

Statutory complexity of provisions in the *South African Income Tax Act* relating to dividends and interest

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Dates:

Received: 29 Oct. 2025

Accepted: 24 Apr. 2026

Published: 22 May 2026

How to cite this article:

Van der Westhuyzen, S.M. & Nel, R., 2026, 'Statutory complexity of provisions in the *South African Income Tax Act* relating to dividends and interest', *South African Journal of Economic and Management Sciences* 29(1), a6620. <https://doi.org/10.4102/sajems.v29i1.6620>

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Background: Dividends tax was introduced in South Africa in 2012 to simplify the corporate tax system, to promote international alignment and to encourage foreign investment. The statutory complexity of the resulting legislative amendments, however, remains unexplored.

Aim: This study investigated whether the statutory complexity of *Income Tax Act* provisions relating to dividends and interest increased since 2012.

Setting: Three indicators of statutory complexity (length, readability and tax disputes) were investigated in respect of the tax provisions and the South African Revenue Service (SARS) Interpretation Notes relating to dividends and interest in South Africa.

Method: This study was quantitative in nature and pursued three objectives: (1) compared the length and readability of tax provisions during 2024 with 2014; (2) analysed the readability of current Interpretation Notes compared to tax provisions, as well as the trend in publication and revision frequency of SARS Interpretation Notes from 2000 to 2024; and (3) observed the trends in tax disputes from 2000 to 2024.

Results: Tax provisions on dividends and interest have become longer and less readable over the past decade. The substantial length and comparable readability of Interpretation Notes may further increase overall statutory complexity. Tax disputes relating to dividends and interest have also increased since 2012, indicating practical challenges in applying the relevant tax provisions.

Conclusion: The trends identified across all three complexity indicators suggest an increase in statutory complexity since 2012.

Contribution: The simplification of tax provisions relating to dividends and interest is recommended, including tax legislation drafting, and further explanatory research on how increased statutory complexity affects foreign investments.

Keywords: dividends; interest; tax complexity; readability; statutory complexity; legal complexity; tax disputes.

Introduction

The introduction of dividends tax in South Africa in 2012 was intended to align the tax system with international norms and to encourage foreign investment, as the previous Secondary Tax on Companies (STC) regime was regarded as complex and unattractive to foreign investors (Venter 2014). Since its introduction, the legislation has required ongoing amendments to address unintended consequences, close loopholes, and respond to evolving tax planning strategies. Such frequent amendments can add to the complexity of the South African tax system (Steyn & Stiglingh 2016) and, with respect to the content of the law, could undermine the legal simplicity that is of primary concern to tax professionals (Tran-Nam 1999). Increased complexity may, in turn, undermine the goal of attracting foreign capital (Esteller-Moré, Rizzo & Secomandi 2021). The introduction of dividends tax affected *Income Tax Act* provisions relating to both dividends and interest. Anti-avoidance provisions may further blur the distinction between dividends and interest, leading to interactions between the respective provisions that affect deductibility, exemptions and compliance. The taxation of interest is regarded as one of the most complex areas of South African tax law, as multiple provisions apply and the use of interest in tax planning requires detailed technical analysis, making compliance time-consuming and costly (Legwaila 2022). Distributions on hybrid instruments are subject to specific anti-avoidance rules that also demand expert interpretation and can increase compliance costs (Tredoux & Van der Linde 2021).

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Financing decisions, particularly the choice between debt and equity, also create tax complexity, as efforts to reduce differences in their tax treatment through statutory amendments often add layers of legislative complexity (Davis Tax Committee 2018). Although the complexity of the *Income Tax Act* provisions relating to dividends and interest is recognised, no prior study has explored the statutory complexity of these provisions in the South African context. Smulders, Stark and Tickle (2019) identify three indicators of statutory complexity: The length of the legislation, its readability, and the extent of tax disputes. Firstly, length, measured in words or pages, provides a basic measure of tax complexity but should be analysed alongside other measures, as longer provisions may also reflect clearer drafting (Turnbull-Hall & Thomas 2012; Vaillancourt 2024). Secondly, readability, refers to the ease with which legislative text can be read and understood and is commonly measured using recognised indexes. In addition to a focus on only tax legislation itself, supplementary or administrative tax guidance, in the form of South African Revenue Service (SARS) Interpretation Notes, is also considered in measuring readability and tax complexity, as proposed in literature (Barney, Tschopp & Wells 2012; Smith & Richardson 1999; Tan & Tower 1992; Urbancic & Hsu 2007). The final measure, tax disputes, serves as a practical indicator of complexity, highlighting areas of uncertainty in the interpretation or application of tax law in practice.

The present study analysed tax complexity in terms of the three indicators of statutory complexity recommended by Smulders et al. (2019). The aim of the present article is to explore whether there has been an increase in the statutory complexity of *Income Tax Act* provisions dealing with dividends and interest since the introduction of dividends tax in 2012. The following research objectives were pursued:

- To compare the tax complexity of the current *Income Tax Act* provisions relating to dividends and interest with the provisions applying 10 years ago (2024 vs. 2014) to evaluate whether tax complexity increased over this period.
- To analyse the tax complexity of current SARS Interpretation Notes relating to dividends and interest by applying readability measures and to compare the results with the corresponding *Income Tax Act* provision they intend to clarify. Furthermore, to assess whether the introduction of dividends tax corresponds with observable trends in the frequency of the publication and revision of SARS Interpretation Notes.
- To observe the trends in SARS tax disputes before and after the introduction of dividends tax to determine whether the introduction influenced the frequency and nature of these disputes.

Literature and the theoretical framework

Tax complexity remains a challenge for policymakers globally because of the intricate nature of economic systems and the diverse interests of stakeholders (Cooper 2010).

McCaffery (1990) argues that tax complexity often results from policymakers' attempts to balance equity, efficiency and revenue goals, and that political compromises and frequent amendments contribute to the complexity of the tax system. Similarly, Budak and James (2018) highlight that tax systems are not merely designed for revenue collection but also to support economic and social goals. Consequently, policymakers introduce exemptions, incentives and special provisions, which inadvertently increase complexity (Budak & James 2018). As a result, tax complexity is often an unintended consequence of political and economic decisions made by governments to balance efficiency, fairness and compliance (Budak & James 2018). Policymakers must also design tax policies that encourage investment and economic growth (Amberger, Gallemore & Wilde 2024). Esteller-Moré et al. (2021) challenge the economic policy implications and conclude that tax complexity is a barrier to foreign direct investment and that small countries are more affected by tax complexity when complying with Organisation for Economic Co-operation and Development standards. Esteller-Moré et al. (2021) further demonstrate that when countries simplify their tax systems to be consistent with international norms, they often become more attractive to foreign investors. Given these arguments, it is evident that tax complexity is a relevant issue (refer to Hoppe et al. 2020) and justifies further exploration. Tax complexity is further recognised as a multidimensional concept, with various perspectives of its definition, measurement and consequences (Smulders et al. 2019). Narrow, detailed drafting of the law is a particular manifestation of tax complexity (Gribnau & Dusarduijn 2021). Legal simplicity refers to the use of language (including such aspects as plain English, active voice, grammar, logical structure, etc.) as well as the content of the tax law (including elements such as the tax base, discretions, uncertainties, exemptions, special concessions, allowable deductions, rebates and multiple tax rates) (Tran-Nam 1999). Drawing on Smulders et al. (2019), this study focused on statutory complexity, measured by the length and readability of tax legislation, and by legal and effective complexity, assessed through trends in tax disputes.

