

## Rebuilding Tourism for the Future: COVID-19 and Tourism Levy Administration in Gauteng Graded Accommodation Sector

Bernard B. Ripinga

*School of Public Management and Administration, University of Pretoria, Pretoria, South Africa, Email, [benzrippinga@gmail.com](mailto:benzrippinga@gmail.com)*

Adrino Mazenda\*

*School of Public Management and Administration, University of Pretoria, Pretoria, South Africa, Email, [adrino.mazenda@up.ac.za](mailto:adrino.mazenda@up.ac.za)*

*\*Corresponding Author*

**How to cite this article:** Ripinga, B.B. & Mazenda, A. (2022). Rebuilding Tourism for the Future: COVID-19 and Tourism Levy Administration in Gauteng Graded Accommodation Sector. African Journal of Hospitality, Tourism and Leisure, 11(4):1625-1641. DOI: <https://doi.org/10.46222/ajhtl.19770720.313>

### Abstract

The COVID-19 pandemic brought the tourism sector to a complete standstill during the hard lockdown because of the global travel ban. This study aims to analyse the effects of COVID-19 on levy administration and revenue collection in Gauteng graded accommodation establishments in South Africa. Gauteng province is a gateway for international tourist arrivals and the most visited province in South Africa. The study used a case study design based on a saturated purposive snowball sampling procedure with data collected through semi-structured interviews from 15 key informants, stakeholders in Tourism marketing, directly working with graded accommodation establishments. The study reports a significant disruption in levy collection due to the COVID-19 pandemic. The COVID-19 restrictions led to the loss of business profits due to establishments' permanent and temporary closures. For Gauteng's graded accommodation establishments to survive, technological innovation and reorganisation of operations were critical. The study recommends stakeholder harmonisation in synergy with strategies for levy collection post- COVID-19 era. This study proposes critical interventions to the levy administrators and government to support graded establishments collecting the levy.

**Keywords:** COVID-19; tourism levy administration; revenue collection; Gauteng graded accommodation establishments; South Africa

### Introduction

Gauteng, South Africa's wealthiest province in terms of economic performance, was greatly affected by the COVID-19 multiplier effects, which crippled the tourism sector and the economy. Approximately 3-8 % of the annual Gross Domestic Product (GDP), contributing about 130 billion rands of the country's revenue (Statistics South Africa Stats SA) (2021). Accommodation establishments, travel agencies, tour operators, car rentals, and conference venues are key contributors to tourism revenue. Accommodation is one of the largest subsectors in the tourism value chain, comprising various types of accommodation such as hotels, resorts, game lodges, guest houses, and Bed & Breakfasts (Tourism Business Council of South Africa [TBCSA], 2016).

Tourism taxes and levies are vital strategies for collecting revenue from the tourism sector. (TBCSA, 2016). The accommodation sector contributes to about 70% of the collected levies/tax. (TBCSA, 2016). The tourism levy, also known as the Tourism Marketing South Africa (TOMSA) levy, is charged on the public's invoice when purchasing tourism products and services. TOMSA's primary goal is to raise more money than the government has allocated to South African Tourism (SAT). The tourism levy is neither collected by South African

Revenue Services nor governed by tax legislation since it is not a formal tax Tourism Business Council of South Africa (TBCSA, 2016).

The levy administration is private sector driven and regulated through a Memorandum of Understanding (MoU) between TBCSA and SAT and supported by the Department of Tourism. Accommodation establishments, travel agencies, tour operators, car rentals, and conference venues are eligible to pay the levy. Any tourism establishment that seeks to collect the levy must register with the TBCSA. The TBCSA, which represents the private tourism sector, acts in the capacity of TOMSA for levy administration as it is incapacitated, both in human and financial resources. (TBCSA, 2016; TBCSA, 2015; TBCSA, 2013). TBCSA collects all levies and gives 90% of the money to SAT as extra money for marketing South Africa as a tourism destination nationally and internationally (TBCSA, 2016).

