the sections in the Income Tax Act, 2007. Pau et al., (2007) also observe that, in comparing the readability of the Income Tax Act 2007 with other tax-related materials, the average score is higher for the Income Tax Act 2007, suggesting that the Income Tax Act is easier to read and understand compared to Inland Revenue's Tax Information Bulletins.

Sawyer's (2011) research selects four key sections from four versions of the Income Tax Act: the Income Tax Act, 1976, the Income Tax Act, 1994, the Income Tax Act, 2004, and the Income Tax Act, 2007. The subjects used in Sawyer's study are undergraduate taxation students from introductory and advanced tax classes who should be familiar with the four key sections selected. The study addresses the key areas of tax residence for natural persons, sources of New Zealand income, the general deeming provision for income and exempt income, and the general permission for allowing deductions. Overall, Sawyer's research identifies the Income Tax Act, 2004 version of the four sections as the easiest to understand. The Income Tax Act, 2007, the final version of the rewritten legislation, came in a close third behind the Income Tax Act, 1976, which was the pre-rewritten version. Evans et al., (2019) confirm that earlier studies conducted on behalf of Inland Revenue utilized officials and tax practitioners to test the understandability of the Income Tax Act, 2004. They state that these tests produced an average score of 68.1% and were marginally more understandable than were extracts from the Income Tax Act, 1976, which had yielded an average score of 62.5%.

It is submitted that the various studies performed to evaluate the success of the project reflect that improvements have been made to the original legislation, however, as the legislation develops, for example from the 2004 version to the 2007 version, there are indications that the complexity of the legislation has slightly increased. This could be because of the writers of the legislation attempting to close any gaps which were not identified in the first draft. It is clear that the overall outcome, however, has produced legislation that is more understandable than the original legislation and that legislators need to be consistently checking new legislation to see if they are meeting the objection of clarity of the legislation as well as simplicity for the taxpayer. It was expected that the compliance costs would have decreased as the legislation is easier to understand.

United States of America tax Legislation Simplification

Blank and Osofsky (2017) identify that in the United States of America, the federal government agencies have increasingly attempted to use plain language in written

communications with the public. They further explain that the Plain Writing Act of 2010 requires agencies to incorporate clear and simple explanations of rules and regulations in official publications. They go on to explain that the introduction of plain language in government communications should promote clarity because it is designed to ensure that when government communicates with citizens, it does so in a way that people can easily understand. The research of Blank and Osofsky confirms that in the tax context, as part of its customer service mission, the Internal Revenue Service bears a duty to explain the tax law to millions of taxpayers who file tax returns each year. Their research identifies that proponents of the plain language movement have heralded this form of communication as leading to simplicity in tax compliance, more equitable access to federal programmes, and making government structures more user friendly.

Blank and Osofsky (2017) do caution, however, that when writing tax legislation there is a need to be mindful of the trade-off between representing the tax law accurately and making it understandable to the public. They argue that merely simplifying the language structure might involve the mutation of the meaning of the underlying law and advocate the construct of “simplicity” where plain language is used to describe complex rules and regulations, thereby protecting the substance of the underlying law.

The use of simple language offers several potential tax compliance and administration benefits. Blank and Osofsky (2017:236) describe these benefits as:

The simplification can streamline the inquiry for third parties who may be assisting taxpayers with their tax return filings, thereby reducing taxpayers' costs of filing. In addition, tax law, which is simple to understand, reduces the need to expend resources contesting alternative taxpayer positions as there would be clarity regarding the legislation when the taxpayer is submitting their returns initially.

Egyptian Tax Legislation Simplification

The World Bank (2009) report that Egypt has had some success in the area of tax simplification and confirms that in 2004 Egypt embarked upon a tax reform that included many of the good practices of a simplified tax system. The World Bank points out that the programme included several aspects, one of which was the simplification of tax laws. An example of how the tax laws were simplified was the alignment of the definitions of several tax terms with international norms. The World Bank report that the tax reforms had an immediate impact. “The number of tax returns filed increased by fifty percent in one year” (World Bank, 2009:5). The World Bank indicate that tax revenue increased from seven to nine percent of gross domestic product (GDP), even though tax rates were cut in half. They further report that while the time corporations spent on filing taxes increased slightly, as measured by *Doing Business* surveys, the overall tax burden fell due to the reduction in tax rates.

South African Simplification Measures

South Africa has made several strides towards tax simplification over the years. Before the establishment of the South African Revenue Service (SARS) in 1997, the collection of taxes in South Africa was managed by different government departments such as? and agencies such as? responsible for various aspects of revenue collection. The pre-SARS era was characterized by a fragmented and decentralized tax administration system.