Measures of length and readability

Length is based on the word count of a text and is a baseline indicator of statutory complexity to be considered in conjunction with other measures, such as readability measures. The limitations of readability scores are known and recognised (Davison 1980; Han, Ceross & Bergmann 2024; Ozturk & Dutta 2025), including the initial purpose for which such measures were developed as well as the narrow focus on linguistic features that is not intended to capture all tax complexity issues. Nonetheless, readability scores are widely used in research to flag barriers to comprehension, thereby aiding simplification efforts. Readability measures, accordingly, provide a good first step towards creating a more robust discussion on how to decrease complexity (Han et al. 2024) and offer quantifiable measurements to confirm the size and scope of the readability problem (Jackson 2021). The results of readability studies could encourage tax authorities

to be aware of the readability aspects when moving forward with simplifying the tax law (Martinez & Da Silva 2019). Based on the systematic literature review performed by Han et al. (2024), 16 different readability metrics have been applied in legal text research; however, only two of the main measures used in tax research studies are included in their study (Flesch Reading Ease Score and Flesch–Kincaid Grade Level). The Flesch Reading Ease Score, Flesch–Kincaid Grade Level, Average Sentence Length, Percentage of Passive Voice and The Gunning Fog Index were the readability measures most commonly applied in the tax research studies that were identified in the present study (most recent examples in Budak and James [2018], Jackson [2021], Martinez and Da Silva [2019], Umar and Saad [2015]), and also applied in the present study. The Flesch Reading Ease Score (FRES) (Flesch 1948, 1949) assesses readability based on sentence length and syllable count. Scores range from 1 to 100, with lower scores indicating more difficult text. Standard FRES values indicating easy-to-read texts typically range from 60 to 70. The FRES is calculated as follows: $FRES = 206.835 - [84.6 \times \text{average number of syllables per word}] - [1.015 \times \text{average sentence length}]$. The Flesch–Kincaid Grade Level (F–KGL) (Kincaid et al. 1975) builds on FRES but expresses reading difficulty in terms of school grade level, showing the years of education required to understand the text. Higher scores indicate more complex reading. The F–KGL formula is expressed as: $F-KGL = 0.39 \times (\text{words per sentence}) + 11.8 \times (\text{syllables per word}) - 15.59$. The Gunning Fog Index (Fog Index) (Gunning 1952) calculates readability using average sentence length and the proportion of complex words (words with three or more syllables) to estimate the educational level needed. Recommended scores for technical publications should generally not exceed grade 14. The Fog index is calculated as follows: $\text{Fog Index} = 0.4 [\text{sl} + 100 (\text{rate of complex words})]$. Where: sl = the average sentence length in words; and ‘complex words’ are words with three or more syllables but do not include proper nouns, familiar jargon and compound words, and do not count common suffixes (such as -es, -ed, or -ing) as syllables. Average sentence length (ASL) and percentage passive voice (PPV) are also used independently to measure readability. Longer sentences and higher percentages of passive voice increase complexity. Recommended thresholds are ~20 words per sentence for ASL and ~20% for PPV (DuBay 2006; Richardson & Smith 2002). Average sentence length is calculated as follows: Total number of words in a text/Total number of sentences. Percentage passive voice is calculated as follows: $PPV = \text{Sentences written in passive voice} / \text{Total number of sentences}$.

Prior studies relating to length and readability

International research consistently finds that tax legislation across jurisdictions is written at a level exceeding the comprehension ability of the general taxpayer, despite efforts to simplify statutory language.

In New Zealand, Tan and Tower (1992) conducted one of the earliest assessments of legislative readability, evaluating the New Zealand government’s plain-language initiative. Using FRES together with ASL and PPV, the study compared the

Income Tax Act 1976 and the *Goods and Services Tax Act 1985* before and after simplification. Flesch Reading Ease Score values remained below 30 for both statutes, well beneath the recommended benchmark of 60 to 70, indicating that New Zealand’s tax law continued to be difficult to understand even after redrafting. Supplementary materials such as Technical Information Bulletins also scored poorly (average FRES ≈ 39), while Tax Return Guides were markedly more accessible (FRES ≈ 65). Subsequent research by Saw and Sawyer (2010) reassessed the rewritten *Income Tax Act 2007* and found moderate improvement in readability, with the average FRES increasing from 33.5 to 42.8 and average sentence length decreasing from 36.6 to 25 words. Nonetheless, supplementary materials such as Tax Instruction Booklets and Binding Rulings displayed wide variations in readability, with some texts even more complex than the revised legislation. In Australia, Smith and Richardson (1999) compared the rewritten *Income Tax Assessment Act 1997* with its predecessor (*the 1936 Act*) using FRES, F–KGL, ASL and PPV. Although the 1997 *Act* achieved a higher FRES (46.4 vs. 38.4) and shorter sentences (22 vs. 39 words), it still required university-level comprehension (F–KGL ≈ 11). Passive voice increased marginally, and over 60% of the text demanded tertiary-level literacy. Supplementary documents, such as Taxation Rulings and Determinations, varied widely: Some improved, others became more complex, while the Tax Pack for individuals was the only material to approach the recommended readability benchmark (FRES ≈ 67). Richardson and Smith (2002) later analysed Australia’s *Goods and Services Tax Act 1999*, finding an average FRES of 40.3 and an F–KGL of 11, again signifying low accessibility. In the United States, Urbancic and Hsu (2007) examined state income tax instruction booklets from 1990 to 2005 and found that most fell below the FRES benchmark of 60–70, with substantial variation among states (Oregon 67 vs. Idaho 26). The authors highlighted that nearly half of adults lacked the education needed to fully comprehend these documents. Similarly, Barney et al. (2012) found that the Internal Revenue Code (FRES ≈ 30 ; F–KGL ≈ 14) and Treasury Regulations (FRES ≈ 31 ; F–KGL ≈ 16) were extremely complex, whereas Internal Revenue Service instructions were more readable (FRES ≈ 54 ; F–KGL ≈ 10). In the United Kingdom, Turnbull-Hall and Thomas (2012) linked legislative length to perceived complexity, noting that the tax code had grown to over 11 000 pages by 2009, making it the longest globally at the time. However, they cautioned that length alone does not determine complexity, as the Tax Law Rewrite Project demonstrated improvements in clarity despite greater length. In Nigeria, Umar and Saad (2015) assessed Nigeria’s *Company Income Tax Act 2007*, finding a FRES of 29.8 and an F–KGL of 19.6, implying that graduate-level education was required for comprehension. The text’s average sentence length (44 words) underscored its inaccessibility. Martinez and Da Silva (2019) found comparable results in Brazil: Only 25% of sections in the *Income Tax Regulation 2018* achieved a standard readability level (FRES 60–70), while most provisions were classified as difficult or very difficult (FRES < 40).

