

An Overview of Tax Collection in Modern Civilisation and Growth of the Social Media Platforms

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INTRODUCTION

Taxes are the primary contributor to the government's revenue required for the fulfilment of the government's responsibilities towards its citizens, under enormous pressure to collect more revenue. The rapid advancement of the digital economy provides an opportunity for the expansion of the tax base as more people earn income through social media platforms. Social media platforms are no longer solely used by individuals but also by companies to gain a competitive advantage in marketing and sales. Instagram, YouTube, Twitter, Facebook, and LinkedIn are a few of the popular social media platforms currently booming on the internet. Cases of tax evasion amongst social media influencers are becoming more frequent. The increased use and demand of social media have no doubt provided people with opportunities to earn some form of income, thereby improving the livelihood of many.

However, it should be noted that intentional tax evasion is not the only reason why social media content creators do not declare their income to tax authorities. An exploratory study in Indonesia investigated the tax compliance of millennial influencers. The study found that taxpayers need to be educated about tax compliance and insufficient understanding of taxation was noted as the main reason for non-compliance (Prihatiningtias & Karo, 2021:137). Whether intentional or not, the issue of non-compliance needs to be addressed. Therefore, the purpose of this study is to explore potential methods that can be employed to collect taxes arising from income earned from social media platforms and thus generate more revenue for the government.

TAX COLLECTION IN MODERN CIVILISATION

In modern civilization, taxes are collected by government-owned agencies and not private individuals, as was done in some of the ancient periods. Furthermore, taxes are determined based on the monetary value of the benefit and payable in money instead of goods or services. Furthermore, taxes are currently collected through two basic means, namely assessment (both self-assessment or assessment generated by tax authority) followed by payment and through the deduction of tax at source (Olivier & Honiball, 2011).

RESEARCH PROBLEM

This study is part of a broader research project that aims to delve deeper into the connection between taxation and social media, explore the challenges, opportunities, tax implications of social media earnings and determine if SA citizens are aware of the potential tax liabilities arising from the digital economy. The focus of this study is to explore possible tax collection could consider concerning income earned via social media platforms/content.

RESEARCH OBJECTIVES

The research objectives for this study can be summarised as follows:

- To determine if taxes arising from income earned via social media platforms are at risk of not being properly paid and
- To explore could adopt to safeguard the collection of taxes on income generated via social media.

RESEARCH DESIGN

The purpose of a research design is to outline the processes adopted by a researcher in addressing the research objectives (McCombes, 2021). Pidduck (2019:205) notes that historically, the traditional forms of research methodologies applied in legal research have been the basis of research in the field of taxation.

As the aim of this study is to evaluate the perceptions of individuals regarding the possible mechanisms could adopt to collect tax on social media earnings, the survey research methods (consisting of descriptive and exploratory research) were considered.

Although tax research has been conducted in the past, it did not specifically focus on income earned by taxpayers in the social media arena. Furthermore, it has not yet been considered whether specific tax collection mechanisms should be implemented for income generated through social media. As a result, exploratory and descriptive research methodologies will be applied in addressing the research objectives.

DATA ANALYSIS

The analysis approaches applied in analysing the primary and secondary data are discussed below.

PRIMARY DATA

As noted above, primary data consist of the responses received from the online survey. The survey data, such as responses received, were extracted into the Statistical Package for the Social Sciences program for analysis. For purposes of this study, responses to 14 close-ended questions (Q2, Q3, Q4, Q5, Q8, Q9, Q10, Q11, Q12, Q13, Q16, Q17, Q18 and Q19) and four open-ended questions (Q16_2, Q17_4, Q18_3 and Q19_4) of the questionnaire were considered. The closed-ended questions were analysed quantitatively by taking the number of responses to each option as a percentage of the total number of respondents who answered the question.

The analysis of the secondary data included an analysis of the legislation, academic and journal articles, professional bodies and firms in the Accounting and Tax environment's publications, as well as general commentary on social media to obtain relevant tax principles about taxation - including the payment and collection of taxes. These principles were then applied to determine the amount of taxes payable in respect of income earned from social media alongside the collection mechanisms employable.