The study focused on graded accommodation establishments in Gauteng's accommodation subsector. Hotels, guesthouses, bed & breakfast, self-catering, caravan & camping, backpackers, hostels, and game/nature lodges are among the graded accommodation types in South Africa (Tourism Grading Council of South Africa, (TGCSA), 2019). In addition, graded accommodation establishments benefit from various promotional campaigns run by the South African Department of Tourism. Since the inception of the TOMSA levy in 1998, there has been a significantly low contribution base in the tourism sector. The levy collection base is small, with less than 600 collectors between 1998 and 2015 and 754 by 2021 (TBCSA, 2021). The expansion of the levy collection base is critical for financing marketing and tourism safety initiatives. South Africa's safety and marketing tourism product offerings are essential to attracting tourists and, in turn, attracting foreign direct investment, creating jobs, and contributing to the country's Gross Domestic Product (GDP) (TBCSA, 2016); Tourism Act (Act 3 of 2014); Department of Tourism, South Africa (2017). According to Cetin (2014), levy collection is an essential source of income for various destinations to support tourism marketing, promotion initiatives, and tourism infrastructure. A levy/tax administration that cannot implement tax/levy policies decreases revenue collection (McClellan, 2013). A lack of understanding of the levy/tax collection system, processes, purpose, and collected funds can also reduce revenue collection (Lombard, 2018).

The COVID-19 pandemic outbreak prompted countries worldwide, including South Africa, to impose various restrictions on travel. As a result, some establishments had to shut down entirely because there was no business; others were used as quarantine sites. The Gauteng graded accommodation establishments were equally affected by the COVID-19 lockdown regulations, which resulted in the loss of revenue collection and probably worsened the collection base for TBCSA. The COVID-19 lockdown derailed any possible efforts by TBCSA to increase the levy collection base. South Africa, like other countries, has since lifted all the COVID-19 restrictions by August 2022. As such, marketing activities are critical to rebuilding the country's image to attract more tourists and recover tourism from the impact of COVID-19 (SAT, 2021). Marketing campaigns with appropriate key messages can assist in inspiring tourists to trust travel again and utilise establishments in the Gauteng province. Matiza and Kruger posit that a hybrid marketing approach that includes websites, social media, virtual reality, mobile applications, and created content platforms is critical to enhancing information sharing that incorporate tourism recovery messaging. Financial resources from the tourism levy are necessary to run continuous marketing campaigns for the tourism sector recovery in Gauteng province during and post the COVID-19 pandemic.

Stakeholder theory provides a framework for studying the impact of COVID-19 on tourism (Bregoli et al., 2021). Stakeholder theory is a theory of organisational management and business ethics that emphasises the interconnected relationships between a business and its customers, suppliers, employees, investors, communities, and others who have a stake in the

organisation (Bregoli et al., 2021). Freeman et al. (2014) emphasised that within the stakeholder theory, it might be a challenge to manage stakeholder relationships over their diverse and competing interests. Governing boards have the responsibility to balance stakeholder interests to ultimately achieve corporate goals (L’Huillier, 2014). The study responds to the following questions:

- What are the effects of COVID-19 on levy administration and revenue collection in Gauteng graded accommodation establishments?
- What are the recommendations for sustained tourism growth post-COVID-19?

Studies on COVID-19, levy administration and revenue collection in graded accommodation establishments are emerging (see Karma et al., 2021; Soehardi & Untari, 2020; Sucheran, 2021), however, none has contextualised the effects of COVID-19 on the graded accommodation establishments in the major cities of the emerging economy. This study contributes to tourism literature by providing information on improving levy administration and revenue collection post-COVID-19. This study will also help the TBCSA, government and establishments to better manage the levy and support levy collectors in future pandemics. The article is structured as follows: After the introduction, a conceptual framework is provided, followed by the materials and methods, results, discussion, conclusion and recommendations.