Recent research by Jackson (2021) confirmed that Canada's *Income Tax Act* remains among the least readable statutes globally, with an extraordinary FRES of -83.5 and a Fog Index of 73.7, far exceeding university-level difficulty. By contrast, the Canada Revenue Agency's online guides and taxpayer booklets were substantially more readable (FRES $\approx$ 64), demonstrating a sharp divide between primary legislation and administrative explanations. Across jurisdictions, these studies collectively demonstrate that readability remains a pervasive issue in tax law. Despite legislative rewrite projects and simplification efforts, most tax statutes still require advanced education to comprehend. Supplementary information generally performs better but exhibits inconsistency. This international evidence supports the importance of assessing not only South African statutory text but also administrative guidance, such as SARS Interpretation Notes, when evaluating tax complexity. Consequently, the present study adopts multiple readability measures: FRES, F-KGL, ASL, PPV and the Fog Index to provide a comprehensive analysis of South African tax legislation and SARS Interpretation Notes.

Tax disputes as a measure of tax complexity

The SARS Annual Report (2023/2024) recorded R82.8 billion in assessments under dispute as of March 2024, an increase of 12.7% from the previous year's R73.4 billion (SARS 2024b). Objections rose by 17.2%, reaching R26.5 billion, while appeals grew by 0.7% to R56.3 billion. This escalation in disputes emphasises the need to examine the nature and drivers of tax disputes within South Africa's legal and administrative framework as a measure of tax complexity. The Davis Tax Committee (2018) attributes part of this trend to the inherent complexity of the corporate tax system, which contributes to interpretational uncertainty and reliance on professional advice or supplementary guidance, such as SARS Interpretation Notes. This dependence heightens the potential for misinterpretation, inadvertent non-compliance and administrative inefficiency, ultimately reducing the overall effectiveness of the tax system. Tran-Nam and Walpole (2016), examining the Australian context, argue that litigation frequency and dispute volume reflect the practical consequences of complexity. Despite the availability of structured dispute-resolution mechanisms, high litigation costs limit access to justice and reinforce inequities between taxpayers with differing financial capacities. The authors propose that conventional indicators of complexity, such as statutory length or compliance costs, are incomplete without incorporating dispute frequency as an empirical measure of interpretive burden. In the United States, Morris and Qiao (2021) highlight that complexity frequently arises from what they term 'accretive complexity', which is the accumulation of interpretational uncertainty through frequent legislative amendments, cross-references and undefined terms. Their review of over 200 tax cases revealed that courts often relied on dictionary definitions to interpret ambiguous statutory language, indicating the inadequacy of legislative drafting in ensuring clarity. They argue that

the volume and nature of judicial interpretation can serve as a valuable proxy for statutory ambiguity and, by extension, tax complexity. In the South African context, Gutuza (2023) emphasises the interpretive function of tax rulings, including binding general rulings and advance tax rulings, in promoting certainty for both taxpayers and the revenue authority. However, judicial inconsistencies regarding the binding effect of such rulings have introduced further uncertainty. Schipp, Siahaan and Sureth-Sloane (2024), applying the Tax Complexity Index developed by Hoppe et al. (2023), find that in Indonesia, increasing complexity over the past 5 years has been driven by globalisation and digitalisation. These forces have increased administrative burdens, raised compliance costs, and led to higher dispute frequency. Collectively, prior research positions tax disputes as an observable measure of underlying legislative complexity. The present study explored patterns in SARS dispute data, together with the publication and revision of SARS Interpretation Notes, to evaluate whether changes in dispute trends reflect shifts in statutory or effective complexity.

Methods

The present study was exploratory in nature and analysed data to identify patterns and categories that highlight elements contributing to tax complexity, using descriptive statistics and data visualisation techniques. The exploratory approach was used to identify patterns and trends that may inform future, further empirical analyses. The exploratory study design aligns with conceptualisation, as advanced by Swedberg (2020). Swedberg (2020) emphasises that exploratory studies are particularly valuable in contexts where the research topic is either underexplored or conceptually complex. In this study, the exploratory approach was employed to identify patterns and trends that may inform future, more formal analyses. This aligns with what Swedberg (2020) describes as a 'Type 2' exploratory study, in which a known topic is examined to generate insights without seeking definitive conclusions. As Swedberg (2020) notes, exploratory studies permit the researcher to remain open to unexpected findings, allowing for the formulation of new questions and the refinement of conceptual frameworks based on the study. An exploratory empirical study was conducted, in which quantitative data were analysed. The process of data collection and the manner in which data were quantified are detailed in the text under 'Interpretation notes: Readability and trend' and 'South African Revenue Service tax disputes trend' sections. This study adopted a structured literature review methodology to provide a comprehensive and systematic synthesis of relevant literature across multiple disciplines, including tax law, economics and accounting, reflecting the inherently interdisciplinary nature of tax complexity and readability. Relevant literature was identified through systematic searches of academic databases, including Google Scholar, using the keywords 'tax complexity', 'tax simplification' and 'readability'. The literature included findings from other countries as well as insights into the different readability measures previously employed.

Target period and population

The present study focused on the current *Income Tax Act* provisions, including references to ‘arrangement’, ‘debt’, ‘equity’, ‘shares’, ‘interest’ or ‘dividend’, that could exhibit statutory complexity because of their technical nature, drafting style or interpretive uncertainty. *Income Tax Act* provisions relating to dividends and interest were obtained from the publicly available *Income Tax Act* as amended at the end of 2024 (Republic of South Africa 1962a) and the *Income Tax Act* as amended at the end of 2014 (Republic of South Africa 1962b). A focus on the 10-year period, only from 2014 and not 2012, eliminates the need to include transitional provisions (e.g. relating to STC being phased out) and amendments in the 2 years immediately after the introduction of dividends tax, as these amendments will be of a transitional nature and not submitted as an indication of tax complexity. The provisions included were taken directly from the source legislation. Any editorial or legislative annotations or insertions that do not form part of the substantive provision were excluded for the purposes of this study.

Publicly available SARS Interpretation Notes were obtained from the SARS website (SARS 2024a). To observe trends, all published SARS Interpretation Notes from their inception in 2001 were included in the study. To assess the readability of these documents, only the current SARS Interpretation Notes relating to dividends and interest were selected. Publicly available tax disputes emanating from the Tax Court, High Court, Supreme Court of Appeal and Constitutional Court were obtained from the SARS website for the period 2000 to 2024 (SARS 2025), with judgement dates from 01 January 2000 to 31 December 2024 (covering tax disputes in the 12 years before and after the introduction of dividends tax in 2012). Where a tax dispute relates to multiple Acts, an observation will be indicated for each of the respective Acts. The objective is to observe the trends in SARS tax disputes before and after the introduction of dividends tax to determine whether the introduction influenced the frequency and nature of these disputes. Five readability measures, which serve as proxies for tax complexity, were calculated using Readable.com: FRES, F-KGL, Fog Index, ASL and PPV. Readable.com was chosen as the primary platform for conducting readability analysis.