This led to increased complexity for taxpayers as the revenue service was not housed in one place. The government took the decision to create one collection agency to streamline the process. This led to the creation of the SARS which operates independently and is distinctive from other government departments, although it does still falls under the broader governance structure of the South African government and is accountable to relevant authorities. This balance between autonomy and accountability allows SARS to efficiently fulfill its mandate while adhering to the principles of good governance. Their primary mandate is to administer and collect taxes and customs duties, which are crucial sources of revenue for the South African government. SARS is responsible for ensuring compliance with tax laws, preventing tax evasion, and promoting a fair and efficient tax system. SARS was established to streamline and centralize tax administration and improve revenue collection processes.

Since their establishment, SARS has undergone various reforms and modernization efforts to enhance its efficiency and effectiveness, thus increasing tax simplicity. These efforts include the implementation of digital services and online platforms to streamline processes for taxpayers. Additionally, SARS has focused on improving its relationship with taxpayers by providing accessible and accurate information. The efficacy of the SARS plays a significant role in increasing taxpayer compliance. When a tax administration agency is effective, efficient, and transparent in its operations, it creates an environment that encourages taxpayers to willingly comply with their tax obligations. Tax simplification is a key tools which can be used to improve the efficacy of the SARS.

In addition to the measures described above, South Africa has made great strides in terms of simplifying their legislation. Several committees have been established to begin this process. One of those committees is the Davis Tax Committee (2018), which acts as an advisory committee to the Minister of Finance. The Davis Tax Committee was formed in 2018 and (2018:72) states: *“That the legislation should be clear and unambiguous, easy to administer and to comply with, such that taxpayers are able to understand the tax system.”*

The Davis Tax Committee goes on to suggest that although simplicity is a desirable attribute of a good tax system, whenever there is a conflict between simplicity and any other tax objectives such as fairness or efficiency, simplicity is often sacrificed. In South Africa it is evident that the writers of legislation are attempting to improve the readability of the legislation. Older legislation is more complex to read, for example section 6quat in the Income Tax Act, while more recently promulgated legislation such as the Eighth Schedule to the Income Tax Act, which was promulgated in 2001, is easier to understand, as indicated in the examples below.

Section 6quat(1D):

Notwithstanding subsection (1C), the deduction of any tax paid or proved to be payable as contemplated in that subsection shall not in aggregate exceed the total taxable income (before taking into account any such deduction) attributable to income which is subject to taxes contemplated in that subsection: Provided that in determining the amount of the taxable income that is attributable to that income - any allowable deductions contemplated in sections 11F and 18A must be deemed to have been incurred proportionally in respect of attributable and non-attributable taxable income; the deduction under section 11F must be allocated in relation to the taxable income from attributable and non-attributable taxable income before taking into account any deduction in terms of that section, subsection (1C) and section 18A; and the deduction under section 18A must be allocated in relation to

attributable and non-attributable taxable income before taking into account any deduction in terms of that section and subsection (1C).

This is in contrast to paragraph 22 of the Eighth Schedule to the Income Tax Act has no Latin terms and is set out in a manner that is easy to understand:

22. Amount of donations tax to be included in base cost. – The amount of donations tax payable by a person in respect of the disposal of an asset which may be taken into account in terms of paragraph 20(1)(c)(vii) must be determined in accordance with the formula-

$$Y = (M - A) / M \times D$$

where-

“Y” represents the amount to be determined;

“M” represents the market value of the asset donated in respect of which the donations tax is payable;

“A” represents all amounts allowed to be taken into account in determining the base cost of the asset in terms of this Part (other than paragraph 20(1)(c)(vii)); and

“D” represents the total amount of donations tax so payable:

Provided that where the amount included in “A” is greater than the amount included in “M”, the amount of donations tax to be taken into account in terms of paragraph 20(1)(c)(vii) shall be nil.

The first extract contains numerous cross-references and the calculation prescribed in the section is difficult to understand and execute. As the calculation in paragraph 22 is set out by way of a formula, the calculation is relatively simple and clear, compared to the complex provisions in section 6quat(1D).

In addition, South Africa has implanted a simpler numbering style. Older legislation uses Latin terms, while newer legislation uses capital lettering. Newer tax legislation is numbered using lettering such as A, B and C, however, this has created challenges as the numbering system is now not consistent. Nevertheless, there appears to be consistency within the numbering systems used for different categories of sections. For example, section 13quin was introduced on 1 April 2007 and was incorporated into the existing group of capital allowances which already used a Latin numbering system. The Tax Administration Act, which was promulgated in 2011 and is one of the latest tax acts, has no Latin numbering. This seems to suggest that this form of numbering is being phased out (Tran-Nam & Evans, 2014).

It seems that to make the tax legislation more user-friendly, an overhaul of the numbering system needs to be considered. If an overhaul of all numbering were to be made, however, it may create more confusion as many people are familiar with the numbering system of the current legislation. To address this challenge, there may need to be a period of transition into the new numbering system and, possibly, a schedule linking the old and new numbers. These steps show that South Africa is making progress towards a simpler tax system and is focusing on simplifying new legislation as it needs to be written.