### **Conceptual framework**

There is limited research on levy administration and its collection in tourism, particularly in graded accommodation in South Africa. Levy or tax administration studies concentrated on the levy collection system, the effectiveness of presumptive tax administration, and the principles of intelligent tourism tax. The studies excluded the effects of COVID-19 on the levy administration and revenue collection in graded accommodation establishments. (Chau & Leung, 2009; Mangayi, 2014; and Bruce-Twum, 2014) argued that factors such as an establishment’s income level, tax and levy systems, complexity, as well as its ability to detect tax/levy evasion and apply penalties, attitudes and perceptions, social norms, and ethical values of levy payers, can potentially affect the effectiveness of tax/levy administration have received limited attention. Moreover, factors such as the lack of trained officials, autonomy, poor record-keeping, accountability and transparency, corruption, and poor service quality that may influence tax/levy administration in developing countries have not been explored in a South African context (Al-Harethi et al., 2018).

According to the Organisation for Economic Co-operation and Development (OECD), there is a general lack of detailed comparative information on tourism-related taxes and fees and their potential impact on the global tourism economy. Group Nao (2020) also found that evaluation and data on the impact of tourism-related taxes are surprisingly limited across the world. Tourism taxes require more research. According to Heffer-Flaata et al. (2021), many countries such as Germany, Canada, the Netherlands, the United States of America, Zimbabwe, Tanzania, and South Africa have introduced tourism-related taxes. However, there is scant literature on the impact of COVID on such taxes. Collins and Stephenson (2018:7) alluded that although tourism-related taxes are a growing source of revenue for national and local governments, the related taxes or levies have been less researched. Levy administration and collection in South Africa is also almost non-existent.

The tourism levy, also known as TOMSA levy, is charged on the public’s invoice who purchases tourism products and services from establishments that collect the levy (Department of Tourism, South Africa, 2017). Levy administration involves managing taxation processes and timely revenue collection from taxpayers (Nakonechna, 2016). Ababneh and Rawabdeh (2018) viewed revenue collection as an outcome of the tax base, tax rate, and practical tax

administration efforts. Therefore, the enhanced revenue generation depends on the levy administration's effectiveness.

The stakeholder theory provides a framework for the study. Stakeholder Theory emphasises the interconnected relationships between customers, suppliers, employees, investors, communities, and other stakeholders (Bregoli et al., 2021). A stakeholder is defined by Freeman et al. (2014) as a group and individuals that can affect or be affected by actions undertaken to create value for those who have a stake. Stakeholders can be groups and individuals who depend on an organisation to achieve their collective or personal goals and in turn, the organisation depend on it for its existence or survival (Freeman et al., 2015; Freeman et al., 2014). In the case of TBCSA, there are both internal and external stakeholders. Internal stakeholders are administrators, managers, and the Chief Executive Officer (CEO) of TBCSA, the TBCSA board, and tourism member associations, including graded establishments. The external stakeholders include government, SAT and society at large. Moreso, the TBCSA board indirectly serves the stakeholders regarding the levy administration. Establishments pay over the levies collected from the public directly to TBCSA, which is responsible for the administration of the levy. The government, through the SAT, benefits from the collected levies to fund marketing initiatives. Not all graded accommodation establishments collect the levy as there are underlying factors impacting levy collection, which this study unravels.

The identified stakeholders interface with one another to pursue individual interests as far as levy administration and collection is concerned. The stakeholder theory suggests that the TBCSA has to balance the stakeholder interest as they all have intrinsic value. Establishing a mechanism to engage different stakeholders on levy administration and collection might be necessary to improve the revenue base. The TBCSA mandate is to be an enabling body that brings relevant tourism sector stakeholders together under a common umbrella to manage issues affecting the role players in the sector (TBCSA, 2021).

The lockdown effects of the COVID-19 pandemic reduced the levy collection efforts from establishments. Therefore, government and TBCSA support to establishments was necessary to mitigate financial loss suffered due to the pandemic. The TBCSA levy relief period during a period of low demand was one such necessary and beneficial initiative. In addition, the Tourism Relief Fund (TER) that was implemented by the Department of Tourism covered operational costs to help cushion establishments against the impact of COVID-19 and improve business cash flow (Department of Tourism et al., 2020).

