



**UNIVERSITY OF KWAZULU-NATAL**

**Evaluating South Africa's tax administrator's  
Authorised Economic Operator (AEO) programme in  
promoting taxpayer and trader compliance**

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**A dissertation submitted in fulfilment of the requirements for the degree  
of**

**Master of Accounting in Taxation**

**Centre for Accounting Science  
College of Law and Management Studies**

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**Final Dissertation**

**2024**

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## **DEDICATION**

I dedicate this dissertation:

- To my grandmother, who, when I was a child, emphasised the importance of education to me
- To my mother, who helped me finance my education for this degree and all the other degrees I have
- To my siblings, cousins, nieces, nephews and friends - let this be an inspiration to you

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## **ABSTRACT**

The Authorised Economic Operator (AEO) programme, created by the World Customs Organisation in 2007, was introduced in South Africa in 2020. Despite its potential benefits, the programme faces several challenges. Out of 357,653 eligible customs companies, only 137 registered in 2021, increasing slightly to 144 in 2022, representing less than 1% participation. (Government of South Africa, 2021). Concerns include low participation rates, minimal impact on trade facilitation and compliance, and high entry barriers, despite active promotion by the tax administrator.

This study aimed to evaluate the effectiveness and efficiency of South Africa's AEO programme in promoting compliance among taxpayers and traders. The objectives were to assess the low participation rate, identify challenges and barriers, and determine the programme's impact on customs and trade facilitation.

A mixed-method research approach was used, combining qualitative and quantitative data from a survey. The sample size was 22, selected through purposive stratified sampling, including 1 tax lecturer from the University of KwaZulu-Natal and 21 middle management employees from the South African tax administrator's AEO department.

Findings indicate that the participation rate, while low, is considered acceptable by some key informants, with 400 approved clients seen as satisfactory. The programme aligns with international standards and performs well compared to other regional countries. However, qualitative analysis revealed barriers to adoption, such as insufficient awareness and understanding of the programme, internal system challenges, and strict procedures.

The study found that the AEO programme significantly enhances customs tax compliance and trade facilitation in South Africa. Businesses involved in the programme experience positive impacts, particularly in compliance and trade facilitation. The programme also provides good data security, aligning with

international standards and legislative requirements, offering significant benefits to compliant clients by streamlining processes.

Overall, the AEO programme's implementation in South Africa is rated positively in terms of data security and strategy, despite the challenges in increasing participation and awareness.

**Keywords:** AEO, South African tax administrator, trade facilitation, customs tax compliance, World Customs Organisation, SARS AEO.

## **LIST OF ABBREVIATIONS**

AEO	Authorised Economic Operator
RSA	Republic of South Africa
SACU	South African Customs Union
SARS	South African Revenue Services
SMME	Small, Medium and Micro Enterprises
UKZN	University of KwaZulu Natal
WCO	World Customs Organization
SAFE	Framework of Standards to Secure and Facilitate Global Trade

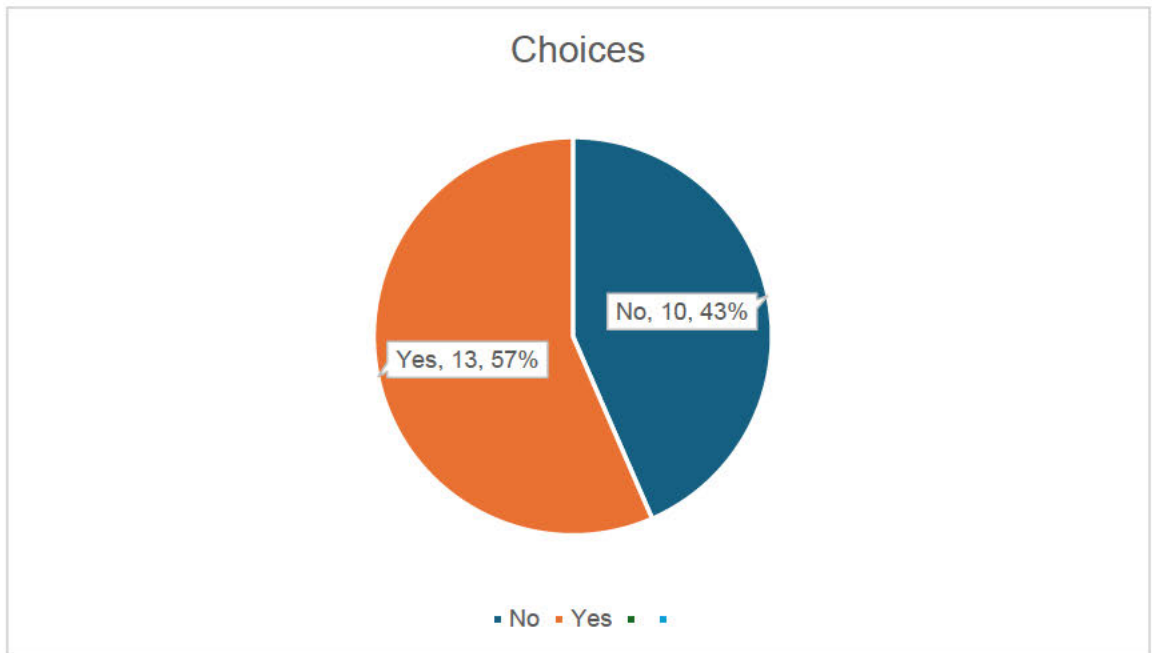
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# CHAPTER 1: INTRODUCTION

## 1.1 Background

The World Customs Organization (WCO) is an intergovernmental organisation dedicated to facilitating international trade, enforcing customs regulations, and promoting secure and efficient customs procedures (Clark and Danielle, 2022). The WCO's main goal is to enhance the effectiveness and efficiency of customs administrations worldwide (Davydov, 2022).

One of the WCO's key initiatives to achieve its mission is the development and implementation of a SAFE Framework of Standards to Secure and Facilitate Global Trade, which established the standards to ensure the security and the facilitation of trade. The Authorised Economic Operator (AEO) programme is a derivative of the customs-to-business principle that exists in the SAFE framework of standards as one of its principles (Torello, 2021). This programme aims to safeguard global supply chains while facilitating the smooth movement of legitimate goods through cooperation between customs and tax administrators and the businesses industry. The AEO was collectively endorsed during the WCO board meeting held in June 2005 (Cisternas Torres, 2020; Mafurutu, 2024). This initiative was then formally established by the WCO as its customs-to-business programme in the year 2007 and then only established in South Africa on 31 March 2020 (Ostrikova, 2021; WCO, 2020).

South African Revenue Services (SARS), which is the South African tax and customs administrator, is a member of WCO and therefore applies WCO policies and frameworks in its customs administration duties (Tsietsi, 2021). The South African tax administrator has introduced various levels of AEO accreditation, with specific benefits associated with each level (Kwinika and Subban, 2023). The AEO compliance programme, which is also called the Level 1 Accreditation, is a voluntary initiative (Smuts and Ramatlhodi, 2021). Participants in the programme are required by the South African tax administrator to maintain high-quality standards concerning their internal operational processes, adequate customs

knowledge, reliable information technology systems, customs compliance records and financial resources (Evans, 2024).

The AEO accreditations are governed by section 64 E of the Customs and Excise Act (Customs and Excise Act 91, 1964). The Level 1 Accreditation has compliance benefits which include access to dedicated tax and customs client advisers, non-contact inspections which allow for inspections of goods at the customer's location, use of the AEO logo, mutual recognition with key trading partners, and coordination of interventions with other government agencies (SARS, 2023). AEO-certified Level 1 businesses also enjoy preferential treatment, reduced customs delays, lower inventory carrying costs, and decreased compliance-related expenses (Subban, 2021).

The AEO Safety and Security Programme, or Level 2 Accreditation, is another voluntary supply chain security programme (Parmanand, 2023). This programme focuses on enhancing the security of business's supply chain by employing documented processes to identify and mitigate risks throughout the international supply chain (Amine and Boujelben, 2024). By participating in this programme, businesses can effectively identify and address potential compliance and security risks, thereby reducing the likelihood of costly disruptions caused by customs non-compliances (Widdowson, 2019)

AEO Level 2 benefits encompass all AEO Level 1 compliance benefits and provide additional advantages (Lennie, 2024) such as priority handling of special or additional support requests, provision of targeted training, and the provision of quarterly trade statistics (Venter, 2024). AEO Level 2 benefits also include express returns and refunds, reduced cyclical compliance audits for licensees, and fewer checks on compliance and supply chain security (De Lange, 2023).

The AEO programme, establishes modern standards for supply chain security and marks a shift towards comprehensive management of cross-border goods (Czermińska, 2020). It emphasises the importance of enhanced cooperation between customs authorities and enterprises.

## 1.2 Problem statement

Jażdżewska-Gutta, Grottel and Wach (2020), state that the primary goal of an AEO programme is to strike a balance between expediting trade flows and safeguarding national security and revenue collection. The AEO programme is intended to enhance trade efficiency by granting authorised economic operators various benefits, such as reduced inspection times, simplified customs procedures, and priority processing (Tradlinx, 2024). However, despite the potential benefits of the programme, stakeholders have raised several issues and concerns regarding implementation challenges (De Lange, 2023).

The first area of concern is the low participation rate, despite the tax administrator actively promoting the programme through their website, webinars, and stakeholder group conferences (Business Unity South Africa, 2021; Freightnews, 2022). The AEO programme has experienced a significantly small percentage of eligible taxpayers registering for the programme. The programme is voluntary; therefore, taxpayers cannot be forced to participate, making it harder to get businesses to participate than if they were required through mandatory law to participate. According to SARS' Financial Report for the year ended 31 March 2021, out of 357,653 registered customs companies eligible for the AEO programme, only 137 have registered; the number rose to 144 by 31 January 2022 (Government of South Africa, 2021; Kwinika and Subban, 2023). This amounts to less than 1% of the total eligible taxpayers. Therefore, this low participation rate limits access to AEO benefits, leading to reduced trade facilitation benefits, limited security enhancements, and revenue collection challenges.

The second area of concern is about high barriers to entry with limited financial benefits for regular businesses. The requirements of entry include expensive computerised accounting systems, large financial resources, quality internal operational processes, compliance records and specific customs knowledge (SARS, 2024a). These high requirements create barriers for small and medium businesses who cannot afford to have those processes, and other businesses who do not meet all the requirements for the voluntary programme. However, this

may offer limited financial benefits to regular businesses that prioritise profitability. The current programme structure primarily focuses on reducing bureaucracy through reduced inspections, cargo inspections, customs delays, and faster clearance times (Pham, 2021), offering little financial incentive to businesses seeking to maximise profitability through participation.

The third area of concern is that there is moderate to no improvement in customs compliance rates, as those participating are already expected to be compliant as per the entry requirements. The requirements are that participants should already have compliance records and specific customs knowledge before joining the programme (SARS, 2024a).

The fourth area of concern is that potential participants are already compliant as per AEO entry requirements, with only little improvement to trade facilitation being achieved by participating in the programme. Entry criteria require a compliant record with the South African Customs Act of 1964, which is evidenced through audits to ascertain that there have not been offences committed in the past three years (South African Customs Union, 2024). Therefore, the programme participants are already compliant and the programme may only offer little improvement to compliance.

The next area of concern is that the Level 2 certification of the programme primarily focuses on security. However, adequacy of internal processes and system security is a requirement of the programme. This provides a guarantee of the security of participants' processes and systems (Bidvest Logistics, 2020). However, the AEO programme does not prevent potential vulnerabilities and risks associated with participant compliance as key informants are required to be already compliant.

Lastly, there is insufficient transparency in the AEO programme's implementation; there are unclear timeframes for each step and specific information required during the application process. Establishing transparency is crucial for effective implementation and enhanced compliance with the programme (Gashi, 2024). Therefore, the lack of transparency raises questions

about programme efficiency and potential challenges faced by participants during the application and review process.

The above identified problems underscore the necessity to assess the programme's effectiveness and efficiency in promoting taxpayer and trader compliance .

### **1.3 Aim of the study**

Consequently as result of problems identified above, this study is aimed at evaluating the effectiveness and efficiency of the South African tax administrator's AEO programme in promoting taxpayer and trader compliance. Effectiveness evaluates the degree to which the AEO programme achieves its intended objectives. Efficiency evaluates how well the programme is doing to achieve the objectives.

### **1.4 Objectives of the study**

To achieve this aim, the study has set the following objectives:

- a) Identify if the participation rate in the programme is acceptable
- b) Identify challenges and barriers contributing to the participation rate
- c) Evaluate if the AEO programme significantly improved customs and trade facilitation among participating taxpayers

### **1.5 Research questions**

**1.6** In line with these objectives, the study seeks to answer the following research questions:

- a) Is the participation rate in the SARS AEO programme acceptable?
- b) Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?
- c) To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses?
- d) How has the AEO programme affected trade facilitation in South Africa?

The study is envisaged to contribute to the improvement of the AEO programme's overall effectiveness in its quest for supporting international trade, promoting a culture of compliance, and aiding tax reduction efforts in South Africa.

## **1.7 Theoretical statement**

The theoretical statement of this study is that the low participation rate in the AEO programme along with the high barriers to entry, suggests that the programme's design hinders effective adoption and participation. In addition, there are reasons to suggest that the AEO programme has not significantly improved customs compliance or trade facilitation among participating taxpayers.

## **1.8 Preliminary research design and methodology**

### ***1.8.1 Research ontology, epistemology, and design***

Ontology is the theory we hold about reality. Epistemology builds on ontology by putting the truth about life into practice for the purpose of developing knowledge; it is how researchers should undertake research to develop insights that are considered legitimate and valuable (Varpio and MacLeod, 2020). This research followed a combination of both positivism and interpretivism research epistemology and adopts a mix of quantitative and qualitative research design.

The research also used a combination of grounded theory approach for a qualitative method and descriptive statistics for a quantitative method. The research adopts the moderate sense of philosophical foundation as justification for use of a mixed-methods approach (Shan, 2023). Using mixed methods allows for a deeper understanding and cross validation of research knowledge as this is a new programme in South Africa. Specifically, the programme needs to and has goals to improve trade facilitation, custom compliance and national security.

### ***1.8.2 Sampling strategy***

Sampling strategy details the sample size, sampling technique and delimitation.

### *1.8.2.1 Population and sample size*

The study population for this research comprises individuals with over three years of extensive knowledge of the AEO programme in South Africa. Consequently, the target population includes tax administrator employees involved in the AEO programme as policymakers, as well as tax lecturers who are experts in taxation and, by extension, customs, including the AEO programme. The population was chosen considering the relevance and reliability of the key information to the research objectives of this study.

A sample is a number of key informants that the researcher collects information from (Lakens, 2022). For this research, limited resources including the tax administrator determining the number of key informants that could be accessed, are the main reason for the sample size the researcher collected data from. The sample size met the quantitative study requirements for a moderate-sized study (Ahmed, 2024). Saturation was achieved after 22 interviews, making the sample size  $n = 22$ . A moderate, focused sample provides detailed information that is often more informative than a larger survey.

### *1.8.2.2 Sampling techniques*

Purposive sampling was undertaken by choosing individuals who met the researcher's specific criteria. Two groups were identified: one was from UKZN—qualified and experienced tax experts, and the other was from South Africa's tax administrator's AEO department—middle management employees. The selection process ensures that the key informants are well suited to serve as policymakers.

### *1.8.2.3 Inclusion criteria*

Key informants or experts in the programme included lecturers from the University of Kwa-Zulu Natal (UKZN) Centre for Accounting Science (CAS) Tax department, who are involved primarily with lecturing on Tax. Policy makers in the programme included individuals from junior to executive management positions in the AEO division of customs at the SA tax administrator.

#### *1.8.2.4 Exclusion criteria*

The criteria excluded staff other than those involved with AEO programmes and tax lecturing and those who are not aware of the SARS AEO programme. Key informants who were on a leave of absence from their work during the data collection period were not included. Responses that were incomplete or had insufficient data for analysis, and those reflecting potential conflicts of interest or biased perspectives that might skew the evaluation process, were excluded.

#### *1.8.2.5 Data collection*

Data collection involved comprehensive structured surveys featuring closed yes/no questions, scale questions and open-ended questions. These questions were standardised and uniformly presented to all key informants, ensuring consistent evaluation of their responses. The survey link was emailed to key informants, enabling them to complete the questionnaire at their convenience.

#### *1.8.2.6 Recruitment*

Key informants were recruited via email addresses obtained from the gatekeepers of UKZN and South Africa's tax administrator. An initial email was sent to UKZN and the SA tax administrator and this included a request for permission to undertake the study, a gatekeeper's letter, and ethical clearance to access staff. The purpose of the gatekeeper's letter was to obtain permission from them to allow the researcher to access the key informants. Once permission was granted by both UKZN and the SA tax administrator and the key informants agreed to participate in the study, a survey link was sent out. Only those who were available and willing to participate completed the survey. The gatekeepers from UKZN and the SA tax administrator provided a list of key informants from whom data could be collected.