Data collection

The dataset of *Income Tax Act* provisions consists of selected sections from the *Income Tax Act* and selected paragraphs from the Eighth Schedule to the *Income Tax Act* (the Eighth Schedule) relating to dividends and interest. Additionally, specific parts of the *Income Tax Act* were analysed, including Part IVB (Withholding Tax on Interest), Part VIII (Dividends Tax), Part IIA (Reportable Arrangements), and Part XI of the Eighth Schedule (Company Distributions). In 2014, the dataset included 60 selected provisions and four parts (in total, a dataset of 64). By 2024, seven new sections were introduced, increasing the dataset to 67 selected provisions and four parts (resulting in a total dataset of 71). The specific *Income Tax Act* provisions and their parts are detailed in Table 1.

The first SARS Interpretation Notes were released on 30 November 2001. As of 30 March 2025 (the cut-off date for this study), SARS has published 138 Interpretation Notes, some of which have been withdrawn or archived following changes in the underlying legislation. Of the 138 SARS Interpretation Notes issued, 11 have since been withdrawn or archived, leaving 127 active SARS Interpretation Notes that form the dataset. Publicly available tax disputes emanating from the Tax Court, High Court, Supreme Court of Appeal and Constitutional Court were obtained from the SARS website for the period 2000 to 2024 (SARS 2025), with judgement dates from 01 January 2000 to 31 December 2024 (covering tax disputes in the 12 years before and after the introduction of dividends tax in 2012).

Data analysis

Data were analysed using descriptive statistics and data visualisation techniques. Descriptive statistics summarised central tendencies and patterns, providing an accessible overview of the dataset, while visualisations supported intuitive recognition of trends, anomalies and relationships not immediately evident from numerical summaries. For the readability measures, values for 2014 and 2024 were compared using distributions across readability categories, trend analysis to determine whether readability improved, worsened or remained unchanged, and boxplots to illustrate central tendencies. Boxplots convey key features of a dataset, including the median and interquartile range, and are robust

TABLE 1: *Income Tax Act* provisions relating to dividends and interest.

Description	Total	Description
<i>Income Tax Act</i> sections	56	s 1(1) ‘connected person’, s 1(1) ‘contributed tax capital’, s 1(1) ‘company’, s 1(1) ‘dividend’, s 1(1) ‘equity share’, s 1(1) ‘financial instrument’, s 1(1) ‘foreign dividend’, s 1(1) ‘share’, s 8A, s 8B, s 8C, s 8E, s 8EA, s 8F, s 8FA, s 9C, s 9D, s 9I, s 10(1)(h), s 10(1)(k), s 10(1)(l), s 10B, s 12I, s 19, s 22B, s 23(d), s 23(q), s 23F, s 23H, s 23K, s 23L, s 23M, s 23N, s 23O, s 24A, s 24BA, s 24I, s 24J, s 24JA, s 24JB, s 24K, s 24L, s 24M, s 24N, s 24O, s 25B, s 25BA, s 25BB, s 31, s 40C, s 40CA, s 42, s 43, s 44, s 45, s 46
<i>Income Tax Act</i> sections (new)	7	s 7C, s 7D, s 8G, s 9J, s 9K, s 25E, s 40E
<i>Income Tax Act</i> parts	3	Part IVB Withholding tax on interest (s 50A – s 50H), Part VIII Dividends Tax (s 64D – s 64N), Part IIA Impermissible arrangements (s 80A – s 80L)
Eighth schedule paragraphs	4	par 12A, par 19, par 42, par 43A
Eighth schedule part	1	Part XI Company Distributions (par 74 – par 77)
Total	71	-

par, paragraph.

to skewness and outliers, making them appropriate for side-by-side comparisons, even with small sample sizes (Nuzzo 2016). The analysis was limited to identifying notable increases or decreases in readability and did not include formal statistical testing. Trends in SARS Interpretation Notes were examined by analysing their publication and revision frequencies and compositions, with specific attention to SARS Interpretation Notes relating to the *Income Tax Act* and dividends and interest. Tax dispute trends were analysed in terms of overall frequency and composition, *Income Tax Act*-related disputes compared with Interpretation Note activity, and disputes concerning dividends and interest relative to the publication and revision of related SARS Interpretation Notes. The trend in tax disputes was analysed based on the overall SARS tax dispute frequency and composition; *Income Tax Act*-related SARS tax disputes compared to *Income Tax Act*-related SARS Interpretation Note publications and revisions; and SARS tax disputes relating to dividends and interest compared to the publication and revision of SARS Interpretation Notes relating to dividends and interest.

Ethical considerations

Ethical clearance was granted by Stellenbosch University Research Ethics Committee: Social, Behavioural and Education Research (REC: SBE) (Project no.: ACC-2025-32733). This research received exemption as it followed all ethical standards for research without direct contact with human or animal subjects.

Results

The sections that follow present the findings for each of the three indicators of statutory complexity: The length of the legislation, its readability, and the extent of tax disputes.

Tax provisions' length and readability

Income Tax Act provisions relating to dividends and interest are inherently lengthy because of their technical language, reliance on defined terms and extensive cross-referencing. While not conclusive on its own, length remains a fundamental indicator for assessing the statutory complexity of tax legislation. Table 2 presents a summary of the overall length of the datasets, categorised into the following: Individual sections of the *Income Tax Act* (excluding new sections), individual new sections of the *Income Tax Act*, Parts of the *Income Tax Act*, individual paragraphs from the Eighth Schedule, and one part of the Eighth Schedule.

TABLE 2: Summary of the overall length of tax provisions from 2014 to 2024.

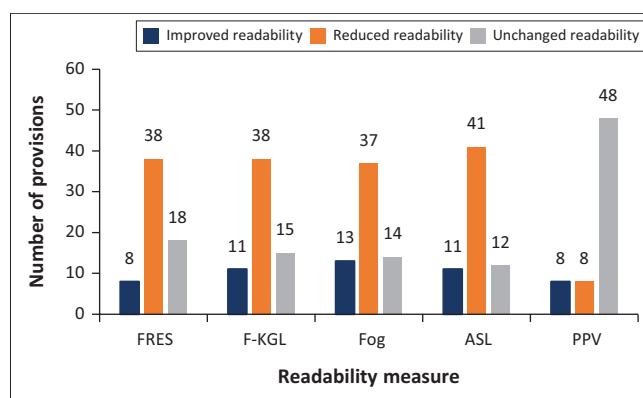
Description	Provisions		Length		% Δ
	2014	2024	2014	2024	
<i>Income Tax Act</i> sections	56	56	59 294	68 076	15
<i>Income Tax Act</i> sections (new)	-	7	-	2712	-
<i>Income Tax Act</i> parts	3	3	8375	9146	9
Eighth Schedule paragraphs	4	4	2195	4004	82
Eighth Schedule part	1	1	1681	1757	5
Total	64	71	71 545	85 695	20

Note: Percentage change in length (% Δ) indicated for tax provisions from 2014 to 2024.