Under normal economic and health conditions, the levy, a voluntary scheme, requires establishments that seek to collect the 1% levy to register by completing and signing a TOMSA agreement and emailing it to TBCSA for approval (TBCSA, 2020). Once registered, TBCSA sends the code of conduct and a TOMSA welcome letter to the tourism establishment. Tourism establishments should pay the overall collected levies into a TOMSA account within fifteen days from the end of each accounting month. TBCSA consolidates all the collected levies and deducts an administration fee of not more than 7% of the levies collected and pays over 93% to SAT for marketing South Africa as a tourist destination nationally and internationally. The levy is additional funding towards the budget allocated to SAT by the Department to market South Africa as a tourist destination to attract tourists, and foreign direct investment and contributes to economic growth and job creation (TBCSA, 2016).

Figure 1 provides a conceptual framework for the relationship between COVID-19, tourism stakeholders and levy collection.

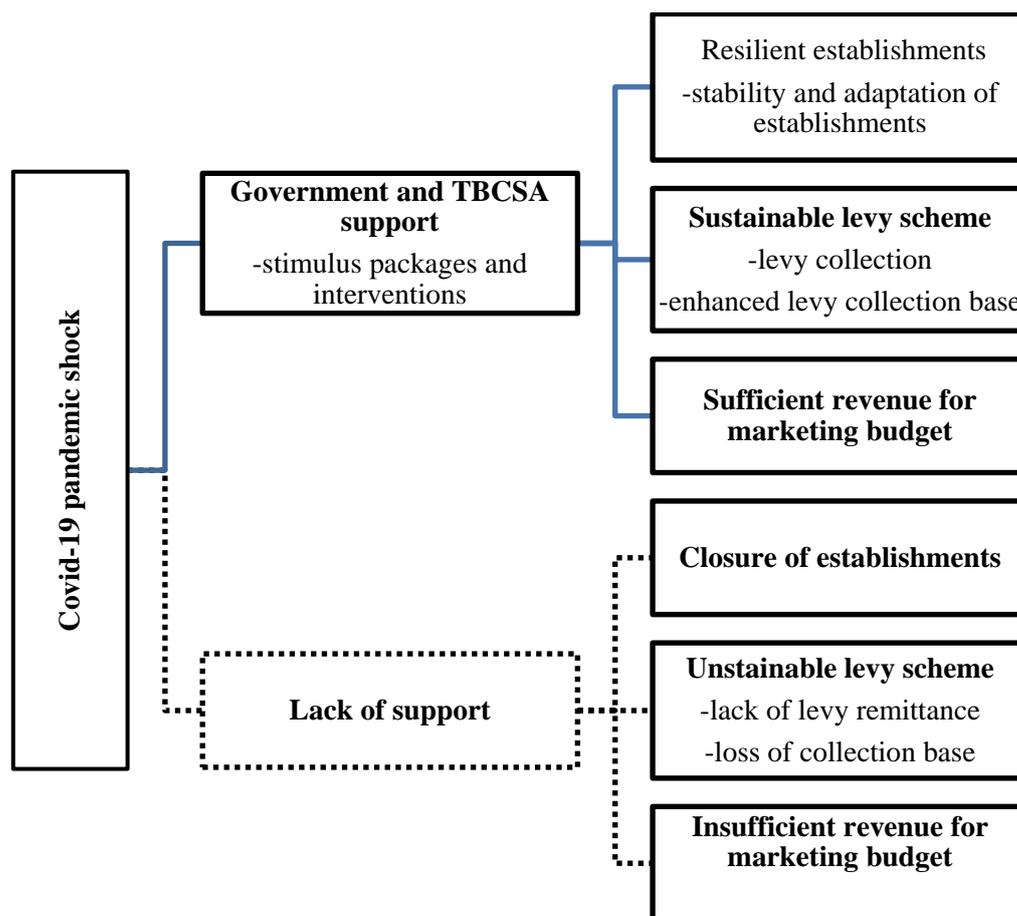


Figure 1: Conceptual framework: COVID-19, tourism stakeholders and levy collection  
 Source: Authors