#### *1.8.2.7 Data collection tool*

Data collection employed a mixed-methods survey approach, combining both quantitative and qualitative questions to gather comprehensive information. The survey included closed yes/no questions, scale questions and open-ended

questions. A Likert scale (e.g., 1 to 5, where 1 = strongly disagree and 5 = strongly agree) was used to quantify key informants' views, attitudes, or behaviours. These questions are designed for easy statistical analysis. Open-ended questions, allowed key informants to provide detailed, narrative responses, exploring their thoughts, experiences, and insights in depth, thus providing rich qualitative data.

#### *1.8.2.8 Data saturation*

Data saturation assists researchers to decide on whether the data have been sufficiently collected; it determines the achievement of intended research objectives (Mwita, 2022). Data saturation is reached when key informants' responses start to repeat, and no new information or insights are obtained from further interviews. For this research, saturation was reached after conducting 22 surveys.

#### *1.8.2.9 Data analysis*

Responses to scale questions were examined using statistical methods to uncover patterns and trends, providing a numerical representation of the data. Meanwhile, responses to open-ended questions were analysed through thematic analysis.

#### *1.8.2.10 Trustworthiness*

Trustworthiness indicates how much reliability one can have in the study finding. Reliability and validity are concepts used to evaluate the quality of research. Validity refers to the accuracy of a measurement, determining if it truly measures what it is supposed to measure (Ishtiaq and Ahmed, 2021). Qualitative research used dependability, credibility, transferability, and confirmability of the research as philosophies to determine reliability and validity (Ahmed, 2024). The trustworthiness of quantitative research is assessed through reliability and validity.

#### *1.8.2.11 Quantitative reliability*

Validity indicates how well the research measures what it is intended to measure. Internal validity ensures that the study accurately reflects a causal relationship between variables, reducing the impact of confounding variables. Internal validity was assessed using Cronbach's Alpha, a tool that measures the internal consistency of a set of survey items (Ishtiaq and Ahmed, 2021).

#### *1.8.2.12 Qualitative reliability*

##### *1.8.2.12(a) Dependability*

This describes how consistently research findings are produced over time. Consistency was accomplished by administering standardised questions to key informants, to ensure that the research may be replicated. In addition, the researcher provided a comprehensive account of the procedures and decisions made throughout the study (Janis, 2022; Jarrahi and Newlands, 2024).

##### *1.8.2.12(b) Credibility*

Kyngäs, Kääriäinen and Elo (2020) define credibility as reliability in the 'truth' of findings. This describes how accurately the research reflects the phenomenon of interest, considering the experiences and perspectives of the key informants. The researcher established credibility through ensuring that questionnaire, and analysis processes were rigorous and well-documented. (Kyngäs et al., 2020).

##### *1.8.2.12(c) Transferability*

This pertains to how well the underlying structure of the data in the research context can be applied to or inform other contexts. Transferability demonstrates the extent to which the research results can be used for other similar contexts, populations, groups, and settings (Zia Ul Haq et al., 2023).

##### *1.8.2.12(d) Confirmability*

Amir, McCarthy and Tong (2021) define confirmability as the degree to which the inquirer's perspectives, biases or interests affect their interpretations. This

pertains to how well research analyses can be comprehended and validated by other researchers (Amir et al., 2021).

### ***1.8.3 Ethical considerations***

The following considerations are designed to protect the key informants' welfare and rights, ensuring the principles of respect, integrity and confidentiality are upheld.

#### ***1.8.3.1 Privacy and confidentiality***

The identities, personal information, and responses of the key informants have been kept strictly confidential. Names, identifying details and titles will not be revealed or used in the research findings or publications.

#### ***1.8.3.2 Informed consent***

Key informants' consent were sought before their involvement in the study, ensuring that only those who agreed to participate were interviewed. They received comprehensive information about the research's potential risks, purpose, procedures, benefits, procedures, and compensation beforehand.

### ***1.8.4 Storage of research materials***

The information collected in research, including key informants' responses, is stored in the cloud securely. Access control measures have been implemented to ensure the confidentiality and security of this data. Only the researcher has access to the material, and strict data protection protocols has been adhered to.

### ***1.8.5 Data retention***

The research information is stored for five years in the cloud following the study period, in line with standard practices in research studies. After this time, the data will be securely deleted to ensure compliance with data protection regulations and to ensure key informants' confidentiality.

### ***1.8.6 Ethical approval***

This research study obtained ethical approval from the UKZN ethics committee to ensure that the study's procedures and design adhere to ethical regulations and guidelines.

### ***1.8.7 Delimitations of the study***

The previous section discussed the ethical considerations applied in this research. Delimitations of a research refer to the traits from the study's scope limitations and the decisions to include or remove elements during the development of the research plan (Coker, 2022). In the context of this study, the boundaries are specified as follows:

#### ***1.8.7.1 Geographical focus***

The main geographic focus of this study is South Africa. The research primarily investigates the AEO programme within South Africa's borders.

#### ***1.8.7.2 Timeframe***

The study concentrates on the period from 2019 to 2024, leveraging recent developments and the availability of data to benefit the research. The study examines data and developments from 1 January 2019 to 31 August 2024, providing insights into the current state of the AEO programme in South Africa.

#### ***1.8.7.3 Exclusions***

The study does not explore the technical details of the AEO programme or conduct a comprehensive assessment of the individual AEO implementation in South Africa. It excludes historical developments beyond the contemporary period and does not extensively discuss AEO programmes in other countries.

### ***1.8.8 Outline of research project***

This qualitative research is structured into five chapters.

Chapter One serves as the introduction, providing an overview of the study, including the background, problem statement, research objectives, research questions, preliminary methodology, and an outline of the research project.

Chapter Two is the literature review, which involves a critical analysis of previous research on the topic. It explores the existing literature on topics such as Authorised Economic Operator (AEO) programmes, strategic options for programme implementation, customs risk management best practices, performance evaluation and monitoring of programmes, and identifies research gaps that the current study aims to address.

Chapter Three describes the data collection process, including the rationale for selecting the specific data sources, justification for the chosen methods, and details on how the data was collected and analysed.

Chapter Four presents the data analysis, results, and discussions of the findings. This chapter provides an interpretation of the main findings of the study in relation to the research objectives.

Chapter Five concludes the research by summarising the major findings, offering conclusions drawn from the study, and providing recommendations based on the research outcomes.

### ***1.8.9 Conclusion***

This chapter provided the background to the research and the problem statement. The chapter also stated the objectives: to identify if the participation rate in the programme is acceptable, to identify challenges and barriers contributing to the participation rate and to evaluate if the AEO programme significantly improved customs and trade facilitation. The theoretical statement was also discussed along with the preliminary research methodology that guides the strategy of how information is collected and analysed for this research. Through the approach described in this chapter, the research seeks to illuminate the intricacies of the AEO programme in South Africa. The next chapter provides a review of existing literature on AEO programmes.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The previous chapter focused on the introduction, objective and questions that this research pursues. This chapter provides a critical analysis of published material relevant to the research topic and its objectives as stated in Chapter 1. It aims to identify key insights and similarities found in the significant works published by various scholars in the field of taxation. This review of the literature serves multiple purposes, including gaining familiarity with the research methods employed by previous researchers and identifying gaps in existing knowledge to avoid duplicating research efforts.

By examining the existing body of knowledge, this literature review enables a comprehensive understanding of the current state of knowledge in the field. It allows for the identification of key themes, theories, and findings that have emerged from prior studies. Furthermore, it helps to highlight any inconsistencies, contradictions, or gaps that may exist in the existing literature, which can serve as a foundation for further investigation.

Overall, the literature review section plays a crucial role in guiding the research process, informing the research design, and ensuring that the study's objectives are aligned with the existing knowledge in the field of taxation.

The literature review covers themes; firstly, World Customs Organisation (WCO), South African tax administrator, WCO SAFE framework of standard (which is the foundation of the AEO programme), and the AEO programme. Secondly, we review literature on the importance of the AEO programme. This theme covers the literature dealing with the importance of trade facilitation in ensuring taxpayer compliance on imports and exports transactions and in providing security of exports and imports. The literature review then covers the impact of the low AEO programme participation rate in South Africa and progresses to cover literature on why the South African tax administrator implemented the AEO programme. The review of literature moves on to look at what the South African tax administrator used before the AEO programme in South Africa. Next, we look at

the literature on tax compliance by taxpayers and traders. Thereafter we compare the participation of the AEO programme in a sample of other countries. Finally, we cover which taxpayers benefit from participating in the AEO programme.

## **2.2 Theoretical Literature**

### ***2.2.1 World Customs Organization, South African tax administrator, SAFE framework and effects of the AEO programme***

This section reviews the literature on the links between the WCO, South African tax administrator, SAFE framework, and the AEO programme and its effects on customs compliance and trade facilitation. It is imperative to inquire and establish the relationship between the AEO programme and taxpayer and trader compliance in South Africa, to establish why South Africa uses the AEO programme.

#### ***2.2.1.1 World Customs Organization and The South African tax administrator***

The WCO, created in 1952 as the Customs Co-operation Council (CCC), is an intergovernmental customs institution (Juárez Allende, 2022). The WCO is the sole intergovernmental organisation dedicated to customs matters and acknowledged as the representative voice of the world customs community (Shome, 2021). The WCO's task is to enhance the efficiency and effectiveness of customs administrators worldwide (Omosa, 2022). The WCO establishes standards, promotes cooperation, enhances capacity to oversee trade, ensures equitable revenue collection, safeguards society (Peteva, 2020), and offers leadership, coaching, and support to Customs administrators (Chapa, 2020). In 1994, the CCC changed its name to WCO (Grainger, 2021) .

The South African tax administrator became a member of the WCO in 1952 when it was established as the CCC (Roux Uys, 2023). The tax administrator is responsible for the administration of customs in South Africa, under the direction of the Commissioner (South African Revenue Act 34 , 1997). It is also responsible for ensuring that international trade by taxpayers, and exports and imports, are done securely and there are no illegal or dangerous goods being moved between

borders into and out of country. Consequently, this contributes to socio-economic advancement through tax collection (Dlamini, 2022). Therefore, the South African tax administrator for customs uses the SAFE Framework of Standards to facilitate legitimate and secure international trade.

#### *2.2.1.2 The SAFE framework of standards*

The SAFE framework of standards is a global initiative developed by the WCO (Nemoto and González, 2021). According to Heijmann et al. (2020), SAFE aims to enhance supply chain security while facilitating legitimate and secure international trade. The SAFE framework sets forth principles and standards that serve as a minimal threshold for WCO Members to adopt (Hesketh, 2020). It addresses areas such as customs-to-customs cooperation, customs-to-business interactions, and customs-to-other government and inter-governmental agencies.

According to Razumei et al. (2023), key components of the SAFE framework are:

- a) Customs-to-Customs Cooperation: This is an arrangement where a customs administrator cooperates with another customs administrator. The SAFE framework encourages customs authorities from different countries to cooperate and share information to enhance security and efficiency. This includes the exchange of advance electronic data on shipments and risk assessment (Razumei et al., 2023).
- b) Customs-to-Business Partnership: This is a pillar that the AEO programme emanates from. This arrangement is between customs administrators of a country and private businesses. This component emphasises the importance of customs working closely with the private sector, including importers, exporters, and logistics providers, to develop mutually beneficial practices that facilitate legitimate trade. AEO status is granted by customs administrators to private businesses as a custom-to-business partnership. It seeks to benefit customs administrators through improved tax compliance, and business through trade facilitation and security (Alam and Ahammad, 2022).

AEO programme participants play a crucial role in implementing the SAFE framework, by demonstrating their commitment to security and compliance.

AEOs are businesses that meet specific criteria and are recognised as reliable and secure operators in the international supply chain. They enjoy benefits such as simplified customs procedures, reduced inspections, and faster clearance. Customs authorities grant AEO status based on compliance, financial solvency, security measures, and record-keeping (de Greeff, 2023). The SAFE framework's purpose is to improve compliance rates and ensure trade facilitation. It is therefore imperative that there is research that investigates the AEO programme effectiveness and efficiency in achieving this purpose in South Africa.

#### *2.2.1.3 Effect of the AEO programme on customs compliance and trade facilitation*

This theme reviews studies that have explored the effect of AEO programmes on customs efficiency and trade facilitation. A study was performed where information on the trade compliance of Vietnamese businesses, including both AEOs and non-AEOs, was gathered through a survey conducted from March to December 2019. This survey aimed to investigate the trade compliance behaviours of Vietnamese exporters and importers (Hien, 2020)

The study found minimal differences between AEOs and non AEOs in their views on trade compliance for exporting and importing. However, a significantly higher percentage of AEO respondents seek legal advice compared to non-AEO respondents, indicating that AEOs are more informed about the benefits of trade compliance. Many AEO respondents handle customs clearance themselves, leveraging their status and the trade facilitation benefits as trusted customs partners. The authors argue that non-AEOs face greater challenges in complying with Vietnam's complex trade and customs regulations because of limited human and financial resources. A small number of non-AEO respondents did not disclose their customs clearance methods, suggesting that some may use informal channels, which undermines state revenue and transparency. Despite facing similar challenges, such as specialised inspections, technical trade operations, and inadequate IT infrastructure, AEOs and non-AEOs differ in their trade compliance behaviours. This difference stems from varying perceptions of regulatory capability, the importance of legal consultancy, and customs clearance

methods. Consequently, Vietnamese enterprises, particularly non-AEOs, find it more difficult to comply with trade regulations (Hien, 2020).

The study shows the distinct differences in trade compliance behaviours between AEOs and non-AEOs among Vietnamese businesses. The study suggests that AEOs demonstrate a higher propensity to seek legal advice which has a positive effect on customs compliance; non-AEOs struggle with compliance owing to limited resources. This disparity suggests that AEOs are better equipped and informed about the benefits of trade compliance, whereas non-AEOs may resort to informal channels, affecting their custom compliance and trade facilitation negatively (Hien, 2020).

### ***2.2.2 Importance of an effective AEO programme***

Under this theme a review of literature is undertaken on the importance of an effective AEO programme on exports and imports, on security, and on factors that influence participation in AEO programmes. The purpose is for evaluating the significance of an effective and efficient AEO programme.

#### ***2.2.2.1 The importance of trade facilitation in ensuring taxpayer compliance on imports and exports transactions***

According to Laajaj, Eslava and Kinda (2021), bureaucratic delays at borders are burdensome and significantly increase trade costs for businesses. Simplification, modernisation, and harmonisation of import and export processes are therefore crucial for the global trade. Trade facilitation benefits include streamlining the movement, release, and clearance of goods by customs. This encourages traders to comply more readily with custom tax laws. The role of trade facilitation in ensuring taxpayer's compliance therefore lies in ensuring that taxpayers adhere to regulations for them to enjoy the benefits of expedited goods movement (Laajaj et al., 2023; Nganga, 2021).

By reducing bureaucratic delays through expedited processes and enhancing the efficiency of customs procedures, trade facilitation can significantly lower trade costs and increase the competitiveness of businesses especially small and medium enterprises. It also fosters a more transparent and accountable customs

environment, which is essential for preventing socio economic issues like corruption. The implementation of robust monitoring and control mechanisms ensures that customs operations are conducted fairly and efficiently, benefiting both businesses and governments (Odularu, 2024).

Moreover, trade facilitation promotes economic growth by making it easier for businesses, especially small and medium enterprises to engage in international trade, which boosts profits and business growth. Simplified and harmonised procedures reduce the time and cost associated with cross-border transactions, encouraging more businesses to participate in global markets. This, in turn, can lead to increased economic activity, job creation, and overall economic development (Raghutla, 2020).

In conclusion, trade facilitation is a vital component of the global trading system. It not only reduces trade costs and enhances compliance with tax laws but also helps prevent corruption in customs. The literature review highlights the importance of the AEO programme in achieving these goals through trade facilitation, contributing to a more efficient and transparent international trade environment and an improved socio-economic environment.

#### *2.2.2.2 Importance of trade facilitation in providing security of exports and imports*

It is crucial for South Africa to implement an effective trade facilitation programme, as it significantly contributes to the overall security and integrity of imports and exports. According to the research by Moïsé and Sorescu (2019), cross-border corruption and illegal trade undermine a country's sovereignty. These issues not only affect national security and social welfare but also negatively affect the business environment, making local markets less attractive and resulting in tax revenue losses. For these reasons, trade facilitation is essential for ensuring security and compliance with tax and other laws. The absence of such facilitation could be detrimental to the South African economy. Trade facilitation enhances security by implementing customs procedures that are predictable, consistent, and transparent. It also aligns with global standards, providing accessible appeal

and administrative review mechanisms. This transparency in import and export processes ensures greater security and integrity.