Both the *Income Tax Act* and the Eighth Schedule provisions increased in length from 2014 to 2024, with a total growth of 20%. Notably, the paragraphs in the Eighth Schedule had the largest increase in length from 2014 to 2024, rising by 82%. The top 10 provisions that experienced the highest percentage increases in length (% Δ) between 2014 and 2024 increased by 101%, doubling in length. The top 10% increase in length of tax provisions from 2014 to 2024 was for the following provisions: Paragraph 43A of the Eighth Schedule, in terms of which dividends are treated as proceeds on disposal of certain shares (270%); section 22B, which treats dividends as income on disposal of certain shares (260%); section 10(1)(i) which provides for an interest exemption (142%); section 24O which deems the incurred interest in respect of certain debts to be in the production of income (133%); section 40CA which provides for acquisitions of assets in exchange for shares (133%); section 19, which grants a concession or compromise in respect of a debt (130%); Paragraph 12A of the Eighth Schedule, which grants a concession or compromise in respect of a debt (89%); section 8E which deems dividends derived from certain shares and equity instruments to be income in relation to the recipients (73%); section 23M, which limits interest deductions in respect of debts owed to persons not subject to tax (59%); and Part IVB of the *Income Tax Act*, which provides for a withholding tax on interest (47%).

Figure 1 provides a visual representation of readability score variation across the 64 existing provisions (as detailed under data collection 'Interpretation notes: Readability and trend' section), deliberately excluding the seven new additions in the 2024 dataset to ensure a direct comparison over the decade.

Based on the results, most provisions experienced a decrease in readability from 2014 to 2024, with a minority of provisions remaining either improved or unchanged. This visualisation emphasises the pattern of reduced readability across all metrics during this period. The comparison above analysed only the 64 provisions that existed in 2014 and compared them with those in 2024. Subsequently, newly introduced provisions were also examined to conclude on whether recent additions signified any deviation from or continuation



FRES, Flesch Reading Ease Score; F-KGL, Flesch-Kincaid Grade Level; ASL, Average sentence length; PPV, percentage passive voice.

FIGURE 1: Tax provisions readability categories based on readability scores of 2014 compared with 2024.

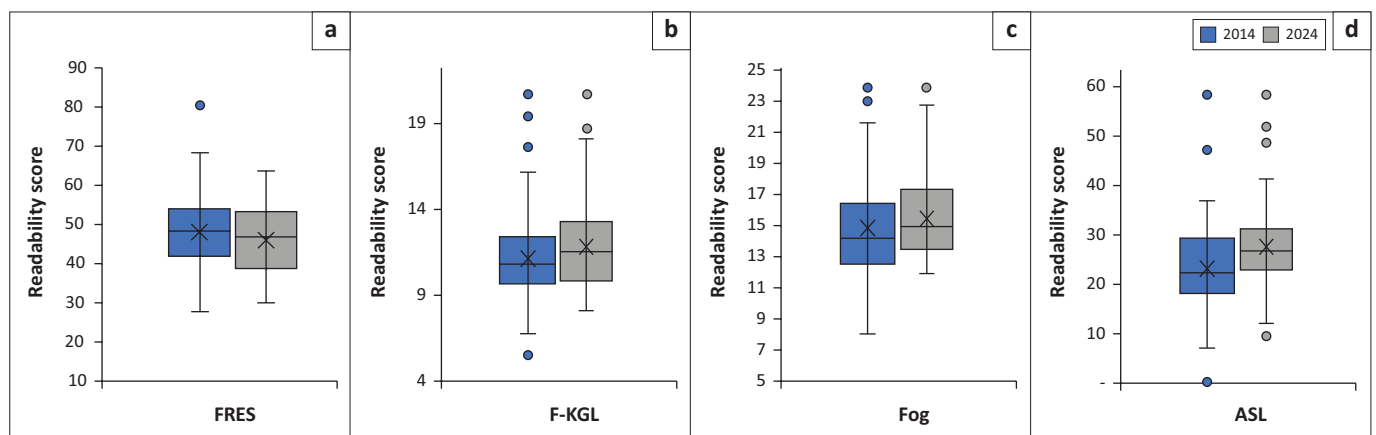
of the observed readability trends. Across all metrics, the seven new sections showed low readability, indicating that recent additions to the Act are becoming more complex than they were a decade ago. Figure 2 presents boxplots of FRES, F-KGL, Fog Index and ASL for 2014 and 2024, providing a visual comparative overview of the distribution, central tendency and range of readability scores, indicating shifts in readability levels between the two datasets. The central tendency results from boxplots using (PPV) as a metric are less pronounced than those for the other four readability measures and, as a result, are excluded from the boxplot comparison presented in Figure 2.

Flesch Reading Ease Score values have a direct relationship with readability (higher FRES values indicating higher readability), whereas all other readability measures have an inverse relationship with readability. Flesch Reading Ease Score values in 2024 were lower, based on the median (47.05 vs. 48.22) and the mean (46.10 vs. 47.97), indicating lower readability in 2024. The interquartile range in 2024 was also lower than in 2014 (38.90 to 52.94 vs. 42.09 to 53.88), indicating that the middle 50% of the provisions in each year had lower FRES values (lower readability) in 2024. There were also no outliers (indicative of higher readability) during 2024, whereas there was one such provision in 2014. Flesch-Kincaid Grade Level scores in 2024 were higher, based on the median (11.83 vs. 11.18) and mean (11.52 vs. 10.76), indicating lower readability in 2024. The interquartile range in 2024 was also higher than in 2014 (9.88 to 13.25 vs. 9.71 to 12.41), indicating that the middle 50% of the provisions in each year had higher F-KGL scores (lower readability) in 2024. There were fewer outliers (indicative of higher readability) in 2024 (2 vs. 3). Fog scores in 2024 were higher, as indicated by the median (14.95 vs. 14.19) and the mean (15.48 vs. 14.88), suggesting lower readability in 2024. The interquartile range in 2024 was also higher than in 2014 (13.45 to 17.36 vs. 12.62 to 16.46), indicating that the middle 50% of the provisions in each year had higher Fog scores (lower readability) in 2024. There were also fewer outliers (indicative of higher readability) during 2024 (1 vs. 2). The ASL in 2024 was higher, based on the median (26.64 vs. 23.44) and the mean (27.49 vs. 25.58), indicating lower readability in 2024.

The interquartile range in 2024 was also higher than in 2014 (23.16 to 31.08 vs. 20.20 to 29.52), indicating that the middle 50% of the provisions in each year had higher ASL (lower readability) in 2024. Both years had three outliers, with the ASL of the 2024 outliers being higher than that of the 2014 (indicating higher readability). The central tendency evident from boxplots across all metrics suggests a decline in readability from 2014 to 2024. The analysis of *Income Tax Act* provisions relating to dividends and interest between 2014 and 2024 indicates a consistent trend towards reduced readability over the past decade, as measured by four of the five measures applied, suggesting increased complexity. Only one measure (PPV) suggests no notable change in readability over the past decade. While each metric captures a distinct dimension of legislative complexity, the combined results suggest that the provisions have become progressively more challenging to read over the last 10 years. It is recognised that the results of this study indicate only marginal decreases in readability; this is consistent with prior studies that also report results as 'slightly' more positive or negative in their comparisons of readability (Smith & Richardson 1999). However, the results of this study indicate a trend towards decreased readability of the provisions of the *Income Tax Act*, as measured by statutory complexity indicators, over the 10-year period.