Under normal economic and health conditions, the levy, a voluntary scheme, requires establishments that seek to collect the 1% levy to register by completing and signing a TOMSA agreement and emailing it to TBCSA for approval (TBCSA, 2020). Once registered, TBCSA sends the code of conduct and a TOMSA welcome letter to the tourism establishment. Tourism establishments should pay the overall collected levies into a TOMSA account within fifteen days from the end of each accounting month. TBCSA consolidates all the collected levies and deducts an administration fee of not more than 7% of the levies collected and pays over 93% to SAT for marketing South Africa as a tourist destination nationally and internationally. The levy is additional funding towards the budget allocated to SAT by the Department to market South Africa as a tourist destination to attract tourists, and foreign direct investment and contributes to economic growth and job creation (TBCSA, 2016).

TBCSA, the government did not sufficiently prepare for a pandemic crisis, which affected the levy collection. Furthermore, historically, tourism was able to quickly bounce back after disasters, economic problems, and pandemics such as Ebola and the 2008 global financial crisis (Paul et al., 2021). According to Paul et al. (2021), all economic sectors depend on government stimulus packages and interventions to improve productivity due to the adverse effects of the pandemic. Stimulus packages and interventions from the government and TBCSA can allow establishments to be stable and adapt to a crisis environment. The assistance can add value to the levy collection during and after COVID-19, which can be a draw for establishments not currently collecting the levy. The levy scheme would become more sustainable because it would receive additional support from establishments. Ultimately, there would be sufficient revenue for marketing purposes to recover the sector.

Lack of support from the government and TBCSA can result in the closure of some establishments that cannot adapt during the pandemic. Even if there was minimal levy collection from establishments that were able to operate as quarantine sites, there is a possibility that some could not afford to pay over the collected levies because they were trying to survive the crisis. Putra and Satria (2020) pointed out that various modes of tax or levy avoidance in the collection process have the potential to manifest and might cause leakages in tax revenues under the COVID-19 environment. There could be a perception that there is no value in collecting the levy, which might lead to losing establishments from the collection base considering the lack of support during the crisis. After all, the levy initiative is a voluntary initiative. Better preparedness for future pandemics is critical.

The COVID-19 pandemic shock took the government and TBCSA by surprise, and there were no immediate contingency plans or mechanisms to respond to such a crisis. In reality, TBCSA has been instrumental in lobbying the government to remove the ban on the sale of alcohol, curfew and capacity limits on venues. The government and TBCSA were also at the forefront of successfully persuading key tourism source markets such as the United Kingdom (UK) and the United States of America (USA) to lift the travel ban on South Africa amid the increase in infections in omicron variant. A low levy collection would result in less revenue allocation to SAT for marketing purposes, which might force the agency to reprioritise the funds for marketing purposes. According to TBCSA (2020), without the levy, the tourism businesses could be negatively affected because South Africa would not be able to market itself and compete with other international tourism destinations; as such, boosting economic activity in the country.

Like any other economic sector, the country's tourism value chain was deeply affected. During the hard lockdown, there was no tourism activity as airlines were grounded and travelling was banned. This situation resulted in decreased domestic and international tourist arrivals and cancellations of bookings, which threw the tourism sector into financial turmoil (Dube, 2021). Even as the government gradually opened the economy, tourism continued to suffer financial losses due to the regular temporary ban on the sale of alcohol, gatherings, and curfews amid new variants and rising infections. The pandemic shock affected all economic sectors and different aspects of establishments in their business operations and caused financial distress (Grizane & Pole, 2021). The levy collection was not diverse, and hence it was equally affected because COVID-19 was unprecedented.

The pandemic disruption might lead to a further decline in levy collection because of the financial losses suffered by establishments as they try to recover from the lockdown. According to the Department of Tourism 2020, the main concern for tourism businesses considering the reopening of the sector was sufficient demand to break even, followed by an adequate need to make a profit. Other tourism businesses have already begun implementing pricing strategies to offer lower accommodation prices or customer deals to boost occupancy rates (Bulchand-Gidumal & Melian-Gonzalez, 2021). Baum and Rogerson (2020) argue that the rebuilding process of the harmed tourism sector will be slow and will see major setbacks along the way. This situation might have a bearing on the Gauteng graded establishments' decision to collect the levy and pay it over to TBCSA during the COVID-19 crisis.