Moreover, trade facilitation secures export and import transactions by utilising electronic systems accessible to customs users. These systems are designed to increase efficiency, eliminate opportunities for corruption, and enhance the accountability of customs administrators and taxpayers. The AEO programme trade facilitation component therefore encourages open and effective relationships between customs administrators and the private sector (Moïsé and Sorescu, 2019).

Furthermore, trade facilitation helps prevent socio economic issues like corruption in customs by creating strategies to detect and reduce it. This involves establishing strong monitoring and control systems, including internal and external audits, as well as efficient investigation and prosecution processes. These measures ensure that customs operations are conducted fairly and efficiently, benefiting both businesses and governments (Beverelli and Ticku, 2022).

In summary, an effective trade facilitation programme is vital for South Africa. It not only reduces trade costs, especially for small and medium enterprises and enhances compliance with tax laws but also helps prevent corruption in customs. The research by Moïsé and Sorescu (2019) underscores the importance of the AEO programme in securing exports and imports, highlighting that it fosters a more transparent and accountable customs environment, which is essential for preventing corruption and ensuring the security and integrity of trade.

### ***2.2.3 Factors influencing participation in the AEO programme***

This theme explores factors that influence the decision of businesses to participate in AEO programmes. The theme explores factors such as perceived benefits and regulatory requirements of different AEO programmes around the globe. These factors are explored to analyse which barriers to adoption may influence low participation and which benefits affect high participation rates. A sample of one country with an existing Authorized Economic Operator (AEO)

programme is selected from each region of the globe where the World Customs Organization (WCO) is present, based on the 2020 WCO AEO Compendium. The AEO programme of each sampled country is then explored to identify barriers and benefits of participation as the factors that influence participation (World Customs Organization, 2020). In Table 2-1 it is noted that participation in AEO programmes is influenced by a variety of factors.

**Table 2-1: Barriers and benefits of participation in AEO programme**

Requirements/Barriers to adoption	Benefits of participation
<b>Argentina-WCO Region for the Caribbean, North America, South America, and Central America</b>	
<p>Trade operator must be authorised and have at least three years of activity as recorded in the Register of Taxpayers at the time of application. The operator must demonstrate;</p> <p>financial solvency, tax compliance, a business records system, adherence to security requirements, including security of containers and other cargo units, security of facilities and personnel, goods security, training personnel on security and internal/external threats, supply chain planning, information security and protection, a risk matrix.</p>	<p>AEO Meetings, safety training publicity for the AEO category, exclusive operator services, priority case of issues, simplified operations, priority at borders, benefits from Mutual Recognition Agreements (MRA).</p> <p>Guarantees: AEOs may receive a global guarantee covering their performance.</p> <p>AEOs would use the green selectivity channel if all parties involved are part of the AEO programme and meet the AEO-SECURITY level.</p> <p>Computerised documentary customs records for AEO programme operations.</p> <p>Remote and selective consolidation/deconsolidation monitored by the Customs Monitoring Centre Department (CUMA) through remote image control.</p>
<b>Australia- WCO Region for South, Far East, and Southeast Asia, Pacific Island, and the Pacific Island Australia</b>	
<p>Businesses need to demonstrate a reliable supply chain and a proven record of compliance. The entity must meet the definition under the A New Tax System (Goods and Services Tax) Act 1999.</p> <p>It must have an Australian Business Number (ABN). A business must have participated in the international supply chain for a minimum of two years.</p> <p>To determine initial eligibility, the entity completes an online application, providing information about its ABN and trading history.</p> <p>A review of the entity’s documentation is undertaken. A physical audit of the business supply chain security and trade compliance practice is conducted.</p>	<p>Deferral of Customs Duty, consolidated cargo clearance, advance rulings on the origin of goods, waivers on origin requirements for MRAs - these benefits aim to streamline customs processes and enhance trade efficiency for trusted traders.</p> <p>Australian Border Force manager, use of the trusted trader logo, special examination processes, monthly cargo data, fast processing, Asia-Pacific Economic (APEC) travel card, simplified Temporary Skills Shortage (TSS) Visa - these benefits are designed to enhance trade efficiency and provide trusted traders with significant advantages in their operations.</p>

Requirements/Barriers to adoption	Benefits of participation
<b>Azerbaijan - WCO Region of Europe</b>	
<p>Ensure goods are delivered according to WCO safety standards.</p> <p>Comply with Customs and Tax laws, maintain a system for managing business and transport documents. Demonstrate financial capacity to pay customs duties. Have at least two years of operational experience.</p> <p>Possess a technical base for proper information exchange. Legal entities established within the Customs territory can apply for AEO status by submitting a paper or electronic application.</p>	<p>Utilising simplified customs control methods and procedures. Performing essential customs clearance activities in facilities and outdoor spaces specifically designed to support customs control and prevent unauthorised entry.</p> <p>Carrying out customs clearance for vehicles and goods during non-working hours, with prior coordination with customs authorities via written or electronic communication for specific customs operations. Carrying out customs clearance of goods and vehicles outside the electronic queue system.</p> <p>Filing simplified customs declarations to assign goods to the correct customs procedure.</p>
<b>Burundi-WCO East and Southern Africa Region</b>	
<p>Company information, compliance history, record-keeping practices, financial stability, security and safety measures, types of goods traded.</p> <p>Business volume requirements: Must be a business based in Burundi for at least one year, doing customs-related business in Burundi.</p> <p>Process: Fill the self-assessment form, submit the self-assessment and application forms, customs will assess and accept the application.</p> <p>Authorisation and activation in the Customs IT system, issuance of a licence (certificate) valid for three years.</p>	<p>Faster entries, fast payment of refund, lower customs security requirements, if applicable, assured renewal of licences for customs agents, warehouse operators and transporters, priority handling, preference in participating in customs activities, waiver of bond requirements, exemption from use of the Customs Electronic Cargo Tracking System. Self-management of bonded warehouses, no physical examination of goods, except for random or risk-based checks.</p>

Requirements/Barriers to adoption	Benefits of participation
<b>Algeria- WCO North Africa, Near and Middle East Region</b>	
<p>Be in Algeria and be involved in exports or imports and engaged in the production of services or goods. Have no offences in the past three years with Customs, trade, tax, labour, and social security, as well as other institutions overseeing foreign trade. Not be in a state of bankruptcy, liquidation, cessation of activities, or under judicial settlement or composition. Not be undergoing any procedures related to liquidation, bankruptcy, stopping of activities, or judicial settlement or composition. Financial solvency for the past three years.</p>	<p>Customs declarations are processed through the green channel, allowing goods to be released quickly without document checks or physical inspections. Remote data entry for customs declarations is available, AEOs receive customs declaration leaflets. Operators can sign the Simplified Road Transit Declaration for transferring goods outside the regional administrative district. Exemption from weighing, including for homogeneous cargoes, subject to special treatment. Goods intended for export are not held up; they are exported first, and the dispute is resolved afterward. This facility applies to aspects that can be checked later and does not extend to prohibited goods or those requiring specific formalities before export. If there is suspicion of fraud, the Head of the Customs Inspection Department authorises thorough inspections. Authorisation to import inputs needed for production under the duty-free replenishment economic customs regime. Goods designated for export are prioritised at the quayside and during pre-shipment inventory recording.</p>
<b>Ivory Coast-WCO West and Central Africa Region</b>	
<p>Be based in Ivory Coast and subject to taxation. Conduct business continuously for at least three years. Have a computerised accounts process necessary for customs controls. Have sound finance to pay commitments, including customs. Maintain a satisfactory customs compliance over the past 3 years. Be free of debt to customs and tax authorities. Have secure facilities. Complete and submit the application. Application admissibility check.</p>	<p>Immediate release of imports. Expedited process for the removal of goods. Waiver of escort. Simplified controls on the loading of goods for export. Exemption from producing declarations of VAT credit refunds. Priority and expedited handling applications to customs. Option to replace the usual financial securities required in appeal.</p>

Source adapted from (World Customs Organization, 2020)

Table 2-1 indicates that the barriers to adoption often include stringent requirements such as demonstrating financial solvency, maintaining tax compliance, adhering to minimum security standards, and having a robust business records system. These requirements, while essential for ensuring the integrity and security of the supply chain, can be daunting for businesses, particularly smaller enterprises or those with limited resources. Also, the need for a history of compliance and operational experience, as seen in countries like Argentina and Australia, can further restrict participation.

In contrast, the benefits of registering as an AEO are substantial and it can greatly improve a business's efficiency and strengthen its competitive position. These benefits include expedited customs procedures, priority handling, reduced inspections, and access to MRAs, which facilitate smoother and faster international trade. For instance, in Australia, AEOs enjoy deferral of customs duties and consolidated cargo clearance, while in Azerbaijan, they benefit from simplified customs control methods and priority processing. Overall, while the barriers to adoption may pose initial challenges, the long-term advantages of AEO registration, such as improved supply chain security, reduced operational costs, and enhanced trade facilitation, make it a valuable investment for businesses engaged in international trade.

#### ***2.2.4 Effect of low AEO participation rate in South Africa***

To understand the effects of low participation in the AEO programme, it is essential to explore the benefits provided by AEO status and the impact of their absence. As per the WCO, the benefits of AEO status include several key advantages.

The first benefit is reduced security guarantees for importers, that importers typically need to provide as a guarantee for potential customs taxes that they expect to incur (Jae-Sung, 2021). AEO status grants substantial discounts on these security guarantees, reducing financial burdens for doing businesses. Without the benefit of reduced security guarantees, businesses may face increased financial burdens, especially for small and medium enterprises. This

can strain their cash flow and overall financial health, making it harder to manage day-to-day operations.

The second benefit of AEO status is access to a dedicated client relationship manager who offers personalised support, helping businesses navigate customs procedures more efficiently (WCO, 2020). The lack of a dedicated client relationship manager may lead to greater complexity and delays in navigating customs procedures. Businesses may struggle to efficiently handle the paperwork and regulatory requirements, resulting in slower processing times. Furthermore, without a client relationship manager who provides personalised support, the resolution of tax matters will mean standing in a queue with all other taxpayers. Standing in a line at customs offices to resolve tax issues can mean a loss of time that can be spent on managing the business, especially small and medium enterprises.

A third benefit is that AEO-certified businesses experience fewer inspections, which can significantly expedite the import and export processes. This reduction in inspections helps streamline supply chains and reduces delays. In cases where inspections are necessary, AEO-certified businesses can have their goods inspected at their own premises, providing greater convenience and minimising disruptions to their operations (Ritzen-Pennings, 2020). More frequent inspections and slower processing times can disrupt supply chains. This can cause delays in the delivery of goods, leading to increased business costs and potential loss of customer trust. The inability to have on-site inspections can lead to operational inefficiencies. Businesses may need to transport goods to designated inspection sites, adding time and cost to the process.

A fourth benefit is that AEO status ensures faster processing times for importing and exporting goods. This expedited process can greatly enhance the efficiency of supply chains, allowing businesses to operate more smoothly and meet market demands promptly (Närhi, 2021).

A fifth benefit is that AEO status brings mutual benefits from other countries that recognise the programme. This mutual recognition facilitates smoother cross-border trade and enhances international business relationships. The lack of

mutual recognition can hinder international trade opportunities. Businesses may find it more challenging to enter new markets and expand their global reach, limiting their growth potential. Companies without AEO status may face disadvantages in global trade when competing with companies that enjoy faster clearance time at customs. AEOs contribute to good and reliable supply chains; low participation in AEO therefore weakens the reliability and strength of the supply chain. Reliable supply chains lead to more business, which in turn increases tax revenue and compliance rates (Ghazanfari, 2021).

Low participation in the AEO programme could significantly affect customs tax revenue, leading to negative effects on government spending for societal needs. Customs duties are a crucial part of the national tax system, contributing significantly to South Africa's national revenue fund. This fund is essential for financing government expenses and running the country. In 2024, the South African tax administration collected R70.6 billion in import duties, a 4.5% decrease from the R73.9 billion collected in 2023 (SARS, 2024b). Increasing AEO participation could improve the ease of doing business, thereby boosting national tax revenue. By streamlining customs procedures and reducing delays, AEO status can make trade more efficient and attractive, potentially increasing the volume of imports and exports. This, in turn, would enhance customs tax revenue and support government spending on public services and infrastructure.

In summary, this literature highlights the critical link between tax compliance and the financial stability of business and consequently, the nation. Low participation in the AEO programme can result in significant disadvantages for businesses, increased complexity, and reduced efficiency in customs procedures. The benefits provided by AEO status are crucial for enhancing the overall efficiency and competitiveness of businesses engaged in international trade. This research therefore evaluates the AEO programme's efficiency and effectiveness in improving compliance rates and trade facilitation and thereby makes a contribution to the existing body of literature. Researching the effectiveness of AEO programmes therefore contributes to understanding their role in trade facilitation and compliance.

### ***2.2.5 Why did the South African tax administrator implement the AEO programme and What did the South African tax administrator use before the AEO programme?***

From a domestic industry perspective, local manufacturers in South Africa must compete with imports from global manufacturers. The high volume of customs paperwork required for each import transaction hinders business competitiveness. Another significant business barrier is the physical audit intervention of imported goods. Extensive paperwork and physical audits slow down the movement of goods, making supply chains less efficient. Each customs stop incurs cumulative industrial costs, including deposits, accommodation, and additional transportation fees for staff to attend these stops. These costs add up, further reducing the competitiveness of South African businesses. The AEO programme helps reduce the financial and operational burdens associated with these customs procedures (Dere, 2021).

Businesses with AEO status can significantly enhance supply chain efficiency and reduce costs, making South African businesses more competitive on the global stage. The AEO programme aims to make trade more efficient and attractive. This can lead to increased participation in international trade, boosting the economy and creating more opportunities for local businesses (Karabulut, 2020).

Trade security is another crucial factor that the AEO programme addresses. Ensuring that South Africa remains a peaceful country with secure borders is essential for national security, which includes securing trade (Mamokhere & Chauke, 2020). The AEO programme requires businesses to maintain high corporate governance standards to ensure security. Companies with strong corporate governance are less likely to engage in illegal activities, thereby contributing to legal and secure trade. Good corporate governance practices help prevent corruption and other illegal activities, fostering a more transparent and accountable business environment (Herawati and Hernando, 2020). The South African tax administration implemented the AEO programme therefore, to facilitate trade and enhance security.

Before the introduction of the AEO programme, the Preferred Trader Programme (PTP) served as a precursor, embodying many of the same principles and objectives. The South African tax administrator launched the customs PTP on 8 May 2017. The initiative was a significant step in the country's customs modernisation journey; it aimed at facilitating trade and enhancing efficiency. The PTP was designed to shift from the traditional customs gatekeeper approach to a more risk-based methodology. This change was intended to streamline trade processes while maintaining robust security measures. The programme's primary objective was to make international trade smoother and more favourable for businesses by reducing the frustrations and costs faced by traders operating in the global market (SARS, 2020).

During the implementation of the PTP, 28 Customs clients successfully obtained preferred trader accreditation status. This was achieved through a comprehensive process of audits and customs competency assessments. The PTP was established to function similarly to the WCO internationally recognised AEO programme. By aligning with the WCO standards, the PTP aimed to foster a close relationship between Customs clients and the South African tax administrator, encouraging cooperation and compliance. Traders who complied with the programme's requirements received several benefits. These incentives were designed to enhance efficiency and reduce the operational costs associated with international trade. The benefits included expedited processing of shipments, reduced inspections, and priority treatment at customs checkpoints. These advantages not only facilitated the movement of goods across borders but also promoted a more predictable and reliable trading environment. (Nel, 2024).

In essence, the PTP represented a significant trade facilitation initiative that formed part of the South African tax administrator's broader customs modernisation efforts. The programme's success in accrediting customs clients demonstrated its effectiveness in promoting compliance and cooperation. By fostering a close relationship between customs clients and the tax administrator, the PTP helped to streamline trade processes and enhance efficiency.

The programme was changed to the AEO programme to align it with the WCO's SAFE framework of standards on 31 March 2020. This renaming was part of an effort to ensure that the programme met international standards for trade facilitation and security. The AEO programme continues to build on the foundations laid by the PTP, aiming to achieve the SAFE framework's objectives of tax compliance and trade facilitation. (Vivier, 2020).

This research evaluates the effectiveness and efficiency of the AEO programme in achieving the SAFE framework's objectives. By examining the programme's impact on tax compliance and trade facilitation, the research will provide insights into how well the AEO has succeeded in building on the PTP's legacy. The findings will help to determine whether the AEO has achieved its goals of enhancing efficiency, reducing costs, and promoting a secure and predictable trading environment.