Interpretation notes: Readability and trend

The introduction of dividends tax in 2012 led to various amendments to the *Income Tax Act*, necessitating the publication of new Interpretation Notes or revisions to existing ones. This increase in guidance can be viewed from two perspectives. On the one hand, this expansion may reflect a deliberate administrative effort to increase explanatory guidance and support compliance by clarifying complex statutory provisions, especially when legislative drafting leaves room for interpretive uncertainty. On the other hand, the increase in supplementary materials may contribute to overall tax complexity by adding more information for taxpayers to interpret in an attempt to understand and comply with these provisions. Therefore, while Interpretation Notes are intended to provide clarity on



FRES, Flesch Reading Ease Score; F-KGL, Flesch-Kincaid Grade Level; ASL, Average sentence length.

FIGURE 2: Boxplots of readability scores of tax provisions (2014 and 2024) in respect of the following measures: (a) FRES; (b) F-KGL; (c) Fog; and (d) ASL.

the interpretation and application of tax legislation, a higher volume of Interpretation Notes does not necessarily lead to reduced complexity.

Figure 3 illustrates the composition of SARS Interpretation Notes with the Acts they refer to, including the portion of SARS Interpretation Notes relating to dividends and interest.

Based on the composition analysis, 98 (77%) of SARS Interpretation Notes relate to the *Income Tax Act*. The remaining 29 (23%) Interpretation Notes pertain to other Acts (*Value-Added Tax Act of 1991*, *Tax Administration Act of 2011*, *Skills Development Levies Act of 1999*, *Regional Services Act of 1985*, *Transfer Duty Act of 1949* and *Mineral and Petroleum Resources Royalty Act of 2008*). This demonstrates that most of the SARS Interpretation Notes serve as supplementary material, providing guidance and interpretive clarity on the provisions of the *Income Tax Act* (suggesting that the *Income Tax Act* may be more complex than other tax Acts). The SARS Interpretation Notes relating to dividends and interest represent a notable 13% of the total number of Interpretation Notes issued relating to the *Income Tax Act*, which exceeds those relating to the *Tax Administration Act* and other Acts combined, and is almost comparable to the number of Interpretation Notes relating to Value-Added Tax. Figure 4 provides a visual summary of the readability scores (Fog Index, F-KGL and FRES) for the *Income Tax Act* provisions relating to dividends and interest in 2024, compared with the SARS Interpretation Notes relating to dividends and interest (in which empty categories for relevant measures are excluded).

The Fog Index results reveal that the majority (85%) of the SARS Interpretation Notes relating to dividends and interest fall within the 'high school senior', 'college freshman' and 'college sophomore' categories (Fog Index scores 12 to 14). F-KGL results indicate that SARS Interpretation Notes relating to dividends and interest fall entirely within the 'college' (15%) and 'high school' (85%) categories. In terms of FRES, the results indicate that SARS Interpretation Notes relating to dividends and interest fall entirely within the 'fairly difficult' (38%) and 'difficult' (62%) categories, with none achieving 'standard' or higher readability levels. The application of established readability metrics collectively suggests that the SARS Interpretation Notes relating to dividends and interest are only marginally more readable compared to the *Income Tax Act* provisions relating to dividends and interest. Although these Interpretation Notes are intended to clarify complex tax legislation, the analysis reveals that they continue to exhibit high levels of textual complexity, often approaching the difficulty of the very provisions they are meant to explain.

South African Revenue Service tax disputes trend

South African Revenue Service tax disputes highlight interpretive uncertainties and serve as a proxy for the broader challenges faced by taxpayers and tax authorities in practice

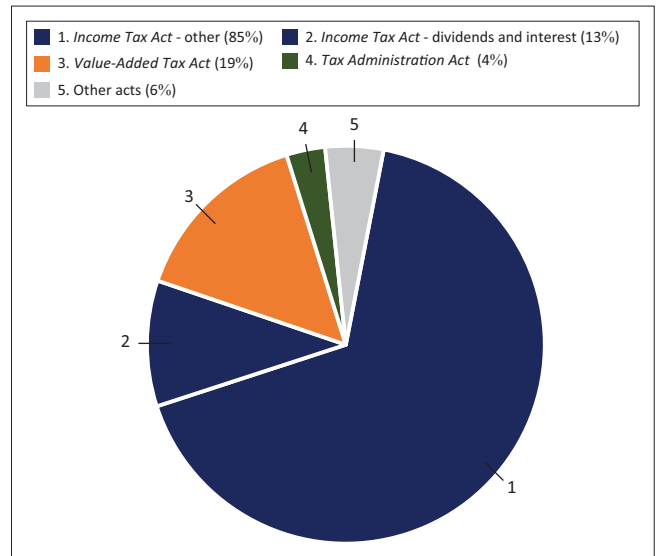
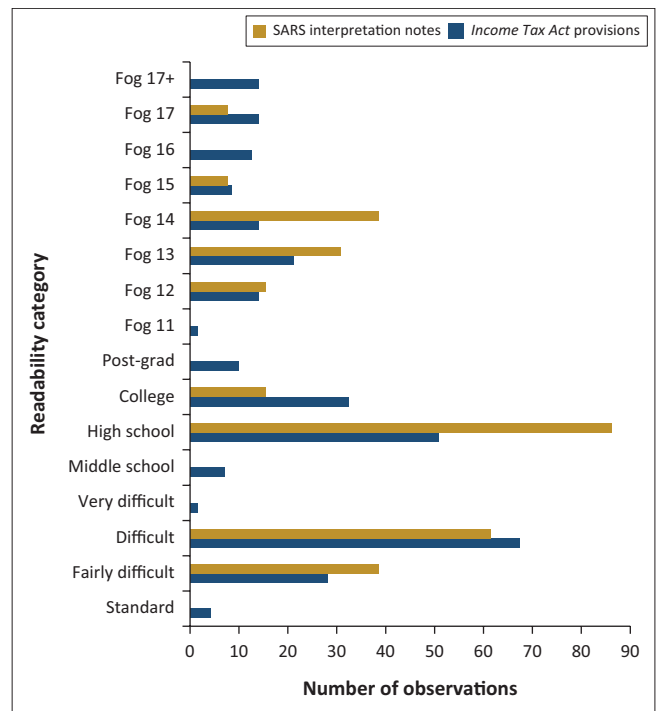


FIGURE 3: South African Revenue Service Interpretation Notes composition.



SARS, South African Revenue Service.

FIGURE 4: Comparison of readability categories of Interpretation Notes and tax provisions.

(Davis Tax Committee 2018; Tran-Nam & Walpole 2016). Particularly in environments with frequent legislative changes and contested interpretive guidance, tax disputes become a meaningful measure of statutory complexity (Morris & Qiao 2021). Table 3 illustrates the dataset composition across the different Acts, in descending order by the number of tax disputes.