This analysis of tax simplification efforts of various countries provides insights into what some countries are doing to address the challenges of complex legislation. The present research will now consider the application of these efforts to create recommendations for a simpler tax regime.

Recommendations for a Simpler Tax System

This section aims to make recommendations which could aid the tax systems to move to a more simpler tax regime and obtained the benefits of a simpler tax system; namely, increased tax compliance.

Rewriting the Legislation

The first recommendation would be to follow the approach of New Zealand and undertake to rewrite the legislation with the aim of creating a simpler legislation. As demonstrated by the undertakings of the New Zealand Inland Revenue, this is not without its challenges as it can be a costly exercise which could result in only a slightly less complex tax legislation according to the Flesch reading scores. A recommendation is that the new legislation is put through a readability test to confirm that the sections are easy to read. James and Edwards (2008:47) propose a framework for addressing the need to simplify legislation which could assist when drafting legislation. This approach captures much more than just rewriting the legislation and could be useful when considering this approach. The steps included:

- 1) identifying the aims of taxation;
- 2) establishing different methods of achieving the aims;
- 3) analysing in terms of economic criteria;
- 4) specifying the administrative constraints;
- 5) identifying different risks;
- 6) analysing behaviour;
- 7) considering the relationship between different policies;
- 8) developing strategies;
- 9) planning and implementing strategies, including intended outcomes; and
- 10) monitoring and evaluating the performance of the strategies against the plan.

Use of Simpler Language

The use of simpler language to aid tax simplification can be a good recommendation as seen in the United States of America. It was noted, however, that there can be a trade-off between accuracy and understanding. Blank and Osofsky (2017) echo this sentiment and acknowledge that the complexity of the legislation is necessary, but the language used to convey the acts can be simplified. It can be further recommended that the use of simple language could be focused on individual taxpayers who do not necessarily have a tax background and would assist with their tax submissions and thus increased tax compliance.

Align to International Norms

A further recommendation is to align definitions and terms to international norms. This was undertaken by Egypt with much success. Accounting standards are aligned with international norms which creates consistency and understanding globally where International Financial Reporting Standards are applied. It is accepted that tax is driven by the policies of the country, and the terms used in tax legislation could be streamlined. This recommendation contributed significantly towards increasing tax compliance rates.

Simplify Legislation Structure as it is Promulgated

The complete re-write of legislation can be an overwhelming and costly process. As seen in South Africa, there has been an attempt to simplify tax legislation as new sections are promulgated. This recommendation is focused on the structure and numbering of the section which could aid a simpler tax composition and facilitate understanding.

It is evident that much of the complexity of the legislation is difficult to change, however, the legislation could follow a simpler structure and language style to aid understanding. The following recommendations address areas where tax legislation can be simplified to make the complex language more understandable and the structure less complex to achieve tax simplification. Firstly, a recommendation is that the number of words used in a sentence is reduced, so avoid lengthy sentences and aid understanding. Secondly, a reduction in the frequency that sections are cross referenced will also contribute to an easier understanding of legislation. Cross-referencing is an important aspect in drafting legislation, but drafters need to be aware that it does add to the complexity of the text and the content of the cross-referenced section needs to be carefully considered. The purpose of these recommendations is to assist legislators with guidance as how to achieve a simpler tax regime and aid understanding for the taxpayers who must apply the legislation.

CONCLUSION

This paper has reviewed international progress towards tax simplification in order to see if tax simplification will lead to further compliance. The structure and language of current tax legislation makes the tax legislation very complex to read and thus causing challenges with compliance of legislation. For example, the inconsistent numbering system throughout the legislation, the complex language and punctuation used in the legislation, and the frequent use of cross-referencing complicate the legislation. The current research provides recommendations which would be applied to tax legislation to reduce the complexities and increase compliance. The process is, however, time consuming and costly, but addressing these complexities in tax legislation could result in a lesser degree of difficulty and increased tax collections. The main goal of the research was to provide recommendations as to how tax systems can be simplified. Tax simplification is a global goal with many benefits such as ? for both the taxpayer and the revenue service. Based on the discussions in this paper, these simplification measures can be summarised as follows:

Recommendations to simplify the legislation:

- 1) a complete re-writing of the legislation in simple language, to create legislation that is more user-friendly, in a phased in approach, addressing older sections first;
- 2) The use of simpler language to explain complex terms;
- 3) The use of common international terms to aid understanding;
- 4) amending the style used in the numbering when drafting legislation and reducing the amount of cross-referencing applied in each section to avoid complexity.

While this list is not exhaustive, it is submitted that these are some suggestions which could be implemented to make progress towards a simpler tax system and thus increasing compliance. While there are many challenges currently facing the process of tax

simplification, this research highlighted the benefits associated with a simplified tax system which would ultimately lead to greater tax compliance.

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The author declare that they have no financial or personal relationship which may have inappropriately influenced them in them writing this article.

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