### ***2.2.6 What is tax compliance by taxpayers?***

Ali Al-Ttaffi, Bin-Nashwan and Amrah (2020) define tax compliance as the 'willingness of taxpayers to act in accordance with the statutory requirements or intentions of the tax law and administration'. This definition highlights the importance of voluntary adherence to tax laws and regulations by taxpayers. The theories underpinning tax compliance behaviour can be broadly categorised into two groups: traditional economic and deterrence theories, and psychological and sociological theories (Ali Al-Ttaffi et al., 2020).

Traditional economic and deterrence theory posits that individuals are deterred from non-compliance based on their perception of the likelihood of detection and the severity of penalties. According to this theory, the fear of being caught and the consequences that follow act as significant deterrents to tax evasion. The traditional economic theory, conversely, relies on the economics-of-crime assumption. This assumption suggests that a rational individual will seek to maximise personal gain from the evasion gamble. In other words, a person will weigh the benefits of successful evasion against the risks of detection and

punishment. If the perceived benefits outweigh the risks, the individual may choose to evade taxes (Mälksoo, 2020).

According to these theories, for the AEO programme to effectively promote tax compliance, it must encourage taxpayers' willingness to act in accordance with tax laws. The economics-of-crime assumption suggests that for the AEO to increase compliance, it should limit the opportunities for successful evasion and enhance the risk of detection and punishment. For example, AEOs found to be involved in illegal activities should face stringent penalties to deter non-compliance.

Psychological and sociological theories examine how personality traits and social environments influence compliance behaviour. Psychological theories focus on individual characteristics, such as moral values and personal ethics, which can affect a person's decision to comply with tax laws. Sociological theories, meanwhile, consider the impact of social norms, peer influence, and the broader social context on compliance behaviour. According to these theories, individuals are more likely to comply with tax laws if they perceive that compliance is the norm in their social group or community (Burt, 2020). Therefore, psychological and sociological theories suggest that the AEO programme should leverage personality traits and social environments to encourage compliance. This could involve measures such as banning individuals who are known to be corrupt or who promote corruption from participating in the AEO programme. By fostering a culture of integrity and ethical behaviour, the AEO programme can create an environment where compliance is the expected norm.

In conclusion, it is crucial to research whether the AEO programme effectively promotes taxpayers' willingness to comply with the requirements of the law. By examining the impact of the AEO programme on tax compliance, researchers can determine whether the programme successfully enhances compliance through both deterrence of unethical behaviour and promotion of ethical behaviour. This research provides valuable insights into the effectiveness of the AEO programme in achieving its objectives of tax compliance and trade facilitation.

## **2.3 Empirical literature**

### ***2.3.1 Comparison of AEO in a sample of other countries***

An observational examination was conducted on a sample of six nations using data from the 2020 compendium by the WCO. This compendium provided detailed information on the enrolment of AEO in these countries. The primary objective of this examination was to establish the average enrolment rate of AEOs over a two-year period using an arithmetic mean and to determine an acceptable rate of enrolment.

To achieve this, the enrolment data was averaged using the arithmetic mean as calculated in the research of González-Hidalgo et al. (2021), over a two-year period, starting from the date of the programme's launch up to the year 2020. This method involved calculating the total number of years that each AEO programme had been in operation for, by 2020. The enrolment figures were then either increased or decreased to reflect an arithmetic mean average over two years. This adjustment was done by first averaging the enrolment numbers for a one-year period by the arithmetic mean to obtain average enrolment for a year and then multiplying the result by two to obtain the two-year average. The arithmetic mean is arrived at by dividing the sum of AEO by count of year the AEO was in use (González-Hidalgo et al., 2021).

By using this approach, the study aimed to provide a clear and standardised measure of AEO enrolment across different nations. This would help in assessing the effectiveness and growth of the AEO programmes and in setting benchmarks for acceptable enrolment rates. The findings from this examination could be used to guide future policy decisions and improvements in the implementation of AEO programmes globally.

**Table 2-2: Total number of AEO participants from sample of countries as of 2020**

Country	Date of launch	Name of programme	Total number of registered operators	Total number of year operation	Average operators over 2-year period <sup>a</sup>
Argentina	29 Mar 2019	AEO	19	1	38
Belize	4 Aug 2016	Trusted Trader Programme	30	4	15
Bolivia	4 Aug 2016	Trusted Trader Programme	30	4	15
Brazil	7 Jul 2005	AEO	211	5	84
Canada	23 Jun 2005	Customs Self-Assessment	1099	19	116
Haiti	25 Sep 2015	Privileged Partnership Programme	11	5	4

<sup>a</sup> Total number reduced/increased to 2 years from date of launch (Adapted from WCO, 2020)

A comparison of the AEO programmes in a sample of countries reveals varying levels of adoption over a two-year period. Canada emerges as the best-performing country, with an average adoption rate of 116 AEOs over this period. This high adoption rate can be attributed to Canada’s highly developed economy and low poverty rates, which facilitate smoother implementation and compliance with the AEO programme. In contrast, Brazil and Argentina have lower adoption rates, with Brazil averaging 84 AEOs and Argentina 38 AEOs over the same period. Both countries, like South Africa, are developing nations that face significant challenges related to poverty and inequality. These socio-economic factors can affect the effectiveness and uptake of the AEO programme (WCO, 2020).

South Africa’s economy is more diversified compared to those of Belize, Bolivia, and Haiti (Greenberg, 2020). These three countries, along with Argentina, have AEO adoption rates below 50 over a two-year period. Specifically, Bolivia, Belize, and Haiti struggle with higher levels of poverty and less diversified economies, which can hinder the adoption of such programmes.

Given this context, the researcher suggests that the South Africa's AEO adoption rate can be predicted to fall between 50 and 100 over a two-year period. This estimate is based on the country's economic diversification and its socio-economic challenges, which are somewhat like those faced by Brazil and Argentina. By analysing these comparisons, it becomes clear that while South Africa may not reach the high adoption rates of Canada, it is likely to perform better than countries with less diversified economies and higher poverty rates.

### ***2.3.2 Which taxpayers benefit from the AEO programme?***

Empirical research was conducted to determine which taxpayers benefit most from the AEO programme. This research review is based on Schramm's (2020) research titled 'Who benefits most from AEO certification? Austrian perspective'. The aim of this review was to identify the primary beneficiaries of the AEO programme. Austria was chosen as the focus of this study because it had an AEO programme in place for over 12 years, providing a wealth of experience with both the successes and challenges of the programme. This long-term perspective allows for a comprehensive analysis of who truly benefits from AEO certification. Austria offers three types of AEO certifications (Schramm, 2020), which are explained below.

AEO-C (Customs simplifications), simplifies customs processes by reducing the number of document checks and providing priority treatment during physical inspections. Businesses with AEO-C certification experience faster and more efficient customs clearance, which can significantly reduce delays and costs associated with international trade (Lux, 2023).

AEO-S (Security and Safety certification) focuses on security-related controls that ensure the integrity and security of the supply chain. Companies with AEO-S certification benefit from enhanced security measures, which can protect their goods from theft, tampering, and other security risks. This certification is particularly valuable for businesses that prioritise supply chain security and compliance with international security standards (Hien, 2020).

AEO-F combines the benefits of both AEO-C and AEO-S, offering expedited customs arrangements and comprehensive security-related customs controls. Businesses with AEO-F certification enjoy the most extensive benefits, including faster customs clearance, reduced inspections, and enhanced supply chain security. This certification is ideal for companies that seek to maximise efficiency and security in their international trade operations.

The research review found that businesses with AEO certification, particularly those with AEO certification that combines benefits of customs simplification with security, experience significant advantages in terms of reduced customs delays, lower operational costs, and improved supply chain security. These benefits make the AEO programme highly valuable for South African companies engaged in international trade, as it enhances their competitiveness and operational efficiency.

In conclusion, the empirical research highlights that the AEO programme provides substantial benefits to certified businesses, particularly those with comprehensive AEO-F certification. By simplifying customs processes and enhancing supply chain security, the AEO programme helps South African businesses reduce costs, improve efficiency, and maintain compliance with international standards. This makes the AEO programme a crucial tool for South African businesses looking to thrive in the global market, especially as they navigate the unique challenges and opportunities in the South African economic landscape.

**Table 2-3: Number of AEOs in Austria**

Type of Certification	2008	2009	2010	2011	2012	2013
Holder of AEO-C	6	17	31	58	80	85
Holder of AEO-S	0	0	1	1	1	1
Holder of AEO-F	30	70	102	127	154	163
<b>Total</b>	<b>36</b>	<b>87</b>	<b>134</b>	<b>186</b>	<b>235</b>	<b>249</b>

(Schramm, 2020)

Per Table 2-3, it can be noted that AEO-F, which is a combination of AEO-C and AEO-S, has the most registrations, which suggests that the AEO programme

pursues both safety and compliance advantages. Therefore, taxpayers that benefit from AEO are those that require both security and customs compliance. A combined programme in South Africa would therefore be more attractive than a specific customs or security category. Therefore, a possible research gap exists in evaluating whether specific AEO programmes focused on compliance simplification or customs security in South Africa would be effective in promoting taxpayer and trader compliance.

## **2.4 Conclusion**

This chapter reviewed existing literature from similar studies to identify gaps in the current research. By reviewing these studies, the researcher was able to pinpoint areas that have not been thoroughly explored, specifically the area of South Africa's AEO effectiveness and efficiency in promoting taxpayer and trader compliance. Additionally, researcher explored AEO programme's impact and the programme's potential to address specific challenges faced by South African business, especially small and medium business. The next chapter provides a detailed explanation of the research methodology that the researcher followed, giving an outline of the specific methods and approaches used to conduct the study.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The previous chapter reviewed literature to enable a comprehensive understanding of the current state of knowledge in the field of AEO programmes. It allowed for the exploration of key themes and findings that have emerged from prior studies. This chapter deals with the research methodology, which refers to the systematic approach used to conduct research. This research methodology encompasses research design, sampling strategy, data collection and analysis methods, ethical implications, and the delimitation of this study.

### **3.2 Research ontology, epistemology, and design**

Ontology deals with the nature of reality and what constitutes a fact. It explores whether social entities should be perceived as objective (existing independently of social actors) or subjective (constructed by social actors) (Han, Kang and Sok, 2023). Different research philosophies have distinct ontological perspectives. Positivism assumes a perspective of an objective reality that is independent of human perception. Interpretivism views reality as socially constructed and subjective (Ma and Ma, 2022).

Epistemology is the framework of knowledge integrated in the research methodology; it is the perspective of looking at the world and understanding it. Commonly used epistemological positions are positivism and interpretivism. Positivism is described by Al-Ababneh (2020) as what is observed as being in direct alignment with what is being experienced by scientific methods. Interpretivism creates knowledge differently, by looking into subjective and descriptive methods to characterise complicated occurrences instead of by the use of linear objectives and statistical methods (Al-Ababneh, 2020).

This research followed a mix of both positivism and interpretivism research epistemology and adopts a combination of quantitative and qualitative research design. The research further used a mix of a narrative research approach for qualitative methods and descriptive statistics for quantitative methods. Busetto,

Wick and Gumbinger (2020), explain that the qualitative design aims to delve into personal viewpoints and definitions linked to a phenomenon to unearth reasons for the observed sequences (Busetto et al., 2020).

Qualitative design focuses on researching and appreciating intricate phenomena by researching non-numerical data. Narrative research supports this by studying how people tell stories to understand how they perceive and make sense of their experiences rather than beginning with pre-existing knowledge. Instead of beginning with hypotheses, grounded theory starts with qualitative data collection (Flick, 2022).

Quantitative design starts with pre-existing knowledge, in the form of a hypothesis and then researches this using numerical data analysis. Descriptive statistics support quantitative design by summarising and identifying patterns (Taherdoost, 2022).

This study explores the effectiveness and efficiency of the South African tax administrator's AEO programme in promoting taxpayer and trader compliance. Therefore, using mixed methods allows for a deeper understanding and cross validation of research knowledge as this is a new programme in South Africa. Mixed methods create comprehensive insights that form firm foundations for future research.

### **3.3 Sampling strategy**

The section below describes the study population, sampling criteria followed and size of sample.

#### **3.3.1 Study population**

Hossan, Mansor and Jaharuddin (2023) state that the study population is a group of people or entities that the study is focusing on. Populations establish the boundaries of the study and provide the reader with insights into the environment and context. They also allow for a concentrated examination of specific areas within a defined scope. The target population refers to the specific group of

individuals that the researcher aims to study. This group is confined to those accessible to the researcher and constitutes the primary focus of the researcher's interest.

The first objective of this study as stated in Chapter 1 is to identify if the participation rate in the programme is acceptable. The second objective is to identify challenges and barriers contributing to the participation rate while the third objective is to evaluate if the AEO programme significantly improved customs and trade facilitation among participating taxpayers. The key informants that can provide reliable data relating to these objectives are the AEO employees at the South African tax administrator as policy makers, and taxation lecturers as taxation experts. These informants comprise the study population as they have extensive knowledge of the AEO programme (Hossan et al., 2023).

### **3.3.2 Sample size**

A sample is a specific category within a larger class that make up a population, that the researcher collects information from (Bhandari, 2023). The sample size is always less than the population size (Frost, 2024). The sample size for a qualitative study is determined by the point at which saturation is achieved (Hennink and Kaiser, 2022). Naeem, Ozuem and Ranfagni (2024), in their study titled 'Demystification and actualisation of data saturation in qualitative research through thematic analysis', assert that achieving saturation indicates that further interviews would not significantly change the research outcomes (Naeem et al., 2024). Saturation can be achieved in a range of 9 to 17 key informants (Hennink and Kaiser, 2022). As research is mixed use, sample size also accommodates quantitative study size requirements for a moderate study.

In this study, saturation was achieved after 22 interviews, resulting in the sample being 22. Therefore, for a specific objective in Chapter 1, a moderate, focused sample provides detailed information that is more informative than a larger survey.

### ***3.3.3 Sampling techniques***

This research employs purposive stratified sampling by selecting key informants from two different stakeholder groups based on specific criteria set by the researcher. For one of the stakeholder groups, the criteria required qualified and experienced tax experts. For the second stakeholder group, the criteria required employees at middle management level in the South African tax administrator AEO department as policy makers.

According to Howell et al. (2020), stratified sampling enhances the representativeness of the sample by segmenting the study population based on their roles. This study employed a stratified random sampling method to ensure representation from different stakeholder groups. This sampling method can be quantified as there are numerous individuals working for the South African tax administrator specifically as management in the AEO division, focusing on policymaking. Separately there are experts in tax education employed at UKZN. The study population therefore entails a stratum of key informants. A total sample of 22 key informants was included ensuring representation from each stratum.

### ***3.3.4 Inclusion criteria***

Key informant experts on the AEO programme include lecturers from UKZN's Centre for Accounting Science (CAS) Tax department. These lecturers are involved primarily with lecturing on Tax, and have studied taxation at a Postgraduate level.

Key informant policy makers in the AEO programme at the South African tax administrator include individuals from junior management to executive management in the AEO divisions of customs. These are policy makers whose main activities include making, administering and overseeing AEO policy through relationship management with AEO clients.

The key informants (experts and policymakers) have been actively involved in the taxation field for a period of over three years.

Diversity representation was accounted for by including both female and male key informants.

### **3.3.5 Exclusion criteria**

The following will not be part of the study.

- Policy makers who are staff at the South African tax administrator but not directly involved in making, administering and overseeing of AEO policy (for example auditors, administrators and staff involved in Information Technology, Human Resources, and analysts)
- Expert lecturers from the UKZN Tax department whose primary activities involve not only lecturing but also other activities (for example academic coordinators, researchers, deans, deputy deans)
- Individuals who are not aware of the SARS AEO programme and are not part of the Tax department at the UKZN Tax department
- Key informants who are either policy makers at the South African tax administrator or expert lecturers from the KZN tax department but who are on leave of absence from their work during the data collection period
- Individuals who do not have an established engagement history with the AEO programme

Any response from individuals with incomplete or insufficient data for analysis will be excluded thus ensuring accuracy and reliability in the evaluation. Individuals with potential conflicts of interest or biased perspectives that might skew the evaluation process will be excluded.

### **3.3.6 Data collection**

Data collection was conducted using in-depth structured surveys that included closed yes/no questions, scale questions, and open-ended questions. The yes/no questions and scale questions were designed to assess key informants' views and were analysed using quantitative methods. The open-ended questions allowed key informants to explore the research topic in depth and were analysed qualitatively. The questions were structured and standardised, with all key

informants being asked to complete the same questions via a questionnaire, and their responses were evaluated in a consistent manner. The survey link was emailed to key informants, allowing them to complete it at their convenience

### ***3.3.7 Recruitment***

Key informants were recruited via email addresses obtained from the gatekeepers of UKZN and South Africa's tax administrator. An initial email was sent to UKZN and the South African tax administrator and this included a request for permission to undertake the study and ethical clearance to access staff. Once permission was granted by both UKZN and the SA tax administrator and the key informants agreed to participate in the study, a survey link was sent out. Only those who were available and willing to participate completed the survey. The gatekeepers from UKZN and the SA tax administrator provided a list of key informants from whom data could be collected.