The data reveal that the *Income Tax Act* is the most frequently cited statute in tax disputes, accounting for 31.1% (328 cases) of the total. This is followed closely by the *Tax Administration Act* at 23.1% (244 cases) and the

Customs and Excise Act at 22.2% (234 cases). Notably, the *Tax Administration Act* accumulated nearly as many disputes as the *Income Tax Act* in less than half the time, emphasising the interpretive challenges arising from the introduction of new legislation. The purpose of SARS Interpretation Notes is to promote compliance by reducing interpretive uncertainty and, consequently, the likelihood of future disputes. Therefore, publications and revisions may reflect a deliberate administrative effort to increase explanatory guidance and support compliance. However, as frequent publications and especially revisions of Interpretation Notes may indicate, the underlying provisions of the *Income Tax Act* are inherently complex. Reliance on SARS interpretation for guidance also highlights the interpretive challenges faced by taxpayers (Hassan 2023). From 2000 to 2024 (calendar years), a total of 328 SARS tax disputes were referred to the *Income Tax Act*. For the same period, a cumulative total of 96 SARS Interpretation Notes relating to the *Income Tax Act* have been issued, which have subsequently been revised 141 times. Figure 5 presents the *Income Tax Act*-related SARS tax disputes together with the publications and revisions of *Income Tax Act*-related SARS Interpretation Notes.

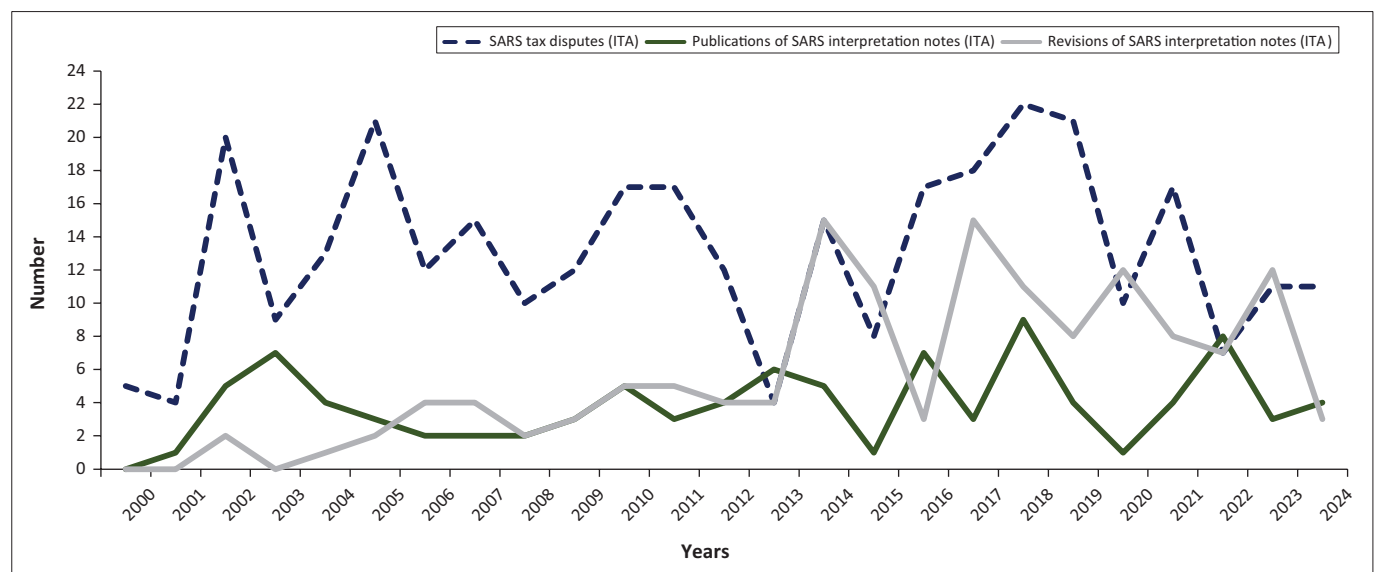
TABLE 3: South African Revenue Service tax dispute composition (2000–2024).

Description	Number of disputes	Percentage of total
Income Tax Act (total)	328	31.1
Relating to dividends and interest	44	4.2
Other	284	26.9
<i>Tax Administration Act</i>	244	23.1
<i>Customs and Excise Act</i>	234	22.2
<i>Value-Added Tax Act</i>	109	10.3
Other Acts	88	8.3
<i>Promotion of the Administrative Justice Act</i>	26	2.5
<i>Companies Act</i>	21	2.0
Constitution	5	0.5
Total	1055	100

SARS, South African Revenue Service.

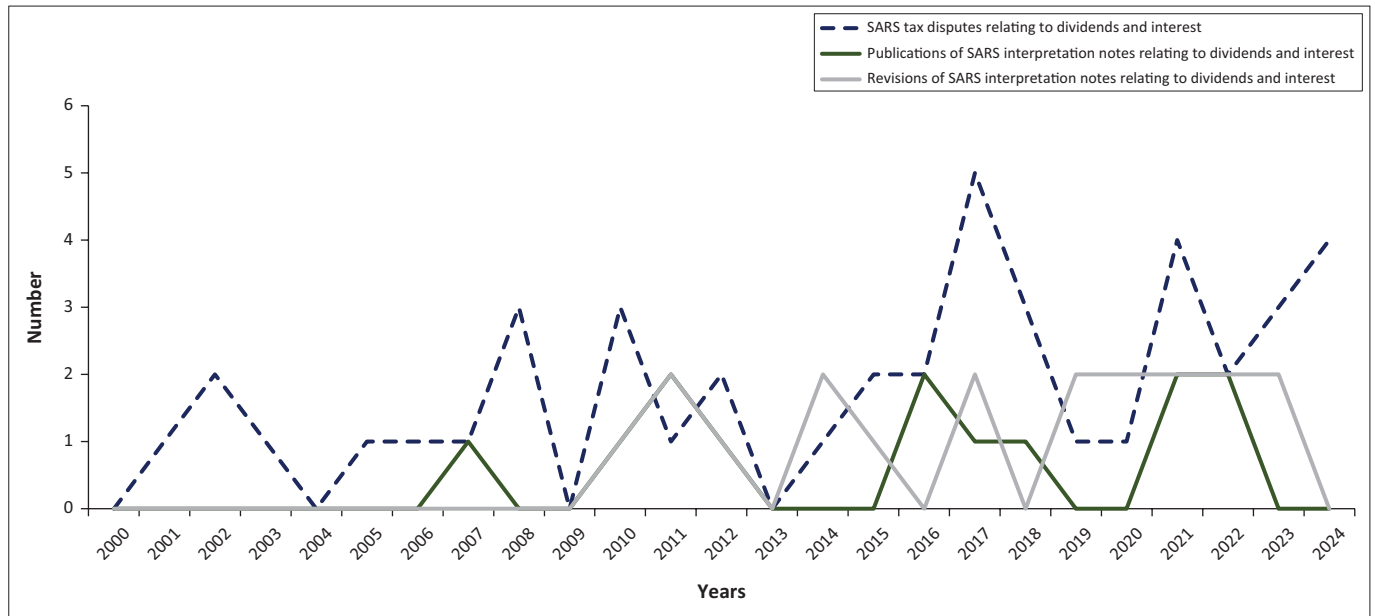
This pattern suggests that the introduction of dividends tax in 2012 coincided with an increase in tax disputes and an administrative response from SARS, which involved publications and revisions to Interpretation Notes. The notable increase in revisions to Interpretation Notes (304%), compared to new publications (59%), demonstrates the ongoing interpretive challenges faced by SARS and taxpayers. Revisions are generally made in response to legislative changes, judicial rulings or administrative adjustments. This disproportionate increase in revisions suggests enduring difficulties in clarifying legislative provisions. While SARS Interpretation Notes are intended to promote clarity and reduce disputes, the high frequency of their revision, coupled with the readability challenges noted above, suggests that these materials may not adequately mitigate tax complexity or reduce tax disputes. The preceding discussions were, in general, with reference to the different Tax Acts; the trends in SARS tax disputes and SARS Interpretation Notes relating to dividends, and interest trends (2000–2024) are provided in Figure 6.