SECONDARY DATA

The analysis of the secondary data included an analysis of the legislation, academic and journal articles, professional bodies and firms in the Accounting and Tax environment's publications, as well as general commentary on social media to obtain relevant tax principles about taxation - including the payment and collection of taxes.

POPULATION AND SAMPLING

The population of this study is all individuals with a social media account on YouTube, TikTok, Instagram and/or

Facebook (being a user and/or content creator). The online questionnaire was distributed via these commonly used social media platforms.

For purposes of this research project, convenience, snowballing and purposive sampling techniques were adopted. In this regard, the questionnaire was distributed on a convenience basis by the research team to respondents via their own personal commonly used social media platforms, as mentioned above.

DATA ANALYSIS AND PRESENTATION OF RESULTS

The legislative taxing requirements are discussed to highlight the potential taxes payable on the income earned from social media. This is followed by a discussion of the survey results and the conclusion.

For purposes of this study, only the income tax, VAT and tax administration legislation were considered and discussed below.

The VAT Act provides that any person that carries on an 'enterprise' is liable to be registered for VAT where the total value of taxable supplies (standard and/or zero-rated supplies) made by that person has exceeded, or if in terms of a written agreement, is likely to exceed R1 million over any 12 months. To assess whether social media content creators or influencers have a VAT registration liability, it must first be determined whether or not the content creators or influencers conduct an 'enterprise.'

SURVEY RESULTS

The online questionnaire was distributed through various social media platforms that included WhatsApp, Facebook and Twitter. The survey consisted of a total of 28 questions, of which 18 were relevant for this study. The research team received feedback from 106 respondents. The feedback on questions relevant to this study is discussed below.

Annual value of benefits received from social media platforms

Annual value of benefits received	Number of respondents
R1 100	1
R1 500	1
R2 000	2
R4 000	1
R5 000	1
R6 000	1
R10 000	1
R25 000	1
R30 000	1

R300 000	1
Total	11

In terms of section 67(2) of the ITA read with section 22(2) of the TAA, any person that is liable to account for any normal tax or to submit any return is required to register as a taxpayer within 21 business days of so becoming obliged or within the further period as may approve.

The main goal of any tax authority is collecting the taxes due in a manner that will sustain confidence in the tax system and its administration. The tax authorities employ two methods in ensuring the collection of tax revenue. As per the survey findings, the most recommended method of collection by the respondents is the WHT method. This will provide the government with a continuous flow of revenue since the taxes will be payable as and when payment is made to the taxpayer.

Reasons social media benefits should not be subject to tax	Number of respondents
Income earned from hobby	2
Content creators and influencers use their own resource to earn the income	2
Amount of income earned and uncertain or reliable source	4
Double taxation of the income	1
Corrupt government and enough taxes already collected	1
Formal rules should be implemented first	1
Nature of taxation	1
Total	12

Per Table above, the majority of the respondents (four) are of the view that the social media industry is not regulated and there is no certainty as to how long and how many benefits will be received. As a result, the benefits earned by content creators and influencers should not be subject to tax because the benefits are not from a fixed source and thus not permanent in nature.

SUGGESTIONS FOR FUTURE RESEARCH

The following areas are suggested for future research:

- An expanded similar study which includes non-residents and persons younger than 18, as it was evident that there is no age restriction for social media content creators and influencers;
- As noted in this study, not only individuals have hidden income through the conclusion of transactions in the digital economy but companies as well. It is thus recommended that a similar study be performed with the focus on assessing whether taxes arising from social media earned by companies are properly paid .
- Given ' strategic plan to increase revenue and in line with international developments, it is recommended that a

study be conducted to determine whether South Africa can introduce a digital service tax and how such a tax should be collected.

CONCLUSION

Taxes are a significant contributor to government revenue and safeguarding; therefore, an effective and efficient collection of these taxes is of utmost importance. Currently, for employs a combination of WHT in the form of employee tax and assessment in collecting the taxes due. Although the self-assessment and tax withholding methods of collection are considered to be effective and cost-saving methods, they significantly rely on the taxpayer's voluntary compliance. Since part of SARS' strategic goal is to increase revenue collection, in view of the rapid growth of the social media industry and the amount of income earned by social media content creators and influencers, SARS should consider implementing a WHT on income earned on social media.

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