### ***3.3.8 Data collection tool***

Data collection was done using a mixed-methods survey approach. The survey integrated both quantitative and qualitative questions to capture a comprehensive range of information. Closed yes/no questions, scale questions and open ended questions were used. A Likert scale (e.g., 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree) was used to quantify key informants' views, attitudes, or behaviours. These questions are designed to be easily analysed using statistical methods.

Open-ended questions allow key informants to provide detailed, narrative responses. They are designed to explore key informants' thoughts, experiences, and insights in depth, providing rich qualitative data.

All key informants received the same set of questions in an identical format to ensure consistency and comparability of responses. The survey was distributed via email, with a link allowing key informants to complete it at their convenience. This approach increases both accessibility and response rates.

### **3.3.9 Data saturation**

Naeem et al. (2024) indicate that data saturation occurs when sufficient research information has been gathered to make well-informed conclusions. Data saturation occurs when key informants' responses become repetitive, and no new insights are gained from additional interviews. The study by Hennink and Kaiser (2022) shows that saturation can be reached within a relatively small range of 9 to 17 interviews. For this research, saturation was reached after conducting 22 surveys.

### **3.3.10 Data analysis**

Responses to scale questions were analysed using descriptive statistics to describe and summarise the observed results. This analysis provides a percentage representation of the responses received. Responses to open-ended questions were analysed using thematic analysis to identify common themes, insights, and deeper understanding of the research topic. By combining both the quantitative and qualitative questions, the survey tool effectively captured both numerical data and detailed personal insights.

### **3.3.11 Trustworthiness**

Trustworthiness indicates how much reliability one can have in the study findings. Reliability and validity are terms employed to assess the quality of research. They reflect how effectively a technique, method, or experiment measures something. Reliability refers to the consistency of a measurement, ensuring that similar results are obtained under the same conditions. Validity concerns the accuracy of a measurement, evaluating whether it genuinely measures what it is intended to measure (Middleton, 2022). In quantitative research, reliability and validity are key concepts. However, in qualitative research, these concepts are represented by dependability, credibility, transferability and confirmability (Jarrahi and Newlands, 2024). Therefore, reliability and validity were used for the quantitative method. Qualitative research used dependability, credibility, transferability, and confirmability of the research as philosophies to determine reliability and validity (Ahmed, 2024).

### *3.3.11.1 Quantitative reliability*

Validity refers to the extent to which the research measures what it intends to measure. Internal validity ensures that the study accurately demonstrates a causal relationship between variables, minimising the influence of confounding variables. Internal validity was performed using Cronbach's Alpha, a tool that measures the internal consistency of a set of survey questions, which indicates how well a set of survey or test items measures a single, unidimensional latent construct. External validity indicates how well the results of a study can be generalised to other contexts. External validity was ensured through documenting clear methods for research so that they may be replicated and applied in similar research. Construct validity ensures that the test or instrument truly measures the concept it is intended to measure. Content validity ensures that the instrument covers the entire domain related to the variable being measured.

### *3.3.11.2 Qualitative reliability*

#### *3.3.11.2(a) Dependability*

This describes how consistently research findings are produced over time (Jarrahi and Newlands, 2024). Reliable study results would be consistent if an identical study was repeated multiple times and the same result was produced. This was accomplished by using standardised questions for all key informants, ensuring the research can be easily replicated. The researcher documents the research procedures and decisions made throughout the study. (Ahmed, 2024).

#### *3.3.11.2(b) Credibility*

This describes how accurately the research reflects the phenomenon of interest, considering the experiences and perspectives of the key informants (Jarrahi and Newlands, 2024). This pertains to the accuracy and authenticity of the findings. The researcher builds credibility by rigorously conducting and thoroughly documenting the interviews and analysis processes. (Ahmed, 2024). Key informants are given an opportunity to review and confirm the researcher's interpretations, ensuring their experiences and perspectives are accurately represented.

### 3.3.11.2(c) Transferability

This pertains to how well the underlying structure of the data in the research context can be applied to or inform other contexts (Jarrahi and Newlands, 2024). This was achieved by ensuring the research is relevant to various contexts. By incorporating perspectives from diverse stakeholders, the research will be applicable to fields such as trade, policymaking, and economics. The researcher provided a detailed description of the research context, key informants, and methods used, enabling readers to assess the similarities between their own context and the study (Ahmed, 2024).

### 3.3.11.2(d) Confirmability

This pertains to how well research analyses can be comprehended and validated by other researchers. (Jarrahi and Newlands, 2024). To ensure that findings remain unbiased and free from the researcher's personal attitudes and biases, key informants' responses are directly transcribed to accurately reflect their views. In addition, the researcher seeks feedback from peers or experts to validate interpretations and minimise personal biases (Ahmed, 2024).

## **3.4 Ethical considerations**

The previous section above emphasised the reliability of the research findings. This section, however, highlights the ethical measures taken to safeguard the participant's autonomy, confidentiality, and privacy. The following considerations are designed to protect the key informants' welfare, ensuring the principles of respect, integrity and confidentiality for their autonomy are upheld.

### ***3.4.1 Privacy and confidentiality***

The identities, personal information, and responses of the key informants have been kept strictly confidential. Names, identifying details and titles will not be revealed or used in the research findings or publications. Instead of disclosing the tax administrator whose employees are involved, a descriptive name is used.

All collected data was anonymised, ensuring the privacy of the participant was protected throughout the study (Ogbewe and Laryeafio, 2023).

#### ***3.4.2 Informed consent***

Key informants' consent was sought before their involvement in the study, ensuring that only those who agree to participate are interviewed. They received comprehensive information about the research's potential risks, purpose, procedures, benefits, procedures, and compensation beforehand. Key informants had the chance to raise questions and grant informed consent to voluntarily participate. It was made clear that their participation is entirely voluntary, and they can withdraw from the study at any time without any repercussions (Ogbewe and Laryeafio, 2023).

#### ***3.4.3 Storage of research materials***

The information collected during the research, including key informants' responses, has been stored in the cloud securely. Access control measures were implemented to ensure the confidentiality and security of this data. Only the researcher has access to the material, and strict data protection protocols have been adhered to.

#### ***3.4.4 Data retention***

The research information will be stored for five years in the cloud following the study period, in line with standard practices in research studies. After this time, the data will be securely deleted to ensure compliance with data protection regulations and to ensure key informants' confidentiality.

#### ***3.4.5 Ethical approval***

This research study obtained ethical approval from the University of KwaZulu Natal ethics committee to ensure that its procedures and design adhere to ethical regulations and guidelines (Ahmed, 2024).

### **3.5 Delimitations of the study**

The previous section discussed the ethical considerations applied in this research. Delimitations of a study refer to the characteristics that result from the study's scope limitations and the intentional decisions to include or exclude certain elements during the study plan's development (Coker, 2022). Delimitations stem from the specific decisions made by the researcher (Coker, 2022). It assists researchers in defining what will be included and excluded in their investigation. In the context of this study, the boundaries are specified as follows:

#### ***3.5.1 Geographical focus***

The main geographic focus of this study is South Africa. The research primarily investigates the AEO programme within South Africa's borders, considering the national context and potentially including regional variations within the country.

#### ***3.5.2 Timeframe***

The study concentrates on the period from 2019 to 2024, leveraging recent developments and the availability of data to benefit the research. It examines data and developments from 1 January 2019 to 31 August 2024, providing insights into the current state of the AEO programme in South Africa.

#### ***3.5.3 Exclusions***

The study does not explore the technical details of AEO regulations in the South African Customs and Excise Act of 1964 or conduct a comprehensive assessment of individual accredited AEOs in South Africa. It also excludes historical developments beyond the contemporary period and does not extensively discuss AEO programmes in other countries. By setting these boundaries, the study maintains a clear focus and effectively addresses the specific research objectives related to evaluating South Africa's tax administrator's Authorised Enterprise Operator in promoting taxpayer and trader compliance.

### **3.6 Conclusion**

Through the research methodology approach described in this chapter, the researcher sought to evaluate the effectiveness and efficiency of the AEO programme in South Africa as per the objectives set out in Chapter 1. The next chapter examines the data collected during this study and provides a detailed analysis of the findings to understand the programme's effectiveness and efficiency.

## **CHAPTER 4: RESEARCH ANALYSIS**

### **4.1 Introduction**

The research analysis chapter delves into the comprehensive examination of data collected during the study. This chapter aims to interpret and analyse the findings to provide meaningful insights into the research questions and objectives. By systematically evaluating the data, the chapter seeks to uncover patterns, relationships, and trends that are critical to understanding the subject matter.

We begin by outlining the methodology used for data collection and analysis. This includes a detailed description of the tools and techniques employed to ensure the accuracy and reliability of the data. Following this, this chapter presents the key findings, supported by relevant charts, graphs, and tables to illustrate the results clearly. The analysis is divided into several sections, each focusing on a specific aspect of the research. These sections address the core themes and variables identified in the study, providing a thorough examination of each.

This chapter also compares the findings with existing literature to highlight similarities, differences, and new contributions to the field. Finally, it discusses the implications of the findings, considering both theoretical and practical perspectives. We explore how the results can inform future research, policymaking, and practice. By the end of this chapter, readers have a comprehensive understanding of the research outcomes and their significance in the broader context of the study.

### **4.2 Reliability testing**

Cronbach's Alpha is a statistic used to measure the internal consistency or reliability of a set of survey or test items. Essentially, it quantifies how well a group of items measures a single, unidimensional latent construct. It assesses the extent to which multiple items in a test are consistent in measuring the same underlying concept. The value of Cronbach's Alpha ranges from 0 to 1. Higher

values close to 1 indicate better reliability or consistency among the items. The analysis involves two items which contribute to calculating Cronbach's Alpha.

A commonly accepted threshold is 0.70 or higher, which suggests acceptable reliability. Two factors were evaluated, taxpayer participation and AEO effectiveness. The Cronbach's Alpha for taxpayer participation was 0.743 and for AEO effectiveness it was 0.949. This suggests strong internal consistency among these survey items within the performance factor.

**Table 4-1: Cronbach's Alpha for taxpayer participation**

<b>Factor 1 -Taxpayer participation</b>	<b>Cronbach's Alpha</b>	<b>N of items</b>
Is the participation rate in SARS AEO programme acceptable?	0.743	2
Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?		

Source: Author's own

**Table 4-2: Cronbach's Alpha for AEO effectiveness.**

<b>Factor 2 – AEO effectiveness</b>	<b>Cronbach's Alpha</b>	<b>N of items</b>
To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses?	0.949	4
How has the AEO programme affected trade facilitation in South Africa?		
How would you rate the overall implementation of the AEO programme in terms of ensuring data security?		
How would you rate the implementation strategy of the AEO programme in South Africa?		

Source: Author's own

### **4.3 Goodness of fit**

Hypothesis 1: The acceptability of the participation rate in the South African tax administrator AEO programme.

Null Hypothesis (H<sub>0</sub>): The participation rate in SARS AEO programme is unacceptable.

Alternative Hypothesis (H<sub>a</sub>): The participation rate in SARS AEO programme is acceptable.

The null hypothesis represents what it is believed to be true, in the absence of compelling evidence to the contrary. In this case, it implies that the participation rate in the SARS AEO programme is not significantly different from what was expected, which is a low participation rate. The alternative hypothesis suggests that the participation rate in the SARS AEO programme significantly deviates from what was expected, indicating an acceptable participation rate in the AEO programme.

The Chi-Square test statistic is 723,522 with 1 degree of freedom (*df*). The associated asymptotic significance (Asymp. Sig.) *p*-value is 0.000, typically indicating  $p < 0.001$ , which is less than the significant level of 0.05. Given the very low *p*-value, which is less than the significant level of 0.05, the null hypothesis is rejected.

The evidence suggests that there is an effect related to differences in the observed and expected frequencies of 'No', and that differences are not as a result of chance. Therefore, the results are said to be statistically significant and reliable.

Rejecting the null hypothesis, it is concluded that there is enough statistical evidence to infer that the alternative hypothesis is true, that the data provides support for an alternative idea or theory, and that there is an acceptable participation rate in the AEO programme.

***Table 4-3: Results of participation rate in AEO programme: Is the participation rate in SARS AEO programme acceptable?***

Responses	Observed <i>N</i>	Expected <i>N</i>	Residual
No	10	22.8	-12.8
Yes	13	0.2	12.8
<b>Total</b>	<b>23</b>		

Source: Author's own

**Table 4-4: Test Statistics: Is the participation rate in SARS AEO programme acceptable?**

Statistic	Value
Chi-Square	723,522 <sup>a</sup>
df	1
Asymp. Sig.	0,000

<sup>a</sup> One cell (50,0%) has expected frequencies less than 5. The minimum expected cell frequency is 2.

Source: Author's own

Hypothesis 2: Potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme.

Null Hypothesis (H<sub>0</sub>): There are potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme.

Alternative Hypothesis (H<sub>a</sub>): There are no potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme.

The null hypothesis is what we believe to be true, in the absence of compelling evidence to the contrary. The Chi-Square test statistic is 10,861.741 with 1 degree of freedom (*df*). The associated asymptotic significance (Asymp. Sig.) value is 0.000 (typically indicating  $p < 0.001$ ).

Given the very low  $p$ -value (Asymp. Sig.), this research rejects the null hypothesis. The alternative hypothesis is adopted. The evidence suggests that there is an effect related to differences in the observed and expected frequencies of 'Yes' to the question that there are barriers and challenges to adoption, and that differences are not due to chance. Therefore, the results are said to be statistically significant and reliable. Therefore, we conclude that there are possibly no barriers or challenges to the effective adoption of AEO.

**Table 4-5: Results of barriers to AEO programme: Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?**

Responses	Observed N	Expected N	Residual
No	5	0,0	5,0
Yes	18	23,0	-5,0
<b>Total</b>	<b>23</b>		

Source: Author's own

**Table 4-6: Test statistics: Are there potential barriers or challenges that hinder the effective adoption in the AEO programme?**

Statistic	Value
Chi-Square	10,861.741 <sup>a</sup>
df	1
Asymp. Sig.	0,000

<sup>a</sup> One cell (50,0%) has expected frequencies less than 5. The minimum expected cell frequency is 0.

Source: Author's own

Hypothesis 3: AEO programme contribution to improve customs tax compliance among participating businesses.

Null Hypothesis (H<sub>0</sub>): AEO programme did not contribute to improved customs tax compliance among participating businesses.

Alternative Hypothesis (H<sub>a</sub>): AEO programme did contribute to improved customs tax compliance among participating businesses.

The Chi-Square test statistic is 56,169.570 with 2 degrees of freedom (df). The associated asymptotic significance (Asymp. Sig.) value is 0.000 (typically indicating  $p < 0.001$ ). Given the very low  $p$ -value (Asymp. Sig.), this research rejects the null hypothesis.

The evidence suggests that there is an effect related to differences in the observed and expected frequencies of 'moderate extent' to the question that the AEO programme contributed to improved customs tax compliance among participating businesses, and that differences are not due to chance. Therefore, the results are said to be statistically significant and reliable.

The evidence suggests that the AEO programme significantly contributes to improved customs tax compliance. Businesses participating in the AEO programme experience positive effects, especially at a significant and very significant extent.

**Table 4-7: Results of AEO programme improvement to customs tax compliance: To what extent has the AEO programme contributed to improved customs tax compliance?**

Response	Observed N	Expected N	Residual
To a moderate extent	3	23,0	-20,0
To a significant extent	9	0,0	9,0
To a very significant extent	11	0,0	11,0
<b>Total</b>	<b>23</b>		

<sup>a</sup> Two cells (66,7%) have expected frequencies less than 5. The minimum expected cell frequency is 0.

Source: Author's own

**Table 4-8: Test statistics: To what extent has the AEO programme contributed to improved customs tax compliance?**

Statistic	Value
Chi-Square	56,169.570 <sup>a</sup>
df	2
Asymp. Sig.	0,000

Source: Author's own

Hypothesis 4: The AEO programme effect on trade facilitation in South Africa.

Null Hypothesis (H<sub>0</sub>): The AEO programme did not have a significant effect on trade facilitation in South Africa.

Alternative Hypothesis (H<sub>a</sub>): The AEO programme significantly affects trade facilitation in South Africa.

The Chi-Square test statistic is 56,169.570 with 2 degrees of freedom (*df*). The associated asymptotic significance (Asymp. Sig.) value is 0.000 (typically indicating  $p < 0.001$ ). Given the very low  $p$ -value (Asymp. Sig.), we reject the null hypothesis.