South African Revenue Service tax disputes relating to dividends and interest increased from 14 before 2012 to 30 after 2012, a 114% increase after the introduction of dividends tax in 2012. Similarly, the SARS Interpretation Note publications relating to dividends and interest increased from four before 2012 to nine after 2012, a 125% increase. The most significant change was the number of revisions, which increased from 3 before 2012 to 16 after 2012, reflecting a 433% increase. The substantial increase in SARS tax disputes relating to dividends and interest following the introduction of dividends tax in 2012 (114%) indicates a significant rise in interpretive challenges associated with these provisions. This trend is further emphasised by the 125% increase in the publication of SARS Interpretation Notes on dividends and interest, and, more notably, a 433% increase in their revisions. The persistence of tax disputes despite the increasing number and frequency



SARS, South African Revenue Service.

FIGURE 5: South African Revenue Service tax disputes and South African Revenue Service Interpretation Notes trends (2000–2024).



SARS, South African Revenue Service.

FIGURE 6: South African Revenue Service tax disputes and South African Revenue Service Interpretation Notes relating to dividends and interest trends (2000–2024).

of SARS Interpretation Note publications and revisions suggest that these instruments may not be sufficiently effective in mitigating legislative complexity. As argued by Hassan (2023), reliance on non-binding guidance, such as SARS Interpretation Notes, may, in some cases, increase interpretive burdens rather than resolve them, particularly when such materials exhibit a complexity comparable to that of the provisions they are intended to explain. This is supported by the readability analysis under the preceding heading (*Interpretation notes: Readability and trend*), which found that, while Interpretation Notes are only marginally more readable than the corresponding provisions in the *Income Tax Act* on average, they still demonstrate high levels of textual complexity. The implication is that SARS Interpretation Notes, though intended to reduce uncertainty, may not provide meaningful relief to taxpayers. The total number and frequency of revisions to Interpretation Notes could be seen as evidence of SARS's institutional responsiveness and ongoing attempts to address interpretive challenges as they arise in practice. When Interpretation Notes are themselves difficult to navigate, the risk remains that taxpayers face a dual-layered complexity: One embedded in the statute and another embedded in the very guidance meant to clarify it. These trends collectively reveal increased statutory complexity in dividends and interest after the introduction of dividends tax in 2012.

Conclusion

Dividend tax was introduced in South Africa in 2012 to align the tax system with international norms and encourage foreign investment, following a prior regime that was regarded as complex and unattractive. The ongoing legislative amendments since 2012 have been necessary to address unintended consequences, close loopholes, and respond to evolving tax planning strategies – including the blurring of

the boundaries between interest and dividends resulting from hybrid instruments. Such frequent amendments can add to the complexity of the South African tax system and could impact the legal simplicity as related to the content of the law (Steyn & Stiglingh 2016; Tran-Nam 1999). The readability of the *Income Tax Act* provisions relating to dividends and interest has not been explored as a good first step to create a more robust discussion on how to decrease complexity (Han et al. 2024) and as quantifiable measurements to confirm the size and scope of the readability problem (Jackson 2021). This study considered three statutory complexity indicators (length, readability and tax disputes) and applied readability measures predominantly used in prior literature to assess the size and scope of readability problems in the *Income Tax Act* provisions relating to dividends and interest. The findings of the present study suggest that *Income Tax Act* provisions relating to dividends and interest have become longer and more difficult to read over the past decade. While SARS Interpretation Notes are intended to clarify these provisions, their substantial length and levels of readability compared with the provisions they intend to clarify conceivably add to the overall statutory complexity. The publication and revision frequency of SARS Interpretation Notes increased after the introduction of dividends tax, indicative of an increase in statutory complexity, with provisions necessitating new or revised guidance. Tax disputes relating to dividends and interest followed a similar trend, which may indicate the challenges of applying complex legislative provisions in practice. The trends identified across all indicators show that statutory complexity has increased since the introduction of dividends tax in 2012, which could counteract the original intent of the introduction of dividends tax to simplify the corporate tax system. These findings are submitted in support of simplification advocacy, in particular tax legislation drafting recommendations (including the use of short, clear sentences;

omitting unnecessary words and paragraphs; prioritising relevant content; following a subject–verb–object structure; and avoiding obscure syntax (Gribnau & Dusarduijn 2021) as well as expansion of principle-based drafting in simplification efforts (Martinez & Da Silva 2019).

In conclusion, the results of this study serve as the first step towards highlighting the *Income Tax Act* provisions relating to dividends and interest as an area requiring simplification in South Africa. As no primary data were collected to validate the results of the readability test, this could be a potential avenue for future research, including the potential impact of tax complexity on foreign direct investments, in further explanatory research. Readability results could also be employed in cross-country comparisons with comparable jurisdictions, as illustrated by Jackson (2021), in simplification efforts.

Acknowledgement

This article is based on research originally conducted as part of Susanna M. van der Westhuyzen's master's research assignment titled 'Tax complexity of *Income Tax Act* provisions relating to financing arrangements: An exploratory study', submitted to Stellenbosch University. The research assignment is currently unpublished and not publicly available. The research assignment was supervised by Rudie Nel. The research assignment was reworked, revised and adapted into a journal article for publication. The author confirms that the content has not been previously published or disseminated and complies with ethical standards for original publication.

Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

CRediT authorship contribution

Susanna M. van der Westhuyzen: Conceptualisation, Formal analysis, Investigation, Writing – original draft, Visualisation, Writing – review and editing. Rudie Nel: Conceptualisation, Visualisation, Writing – review and editing, Supervision. Both authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication, and take responsibility for the integrity of its findings.

Funding information

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Data availability

The data that support the findings of this study are available upon request from the corresponding author, Rudie Nel.

Disclaimer

The views and opinions expressed in this article are those of the authors and are the product of professional research. They do not necessarily reflect the official policy or position of any affiliated institution, funder, agency, or the publisher. The authors are responsible for the article's results, findings, and content.

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