The evidence suggests that there is an effect related to differences in the observed and expected frequencies of 'slightly improved' to the question of how the AEO programme has affected trade facilitation in South Africa, and that differences are not due to chance. Therefore, the results are said to be statistically significant and reliable.

The evidence suggests that the AEO programme has significantly improved trade facilitation in South Africa. Participants in the study suggest that business in the AEO programme experience positive effects, especially at a moderate and great extent.

**Table 4-9: Results on how AEO programme affected trade facilitation in South Africa: How has the AEO programme affected trade facilitation in South Africa?**

Response	Observed N	Expected N	Residual
Slightly improved	3	23,0	-20,0
Moderately improved	9	0,0	9,0
Greatly improved	11	0,0	11,0
<b>Total</b>	<b>23</b>		

Source: Author's Own

**Table 4-10: Test Statistics: How has the AEO programme affected trade facilitation in South Africa?**

Statistic	Value
Chi-Square	56,169.570 <sup>a</sup>
df	2
Asymp. Sig.	0,000

<sup>a</sup> Two cells (66,7%) have expected frequencies less than 5. The minimum expected cell frequency is 0.

Source: Author's Own

Hypothesis 5: Overall implementation of the AEO programme in terms of ensuring data security.

Null Hypothesis (H<sub>0</sub>): Not good overall implementation of the AEO programme in terms of ensuring data security.

Alternative Hypothesis (H<sub>a</sub>): Good overall implementation of the AEO programme in terms of ensuring data security.

The Chi-Square test statistic is 15,400.670 with 3 degrees of freedom (*df*). The associated asymptotic significance (Asymp. Sig.) value is 0.000 (typically indicating  $p < 0.001$ ). Given the very low  $p$ -value (Asymp. Sig.), we reject the null hypothesis.

The evidence suggests that there is an effect related to differences in the observed and expected frequencies of ‘fair’ to the question of how would you rate the overall implementation of the AEO programme in terms of ensuring data security, and that differences are not due to chance. Therefore, the results are said to be statistically significant and reliable.

The evidence suggests that the implementation of the AEO programme has significantly good data security. Key informants reflected ratings such as ‘Good’, ‘Very good’, and ‘Excellent’ which likely reflects the effectiveness of data security measures in the AEO programme.

**Table 4-11: Results on AEO programme implementation on data security: How would you rate the overall implementation of the AEO programme in terms of ensuring data security?**

Response	Observed N	Expected N	Residual
Fair	1	23,0	-22,0
Good	5	0,0	5,0
Very good	4	0,0	4,0
Excellent	13	0,0	13,0
<b>Total</b>	<b>23</b>		

Source: Author's own

**Table 4-12: Test Statistics: Implementation of the AEO programme in terms of ensuring data security?**

Statistic	Value
Chi-Square	15,400.670 <sup>a</sup>
df	3
Asymp. Sig.	0,000

<sup>a</sup> Three cells (75,0%) have expected frequencies less than 5. The minimum is 0.

Source: Author's own

Hypothesis 6: Overall implementation strategy of the AEO programme in South Africa. Null Hypothesis ( $H_0$ ): Not good overall implementation of the AEO programme. Alternative Hypothesis ( $H_a$ ): Good overall implementation of the AEO programme.

The given Chi-Square value is 20,001.133a with 2 degrees of freedom ( $df$ ). The asymptotic significance (Asymp. Sig.) value is 0.000 (typically indicating  $p < 0.001$ ). The extremely low asymptotic significance value (0.000) indicates strong evidence against the null hypothesis.

The evidence suggests that there is an effect related to differences in the observed and expected frequencies of negative responses to the question of how would you rate the overall implementation of the AEO programme in South Africa, and that differences are not due to chance. Therefore, the results are said to be statistically significant and reliable.

Based on this data alone, we can reject the null hypothesis in favour of the alternative hypothesis. The evidence suggests that the implementation of the AEO programme is good, with key informants describing it as 'Very good' and 'Excellent'.

**Table 4-13: Results: AEO programme implementation strategy: How would you rate the implementation strategy of the AEO programme in South Africa?**

Response	Observed N	Expected N	Residual
Good	7	23,0	-16,0
Very good	10	0,0	10,0
Excellent	6	0,0	6,0
<b>Total</b>	<b>23</b>		

Source: Author's own

**Table 4-14: Test Statistics: Implementation strategy of the AEO programme in South Africa?**

Statistic	Value
Chi-Square	20,001.133 <sup>a</sup>
df	2
Asymp. Sig.	0,000

<sup>a</sup> Two cells (66,7%) have expected frequencies less than 5. The minimum is 0.

Source: Author's own

## 4.4 Descriptive statistics

### 4.4.1 Demographics

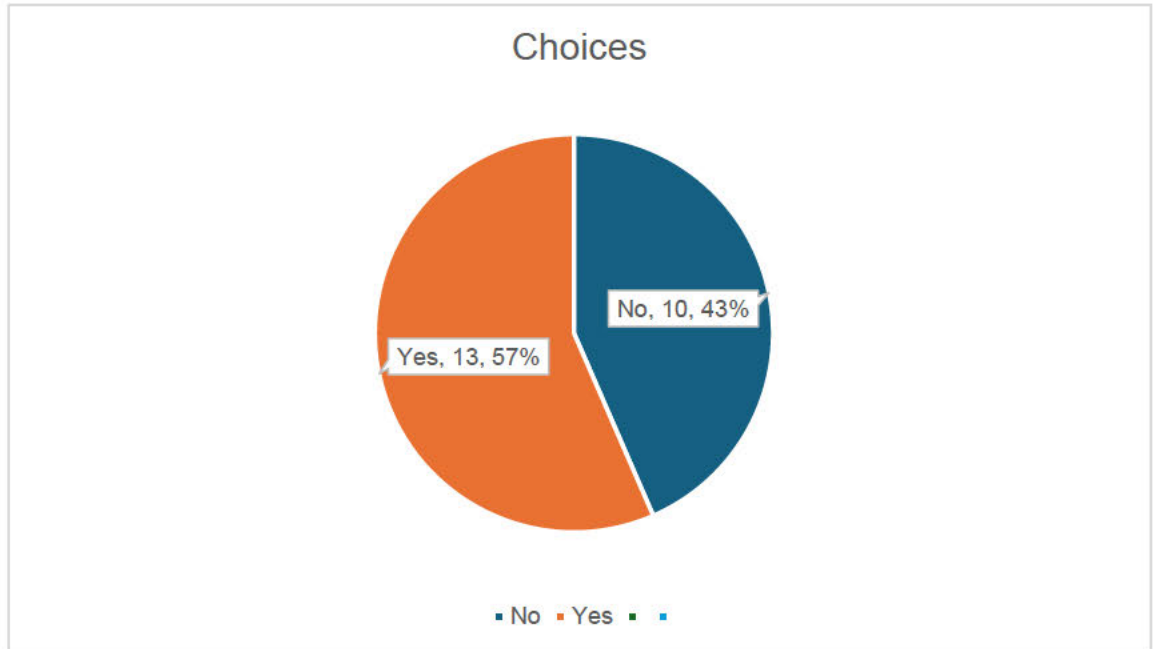
**Table 4-15: Attributes of the population**

Participant number	Number of years' experience in taxation	Position
P1	16	Executive management (Policy maker)
P2	16	Executive management (Policy maker)
P3	18	Executive management (Policy maker)
P4	17	Middle management (Policy maker)
P5	17	Middle management (Policy maker)
P6	17	Middle management (Policy maker)
P7	22	Middle management (Policy maker)
P8	22	Middle management (Policy maker)
P9	20	Middle management (Policy maker)
P10	15	Junior management (Policy maker)
P11	3	Junior management (Policy maker)
P12	17	Middle management (Policy maker)
P13	20	Executive management (Policy maker)
P14	26	Executive management (Policy maker)
P15	15	Middle management (Policy maker)
P16	15	Middle management (Policy maker)
P17	14	Middle management (Policy maker)
P18	10	Middle management (Tax Lecturer/Expert)
P19	20	Middle management (Policy maker)
P20	23	Middle management (Policy maker)
P21	19	Middle management (Policy maker)
P22	30+	Executive management (Policy maker)

Source: Author's own

#### 4.4.2 Descriptive statistics

**Figure 4-1: Results: Is the participation rate in SARS AEO programme acceptable?**



Source: Author's own

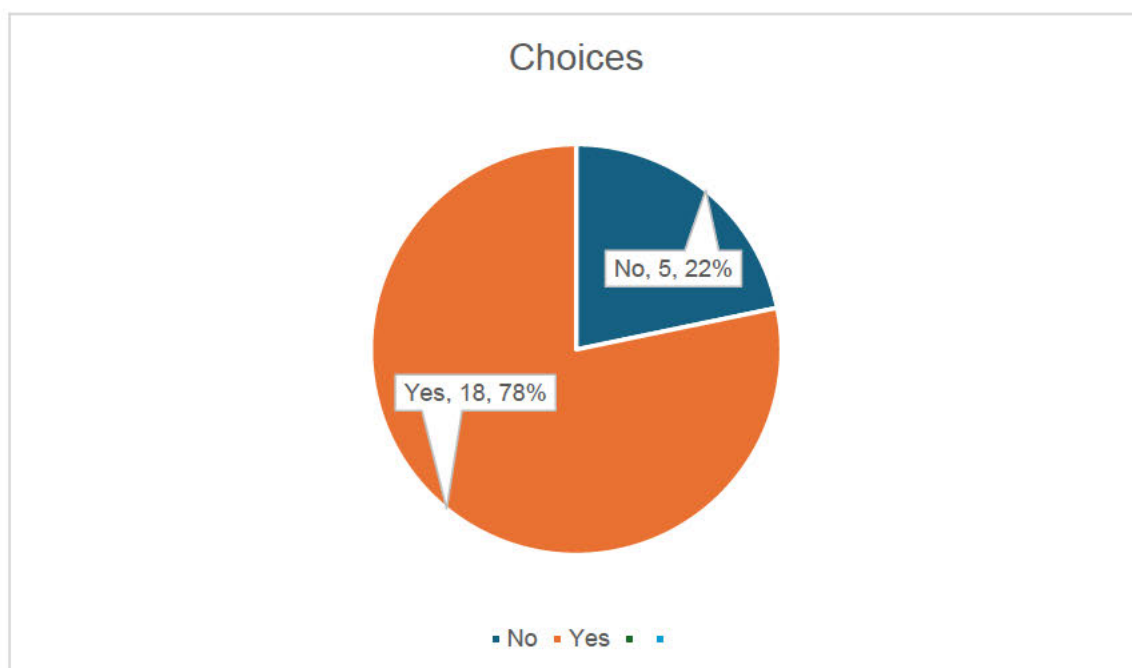
**Table 4-16: Results: Is the participation rate in SARS AEO programme acceptable?**

Choices	Observed N
No	10
Yes	13
<b>Total</b>	<b>23</b>

Source: Author's own

When asked, 'Is the participation rate in SARS AEO programme acceptable?', 10 (43%) said 'No' and 13 (57%) out of 23 key informants said 'Yes'.

**Figure 4-2: Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?**



Source: Author's own

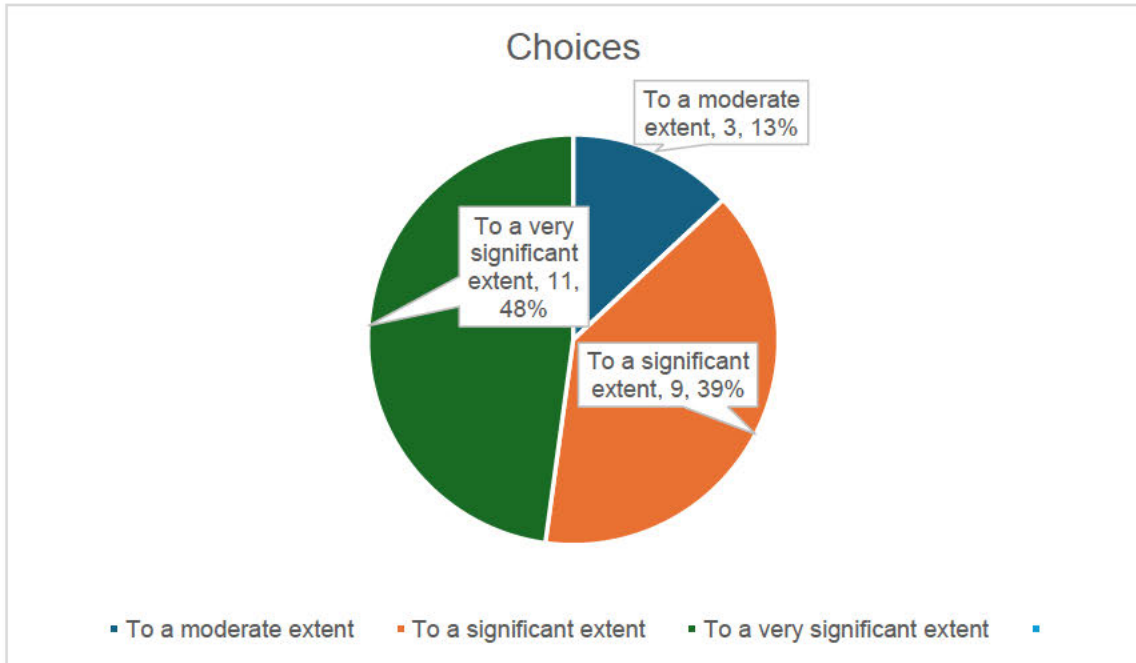
**Table 4-17: Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?**

Choices	Observed N
No	5
Yes	18
<b>Total</b>	<b>23</b>

Source: Author's own

When asked, 'Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme?', 18(78%) out of 23 key informants said there are barriers that hinder the effective adoption and participation of businesses in the AEO programme.

**Figure 4-3: To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses?**



Source: Author's own

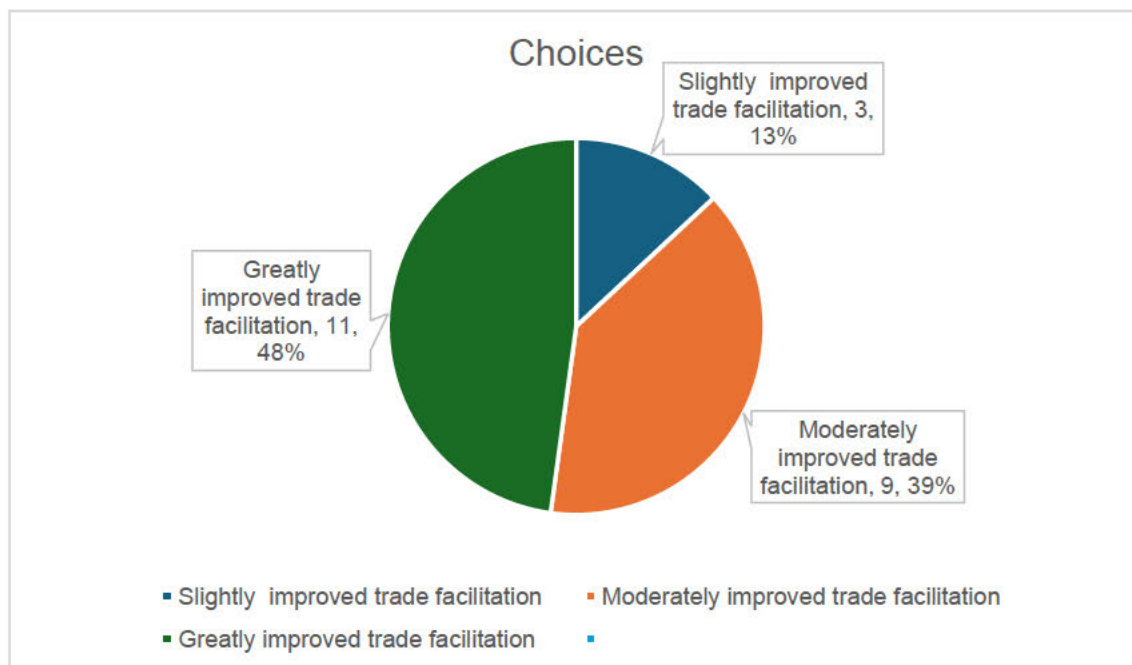
**Table 4-18: To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses?**

Choices	Observed N
To a moderate extent	3
To a significant extent	9
To a very significant extent	11
Total	23

Source: Author's own

When asked 'To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses?', 3(13%) key informants said 'To a moderate extent', 9(39%) said, 'To a significant extent' and 11 (48%) said 'To a very significant extent'.

**Figure 4-4: How has the AEO programme affected trade facilitation in South Africa?**



Source: Author's own

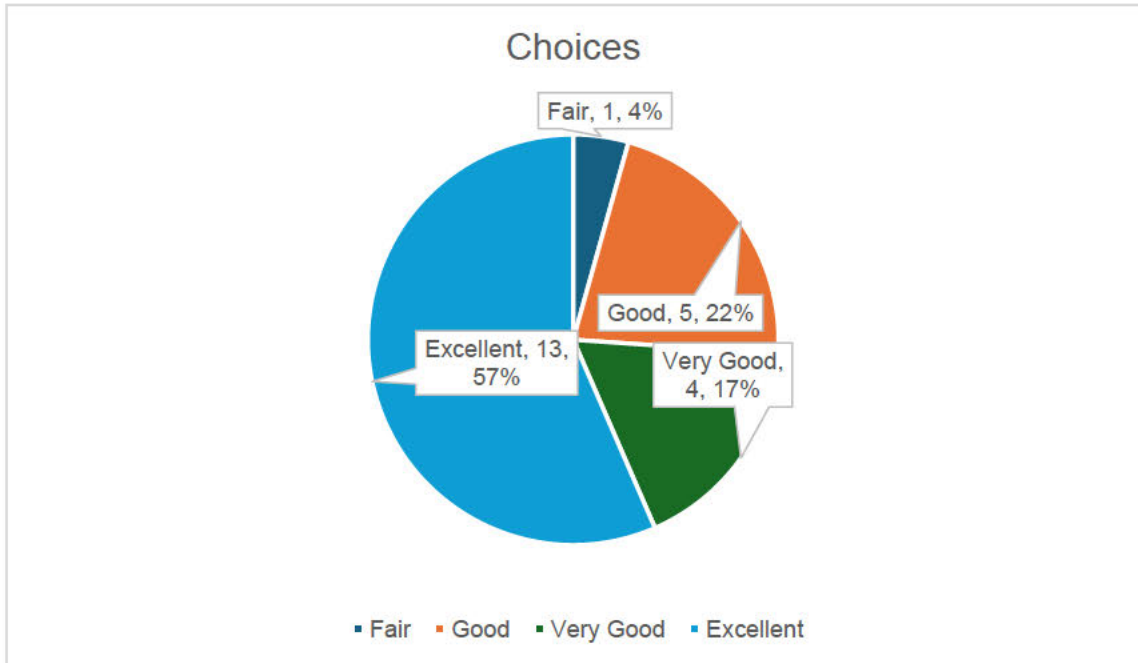
**Table 4-19: How has the AEO programme affected trade facilitation in South Africa?**

Choices	Observed N
Slightly improved trade facilitation	3
Moderately improved trade facilitation	9
Greatly improved trade facilitation	11
Total	23

Source: Author's own

When asked 'How has the AEO programme affected trade facilitation in South Africa?', 11(48%) participants said it 'greatly improved trade facilitation', 9(39%) said 'It moderately improved trade facilitation' and only 3(13%) said 'It slightly improved trade facilitation'.

**Figure 4-5: How would you rate the overall implementation of the AEO programme in terms of ensuring data security?**



Source: Author's own

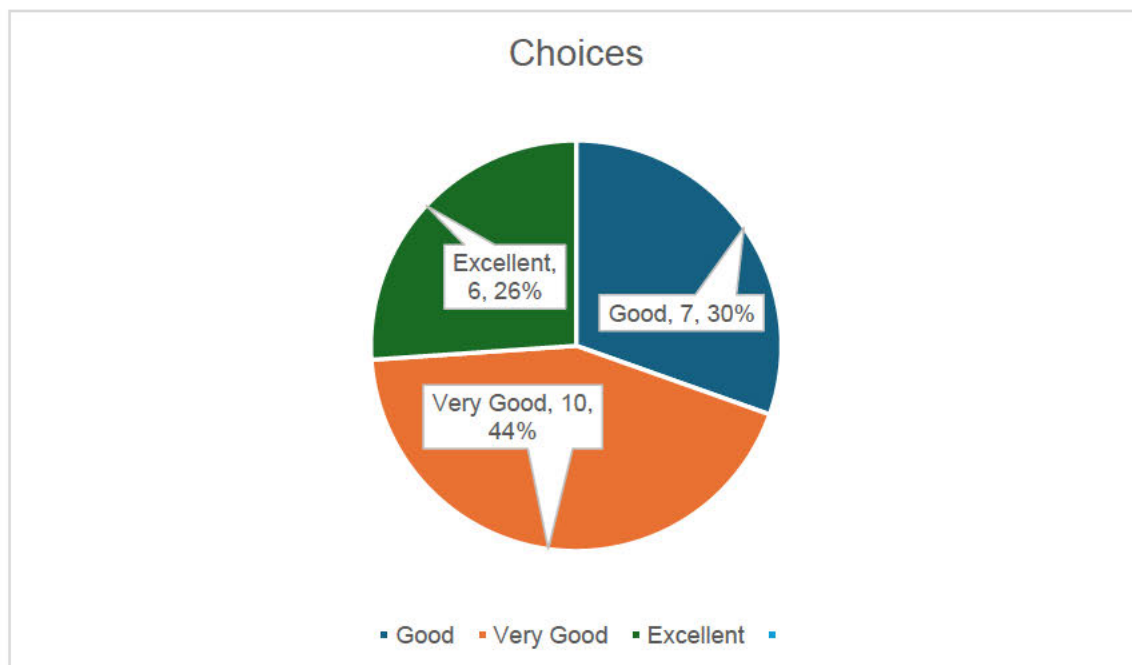
**Table 4-20: How would you rate the overall implementation of the AEO programme in terms of ensuring data security?**

Choices	Observed N
Fair	1
Good	5
Very Good	4
Excellent	13
Total	23

Source: Author's own

When asked 'How would you rate the overall implementation of the AEO programme in terms of ensuring data security', 13(57%) key informants said, 'Security implementation is excellent', 4(17%) said 'Very good', 5 (22%) said 'Good' and 1 (4%) said 'Fair'.

**Figure 4-6: How would you rate the implementation strategy of the AEO programme in South Africa?**



Source: Author's own

**Table 4-21: How would you rate the implementation strategy of the AEO programme in South Africa?**

Choices	Observed N
Good	7
Very Good	10
Excellent	6
Total	23

Source: Author's own

When asked, 'How they would rate the overall implementation strategy of the AEO programme in South Africa?', 6 (26%)key informants said 'Excellent', 10 (44%)said 'Very good' and 7 (30%)

said 'Good'.

## **4.5 Qualitative analysis**

### **4.5.1 Saturation analysis**

The research method for determining saturation was to continuously measure and review each response from interview participants for recurring themes. It was observed that new themes stopped accruing; no new themes were identified by the researcher after 22 interviews.

### **4.5.2 Acceptability of South African tax administrators AEO programme participation rate**

The acceptability of the participation rate is mixed. While some key informants see the current number of 400 approved clients as acceptable (P3), others did not. It can be seen per the responses below that participants felt that the programme meets international standards and performs well compared to other countries in the region, which is a positive indicator (P3, P7).

*P3: 'Our (SARS) AEO programme was approved by the WCO as meeting the minimum standards. The participation rate in terms of quantity is 400 approved AEO clients for in this financial year and that is acceptable'.*

*P7: 'SARS accredited 145 traders since the inception of the programme. It is the best number when compared to our other sister countries in the SADC region'.*

Others believe the participation rate is still too low (P1, P4, P11).

*P1: 'Enhancing supply chain security and customs compliance implies, in my opinion, that at least more than 30% of trade should have high levels of commitment to meeting these benchmarks. Only 14% of traders in South Africa currently participates in the AEO programme'.*

*P4: 'The participant's number is still low as compared to the Customs registered client number'.*

*P11: 'The rate of AEO accredited client is still low'.*

The key informants attribute the initial low participation rate to a lack of awareness and understanding of the programme. However, the key informants state that there is a positive trend with increasing applications and growing interest (P5, P6).

*P5: 'I do not think that the AEO concept has reached or is understood by everyone yet'.*

*P6: 'The AEO programme attracted fewer clients in its inception which might be attributed to the lack of knowledge by the clients. The picture has since changed with clients coming in their numbers. On average the AEO division receives plus/minus 15 applications a week'.*

#### **4.5.3 Barriers to AEO programme adoption**

A significant barrier is the lack of awareness and understanding of the AEO programme and its benefits. This suggests a need for more effective communication and education efforts. The perceived lack of tangible benefits is a major deterrent. Ensuring that the benefits are clear, substantial, and well-communicated could help increase participation.

*P1: 'Non-participation is driven by: - low levels of customs compliance - perceived lack of tangible benefits offered by the programme to entice traders to invest in improving supply chain security - lack of awareness of the programme and the economic benefits of participation'.*

*P2: 'Lack of understanding from other teams'.*

*P9: 'Lack of adequate knowledge out there and limited executive support to Customs initiatives'.*

*P12: 'Some of the barriers involve a lack of awareness of the programme from businesses' side, as well as the benefits that come with being part of the programme, clients at times seem to weigh the benefits and if the benefits are worth joining the programme'.*

*P8: 'Benefits offered needs to be aligned with the act and internal policies. There is also a need for internal engagement with the stakeholders we rely on to deliver the promised benefits to our clients. All stakeholders need to be on board'.*

*P3: 'There are system hiccups that diminish the uptake rate. There is also unacceptable rate of non-compliance by our traders. There are stringent internal processes that also hinder the uptake, for example dependence on other teams to complete a certain task of a prospective client'.*

Key informants indicated that internal system issues and stringent processes are also hindering adoption. They believed that streamlining processes and reducing dependency on multiple teams could improve uptake. Trust issues and low compliance levels are significant barriers, and building trust through transparent communication and demonstrating the benefits of compliance could help mitigate these concerns.

Negative attitudes towards tax authorities, driven by broader political and service delivery issues, need to be addressed to improve participation. Effective internal coordination and stakeholder engagement are crucial for the successful implementation of the programme.

*P4: 'Most businesses have an attitude towards the Tax authorities due to many factors such as the current political issues, poor service delivery etc'.*

*P5: 'Businesses still fear the revenue authority. They only understand that it collects revenue and audits. If they are being approached regarding AEO, they find it too good to be true. They believe that SARS is trying to get them for whatever taxes they have that are outstanding'.*

*P7: 'Clients thinks that the AEO programme, is sort of like a witch hunt where they want to get them in terms of non-compliance that they will pick up'.*

#### **4.5.4 Impact of the AEO programme on customs taxpayers' compliance rates and trade facilitation**

The AEO programme has positively affected compliance rates by implementing improvement programmes, building partnerships, and assisting non-compliant applicants. Significant cost savings and operational efficiencies are achieved through reduced customs interventions, fewer physical stops, and prioritised inspections.

*P2: 'Building partnership with traders has enabled traders to remain compliant, keep and maintain AEO status'.*

*P8: 'Because the programme's objective is compliance, applicants who are not compliant are assisted to be fully compliant. And because of the benefits offered to compliant entities, we see an increase in interested entities working hard to comply so that they can take part in the programme'.*

*P1: 'Many examples of compliance improvement programmes put in place during the validation process. - Some AEOs report savings of R30k per container due to reduced front line customs interventions'.*

*P6: 'We can speak of instances where other government agencies (e.g. SAPS, NRCS, etc.) would be stopping clients' goods, clients reach out to their Customs Relationship Managers (CRMs) for assistance. On CRMs' intervention, the goods get released quickly. We can also mention the benefits that clients receive on accreditation, e.g., embargo release that is not limited to specific goods but granted based on one being an AEO client, helping the latter to save on storage fees'.*

*P7: 'When a client uses [sic] to pay storage cost due to physical stops by customs and after the client has been on-boarded the client experience [sic] fewer stops which resulted to client saving cost'.*

The programme facilitates trade by providing dedicated support through CRM teams, making business operations more seamless, and ensuring a quick release of goods. Certified businesses are satisfied with the programme, and there is

increased interest and advocacy among traders, leading to broader compliance across the value chain. Surveys and quicker customs clearance times provide evidence of the programme's positive impact on trade facilitation.

*P3: 'An AEO means compliance on the trader for us in our division to facilitate trade. Client Relationship Managers facilitate trade between the client and customs divisions. We prioritise all the queries that are pertaining to the AEO client, i.e., if a stop is called for all AEO clients are granted embargo release, scanner inspections are prioritised for AEO clients, decreased inspections vis the risk engine for AEO clients, our clients get to enjoy the customs made training on new developments in legislation and any other changes within customs'.*

*P4: 'Positively impacted for business who are currently certified / accredited because there are happy to make use of the assigned Customer Relation Management team whenever they encounter challenges in the process'.*

*P5: 'Traders who are in the programme are happy to be compliant because of the benefits they receive from AEO. Through this programme they have become comfortable with the revenue authority, and ease of access to information via their AEO Relationship Managers, and they prefer being on the right side due to the seamlessness which they are now doing business with Customs. The AEO imports and exports stop rate (0.02% average) is evidence that trade is benefiting from AEO. Trade is cutting costs from reduced stops & security deposits, which helps invest more in operations thus showing improved trade facilitation'.*

#### **4.5.5 Non-financial benefits that participants have gained from engaging in the AEO programme**

The responses collectively emphasise the significant operational and reputational advantages of the AEO programme. The presence of dedicated Client Relationship Managers stands out as a critical benefit, facilitating smoother interactions with customs and expediting various processes. In addition, the international recognition and reciprocal benefits through MRAs enhance the

value of AEO status, making it a compelling proposition for businesses engaged in international trade. The reduction in inspections and administrative burdens also contributes to improved efficiency and streamlined operations for AEO clients.

*P1: 'Apart from all the examples mentioned in the question, the use of the AEO logo contributed positively to the company's reputation. The reciprocal benefits offered through our MRAs with trading partners enhance trade facilitation on exports. Access to dedicated client relationships managers to assist with SARS wide queries and/or interactions is one of the highest rated benefits by AEOs'.*

*P2: 'Operational efficiency, less stops and flexible inspections'.*

*P3: 'Client Relationship Managers facilitate trade between the client and customs divisions. We prioritise all the queries that are pertaining to the AEO client, i.e., if a stop is called for all AEO clients are granted embargo release, scanner inspections are prioritised for AEO clients, decreased inspections vis the risk engine for AEO clients, our clients get to enjoy the customs made training on new developments in legislation and any other changes within customs'.*

*P4: 'SARS CRM Assigned to the Economic operator - Reduced inspection and documentary inspection'.*

*P5: 'Having services of an AEO Client Relationship Manager to fast-track queries & applications; the use of the AEO logo which is a great marketing tool internationally; receiving similar benefits from other Customs Administrations whom we have signed MRAs with'.*

*P6: 'Services of a Customs Relationship Manager instead of calling the Call Centre. Expediting of tariff and value determination numbers. Highly reduced documentary and physical inspections. International recognition of AEO status by trading partners. Simplified procedures for AEO clients'.*

*P7: 'Expedited processes and access to Client Relationship Manager'.*

*P8: 'Personalised services offered by the Client Relationship Managers Mutual Recognition with major trading partners as well as SACU Customs administrators improved operational efficiency, due to reduced inspections and expedited processes'.*

*P9: 'Limited stop and quicker turn-around time'.*

*P10: 'Reduced interventions leading to greater efficiency, reduced administrative burden and enhanced supply chains'.*

*P11: 'Reduced administration burden - no longer required to renew their licence year but automatically renewed for the five years'.*

*P12: 'Non-financial benefits of being part of the AEO programme include but are not limited to: Appointment of a client relationship manager, fewer routine documentary and physical inspections, prioritising requests for tariff and valuation determinations, prioritising and expediting inspections, permitting on application the inspection of goods at the client premises, authorised use of the SARS AEO logo, expedited processing of refund and drawback applications etc.'.*

#### **4.5.6 Alignment of programme to objectives**

The responses indicate a strong alignment of the AEO programme to international standards and legislative requirements. The programme is designed to provide significant benefits to compliant clients, making processes easier and more efficient. However, there is consensus that while the programme is well-aligned, there is always room for improvement, particularly in policy implementation and clearly defining the benefits. The proactive approach of the SARS AEO division in updating policies and practices is a positive aspect, ensuring the programme remains relevant and effective. In addition, efforts to include more clients from the SMMEs segment and provide comprehensive support for all SARS engagements highlight the programme's inclusivity and supportiveness.

*P1: 'The programme is 199% aligned to the WCO SAFE Pillar 2 standards. In the next 5 years, the programme will be enhanced to align to OGA security programmes viz. Ports ISPS code and BMA to improve safety and security and benefits for AEOs'.*

*P2: 'They are aligned very well, because clients that are on the AEO programme enjoy the benefits and we have made it easy for them as they are compliant clients'.*

*P3: 'Policy implementation and or changes takes time, if we can improve on that'.*

*P4: 'Policies and practices employed by the AEO programme are aligned with the programme objective however there is need for some fine tuning especially when it comes to clearly defining / quantifying the benefits, e.g., expedited process should have timelines and effective remedial actions if TAT is not met without any just reasons'.*

*P5: 'The SARS AEO division is always improving and aligning as new things come into the space, policies & SOPS are usually finalised before implementation. Anything else that needs to be implemented is always cleared with the SARS Customs Legal division prior. Improvements are as constant as change within AEO'.*

*P6: 'Policies and practices in use are fully aligned with the legislation which in turn ties in well with the WCO SAFE Framework of Standards. There is always a room for improvement more so that the programme is still in its infancy'.*

*P7: 'To bring more clients from the SMMEs segment to participate in the programme'.*

*P8: 'Full aligned'.*

*P9: 'Yes, support on all SARS engagements including Excise'.*

*P10: 'Full alignment'.*

P11: n/a

P12: *'Policies and practices employed by the AEO programme are in place and sufficient, however there is always room for improvement, policies and practices are frequently updated to keep up with the times'*.

#### **4.5.7 Improvement recommendation**

The suggestions emphasise the need for a robust marketing strategy to enhance the visibility and attractiveness of the AEO programme. This includes targeted efforts towards SMMEs and strategic trade partners. Streamlining application processes and ensuring the full implementation of legislated benefits are also critical areas for improvement. In addition, there is a call for better measurement and quantification of benefits to align them more closely with business activities. Internal education and support mechanisms, along with strong government backing and regional alignment, are seen as essential for the programme's success. Finally, the importance of senior leadership's attention and financial endorsement is highlighted to ensure the programme's sustainability and growth.

P1: *'Enhanced marketing and improved measurement of intangible benefits'*.

P2: *'To stick to engagements of compliant clients only'*.

P3: *'Marketing strategy for the programme, a standard source of prospective cases that is managed centrally, upgraded webpage on SARS website to talk more on AEO, cutting of bottleneck processes on application, full implementation of paperless application process and full implementation of benefits as legislated in Rule 64E of the C&E Act'*.

P4: *'Restrict the AEO programme administration to SARS / Tax administrator. Quantify the benefits and ensure benefits are aligned to each business activity'*.

P5: *'Internal roadshows - it would assist reach [sic] officials who deal with our AEO clientele daily, and they would get to understand the legislated benefits and that we are required to adopt and implement them, it would*

*also assist us create internal AEO query resolution platforms within different divisions because AEO clients come to their Relationship Managers with various queries from Tax to Customs’.*

*P6: ‘Employ a better marketing strategy for SMMEs’.*

*P7: ‘Improve marketing strategy’.*

*P9: ‘Government support is key together with regional alignment’.*

*P10: ‘A stronger focus on and outreach aimed at non-AEO clients trading with significant / strategic trade partners is advised. Further to this, SARS’ AEO Mutual Recognition network needs to be expanded to more counterparts in significant trade partners’.*

*P11: ‘None’*

*P12: ‘Have an AEO awareness drive to expose the AEO brand and enhance its footprint. AEO to be given the attention it requires from senior leadership within the organisation so it can be endorsed financially as well’.*

The responses indicate a comprehensive approach to implementing the AEO programme, with a strong focus on incorporating international standards and ensuring confidentiality and compliance. The digitalisation and automation of the application process have been significant improvements, enhancing transparency and efficiency.

The programme’s structure, with various levels of accreditation, ensures that different aspects of compliance and security are addressed. There is also a suggestion to optimise resource allocation by focusing on non-compliant traders and a recommendation to keep the programme administration within Customs. Overall, the implementation strategies reflect a commitment to maintaining high standards and continuous improvement.

## **4.6 Conclusion**

In conclusion, the data analysis conducted in this chapter has provided significant insights into the South African tax administrator's AEO programme. The analysis offers a robust foundation for future research and practical applications. Overall, this chapter underscores the value of data-driven approaches in enhancing our understanding and informing strategic decisions.

## **CHAPTER 5: CONCLUSION**

### **5.1 Introduction**

The previous chapter presented the analysis of the research results. This chapter interprets and concludes the research by suggesting recommendations for the research.

### **5.2 Objective one: Identify if the participation rate in the programme is acceptable**

Chapter 1 highlights a research problem based on the SARS Financial Report for 2020/2021, which reveals that only 137 companies had registered for the AEO programme, despite there being 357,653 registered taxpayers eligible for it. This seemingly small number of registered AEOs compared to registered eligible taxpayers could be because the programme is voluntary and uptake cannot be enforced.

When applying the qualitative method, the data supports that the participation rate in the AEO programme is acceptable. When asked for inputs, key participants' views on the participation rate are varied. Some key informants consider the current figure of 400 approved clients to be satisfactory (P3). In addition, the programme aligns with international standards and performs well compared to other regional countries, which is a positive sign (P3, P7). These findings are contrary to the theoretical statement and problem.

The finding is confirmed by Tekin-Koru & Dincer (2020) who stated that the probability of high numbers of businesses participating in an AEO programme is lower in developing-income countries than it is in lower-income countries, thus confirming the finding of the present study.

Quantitative analysis also indicated that the participation rate is acceptable.

### **5.3 Objective two: Identify challenges and barriers contributing to the participation rate**

As per Chapter 1, entry requirements necessitate costly computerised accounting systems, substantial financial resources, high-quality internal operational processes, compliance records, and specialised customs knowledge. These stringent criteria pose significant barriers for small and medium-sized businesses that may not have the means to meet these demands.

Using qualitative statistics analysis alone can be misinterpreted that there are likely no barriers or challenges to the effective adoption of AEO. However, when key informants were questioned for their views to better understand the results, key informants said there were obstacles. A major obstacle is the insufficient awareness and understanding of the AEO programme and its advantages. Internal system challenges and strict procedures are also impeding adoption. Trust issues and low compliance levels are significant obstacles. Building trust through transparent communication and showcasing the benefits of compliance could help alleviate these concerns. Negative perceptions of tax authorities, influenced by broader political and service delivery issues, need to be addressed to boost participation. Effective internal coordination and stakeholder engagement are essential for the successful implementation of the programme. These findings, in agreement to theoretical statement and problem, indicate there are obstacles to the uptake of the AEO programme. Quantitative analysis also indicated that such barriers do exist. This finding is confirmed by the Federation of East African Freight Forwarders Associations (FEAFFA) (2022) that state that the potential participant's lack of awareness of the AEO programme is a great barrier to adoption.

### **5.4 Objective three: Evaluate if the AEO programme significantly improved customs and trade facilitation among participating taxpayers**

Contrary to the problem statement in Chapter 1 stating that potential taxpayers already meet the AEO entry requirements and that the programme has minimal impact on trade facilitation, the evidence, qualitatively, indicates that the AEO

programme greatly enhances customs tax compliance. Businesses involved in the AEO programme experience notably positive impacts, particularly to a significant and very significant degree. The evidence also indicates that the AEO programme has significantly enhanced trade facilitation in South Africa. Study participants report that businesses in the AEO programme experience positive effects, particularly to a moderate and great extent.

The AEO programme has enhanced compliance rates through the implementation of improvement initiatives, the establishment of partnerships, and support for non-compliant applicants. Considerable cost savings and operational efficiencies are realised through minimised customs interventions, fewer physical stops, and prioritised inspections. The programme enhances trade by offering dedicated support through CRM teams, streamlining business operations, and ensuring the swift release of goods. Certified businesses express satisfaction with the programme, and there is growing interest and advocacy among traders, leading to wider compliance across the value chain. Surveys and faster customs clearance times demonstrate the programme's positive impact on trade facilitation. The findings of the research are contrary to the research problem identified in Chapter 1 and its supporting hypothesis. Quantitatively, however, 18 out of 23 respondents said it has contributed positively, while 5 disagreed. Furthermore, when asked about the impact of the AEO programme on trade facilitation in South Africa, all key informants said it improved.

The findings are confirmed by Calijuri and Pires de Oliveira (2023) who state that the AEO programme has undeniable features that encourage customs compliance.

In addition, the problem statement suggests that the AEO programme does not address potential vulnerabilities and risks related to participant compliance, as participants are already required to be compliant. Qualitatively, the evidence suggests that the implementation of the AEO programme has significantly good data security.

The feedback from key informants highlights that the AEO programme is well-aligned with international standards and legislative requirements, offering

significant benefits to compliant clients by streamlining processes. However, there is consensus that improvements can still be made, especially in policy implementation and in clearly defining the benefits. The proactive efforts of the South Africa's tax administrator's AEO division in updating policies and practices are commendable, ensuring the programme's continued relevance and effectiveness. In addition, the programme's inclusivity is emphasised by its efforts to involve more clients from the SMME segment and provide comprehensive support for all SARS engagements. The findings are contrary to the theoretical statement and research problem that state that the AEO programme leaves participants vulnerable to data breaches.

Quantitatively, when asked to rate the overall implementation of the AEO programme in terms of data security it was rated good. The research findings are confirmed by Bachtiar and Inayati (2021) who guarantee that AEO IT systems are safe and would not compromise participants' commercially valuable data.

## **5.5 Recommendations**

The recommendations highlight the importance of a strong marketing strategy to boost the AEO programme's visibility and appeal, particularly targeting Small, Medium and Micro Enterprises (SMMEs) and strategic large trade partners. Enforcing adoption of the AEO programme through policy for large businesses may ensure that all big companies are AEOs which could increase the number of accredited operators. The perceived absence of concrete benefits is a significant deterrent, AEO policy should include tangible financial benefits for traders. Clearly articulating and communicating substantial benefits could help boost participation. Internal education and support mechanisms for AEO staff, strong intergovernmental agency backing, and regional alignment are essential for the programme's success. Finally, the attention and support of senior leadership of tax administrator are crucial for ensuring the programme's sustainability and growth. In addition, there is a suggestion to better allocate resources through budget policies to targeting non-compliant traders.

## **5.6 Research limitations**

The study included experts from only one South African University, UKZN. The findings may vary if the study included experts from other South African universities who may have different experiences of the AEO programme. Findings of this study related to the period 1 January 2019 to 31 August 2024, therefore, new occurrences after this period were not considered for the findings of this research.

## **5.7 Suggestions for future studies**

A cost benefit analysis of the AEO programme should be conducted to determine if the cost of running the programme is more than the benefit derived from it. An investigation into the effectiveness of current outreach efforts by SARS to create awareness of the AEO programme should be undertaken to determine ineffective efforts and allow SARS to focus on more effective efforts. A study with key stakeholders, especially those who have not participated in the AEO programme, should be conducted to understand their reasons, concerns or misconceptions about the programme which could also help understand the reasons for non-participation. In addition, research can be undertaken into the measurement and quantification of AEO programme benefits to align them more closely with the business activities of the applicants. Finally, a comparative study to compare the SARS AEO programme with similar programmes in other countries can be considered to identify best practices and areas for policy improvement. This could help in understanding where enhancements can be made. Future research should include expanding the sample size and conducting longitudinal studies to assess the long-term impact of AEO participation

## **5.8 Conclusion**

The study evaluated the effectiveness and efficiency of the South African tax authority's Authorised Economic Operator (AEO) programme in promoting taxpayer and trader compliance. The study further suggested recommendations that may be considered.

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## ANNEXURE A: RESEARCH QUESTIONNAIRE

Name (Optional) :

Number of year experience in taxation :

Position :

1. In your opinion, Is there AEO participation rate in SARS AEO programme acceptable: Yes/NO
2. Explain why?
3. Are there potential barriers or challenges that hinder the effective adoption and participation of businesses in the AEO programme: Yes/no
4. If yes, please explain:
5. To what extent has the AEO programme contributed to improved customs tax compliance among participating businesses: Did not contribute/ Slightly moderate extent/ To a moderate extent/ To a significant extent/ To a very significant extent
6. How has the AEO programme affected trade facilitation in South Africa: Negatively affected trade facilitation/Did not affect trade facilitation/ Slightly improved trade facilitation/ Moderately improved trade facilitation/ Greatly improved trade facilitation
7. Can you provide specific examples or instances where the AEO programme has positively or negatively affected customs taxpayers' compliance rates or trade facilitation?
8. How would you rate the overall implementation of the AEO programme in terms of ensuring data security: Not good/ Fair/ Good/ Very good/ Very good
9. How would you rate the implementation strategy of the AEO programme in South Africa: Not good/ Fair/ Good/ Very good/ Very good
10. In your experience, what are the non-financial benefits that participants have gained from engaging in the AEO programme? (e.g., operational efficiency, reduced administrative burden, enhanced supply chain management, etc.)

11. In your view, how well do the policies and practices employed by the AEO programme align with the programme's objectives? Are there any areas that require improvement?
12. Can you suggest any recommendations for improving the AEO programme's implementation strategy?

## **ANNEXURE B: INFORMED CONSENT DOCUMENT**

10 December 2023

Dear Participant

I, Olebogeng Nkhahle (223149535), am a student who is currently registered for Masters of Accounting in Taxation degree research degree in the School of Accounting, Economics and Finance, Westville campus, University of KwaZulu-Natal. The topic of my study is:

Evaluating South African Tax Administrator's Authorised Economic Operator Programme in promoting taxpayer and trader compliance.

I can be reached on 0 [REDACTED] or 223149535@stu.ukzn.ac.za for any queries related to study. My academic supervisor is Mr Kiran Baldavoo, based in the School of Accounting, Economics and Finance, Westville campus, University of KwaZulu-Natal. He can be contacted on Baldavoo@ukzn.ac.za.

The HSSREC Research Office can be contacted by reaching Ms Mariette Snyman on Snymanm@ukzn.ac.za or alternatively on 031 260 8350.

The aim and purpose of this research is evaluate of the South African Tax Administrator's Authorised Economic Operator Programme is effective in promoting taxpayer and trader compliance.

A copy of the dissertation will be available at the university's main library for accessibility to respondents based on their anonymity during the study.

Please note that your name will not be included in the report. The interview schedule does not require any personal information. The information will be seen only by me, my supervisor and the examiner, your anonymity and confidentiality is of utmost importance and will be maintained throughout the study.

Your participation in this study is completely voluntary. You have the right to withdraw at any time.

I appreciate the time and effort it would take to participate in this study. I would be very grateful for your participation as it would enable me to complete my thesis.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (Approval Number: HSSREC/00006341/2023).

Please complete the section below:

I ..... (full names of participant)  
hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of participant.....

Date .....

# ANNEXURE C: ETHICAL CLEARANCE



11 December 2023

Olebogeng Nkone Teboho Jacob Nkhahle (223149535)  
School Of Acc Economics & Fin  
Westville Campus

Dear ONTJ Nkhahle,

Protocol reference number: HSSREC/00006341/2023

Project title: Evaluating South African tax administrators' authorised enterprise operator programme in promoting taxpayer and trader compliance.

Degree: Masters

## Approval Notification – Expedited Application

This letter serves to notify you that your application received on 23 October 2023 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid until 11 December 2024.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

HSSREC is registered with the South African National Health Research Ethics Council (REC-040414-040).

Yours sincerely,

Professor Dipane Hlalele (Chair)

/dd

### Humanities and Social Sciences Research Ethics Committee

Postal Address: Private Bag X54001, Durban, 4000, South Africa

Telephone: +27 (0)31 260 8350/4557/3587 Email: [hssrec@ukzn.ac.za](mailto:hssrec@ukzn.ac.za) Website: <http://research.ukzn.ac.za/Research-Ethics>

Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

INSPIRING GREATNESS

## ANNEXURE D: TURN IN IT REPORT

Evaluating South Africa's tax administrators Authorised Enterprise Operator in promoting taxpayer and trader compliance

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## ANNEXURE E: PROOF OF EDITING



### CERTIFICATE OF EDITING

**Editor Details:**

Shanitha Ramharak

Cell: [REDACTED]

Email: [shabdwrdz@gmail.com](mailto:shabdwrdz@gmail.com) | [+27833822222](tel:+27833822222)

**Client Details:**

Olebogeng Nkhahle

24 December 2024

#### TO WHOM IT MAY CONCERN

I, Shanitha Ramharak, declare that I have edited the document: Evaluating South Africa's tax administrator's Authorised Economic Operator (AEO) programme in promoting taxpayer and trader compliance.

I formatted according to the UKZN Harvard Referencing system in line with the given brief from the author. The editing was done electronically, using Track Changes, to enable the author to accept or reject the suggested changes, thus retaining authorial discretion and the right to assert authorship. The work performed entailed:

- Copy editing: proofreading, style, consistency, terminology, congruency (ensures organised flow of information), checking of language grammar
- Cross-checking references for completeness and formatting of references according to Harvard style
- Formatting per WORD styles and per the University style guide (Table of Contents, Headings, Figures, Tables).

The service excluded plagiarism checks, structure of the document, checking of facts and interpretation of facts.

I declare that I am qualified to do such editing, as I am an associate member of the Professional Editors' Guild and have certificates in editing from the University of Cape Town (UCT) and the University of Pretoria (UP).