## **Materials and methods**

This article adopted a qualitative approach, drawing from the case study design, to investigate the effect of the COVID-19 lockdown on tourism levy administration and revenue collection in Gauteng graded accommodation establishments. The case study design enables an in-depth investigation of a contemporary, real-life situation. In addition, interviews, focus groups, or



storytelling (Harwell, 2011) allow an in-depth understanding of the participant's feelings, perceptions, and thoughts that relate to a particular problem or issue.

The case study draws on non-probability purposive and snowball sampling techniques utilised through semi-structured interviews administered between April 2021, May 2021, July 2021 and August 2021 to 15 key informants from governmental and non-governmental institutions. The study selected mainly government and non-government representatives involved in the levy collection and administration because the study was conducted during the high alert level of the COVID-19 lockdown when most establishments were mostly not operating. This was established during telephonic follow-ups and physical walk-ins through appointments with establishments to increase the response rate on the online questionnaire which was part of the quantitative strand of the broader study. The key informants were selected based on their experience with tourism stakeholders, including the graded tourism establishments as well as direct involvement and knowledge of the administration and collection of the levy (Kumar, 2019).

An interview guide was used to elicit detailed responses from key informants through semi-structured interviews. The interview guide was developed from stakeholder consultation and literature (See Denford et al., 2019; Dube 2014; Makuya 2017; Mangayi 2014; World Travel and Tourism Council [WTTC], 2018). The interview guide was piloted with five officials who work in the Research, Statistics, Tourism Inceptive Programme, and Tourism Enhancement divisions within the Department of Tourism. They were familiar with the tourism levy concept. The pilot assisted in testing the relevance and accuracy of the questions and enhancing the credibility of the interview guide. Table 1 shows the profiles of the key informants.

Table 1: Selected key informants' profiles

Key informants	Gender	Level	Years of experience
1	Female	Chief Executive Officer from a non-governmental institution	More than ten years
2	Female	A senior manager from a non-governmental institution	More than ten years
3	Female	A senior manager from the tourism council	More than ten years
4	Female	A senior manager from the tourism association	More than ten years
5	Female	A senior manager from the government	More than ten years
6	Female	A senior manager from the tourism council	5 to 10 years
7	Male	Chief Executive Officer from a non-governmental institution	More than ten years
8	Male	A senior manager from the government	More than five years
9	Male	A senior manager from the government	More than ten years
10	Male	A senior manager from the tourism council	5 to 10 years
11	Female	A senior manager from the government	More than eight years
12	Female	Chief Executive Officer from tourism association	More than ten years
13	Female	A senior manager from the tourism council	More than ten years
14	Female	A senior manager from the government	More than ten years
15	Male	A senior manager from the tourism association	More than ten years

Source: Authors

The responses from the key informants were analysed using thematic analysis. The thematic analysis involves identifying the main themes from the interview schedule (Kumar, 2011). The thematic analysis is a five-step process, which includes: familiarising with data; developing initial codes; scouring and reviewing themes; exploring; developing coding data; classifying responses under the central theme; exploring, defining, and identifying themes; and finally, analysing and compiling conclusions. Responses were interpreted and transformed into meaningful information and provided relevant literature to support the interpretations (Kumar, 2011, 2019).

## Results

This section presents the study's findings, drawing from 15 key informants in the tourism council, associations, government and non-governmental institutions. The investigation unearths five themes analysed using *Atlas.ti* software. These themes are; the impact of COVID-19 on levy collection and tourism in general; COVID-19 and repurposing of establishments and technology adoption; COVID-19 impact on profitability; COVID-19 and the management of graded accommodation establishments; and the impact of COVID-19 on international travel.

Figure 2 shows *Atlas.ti* word cloud iteration in analysing the impact of COVID-19.

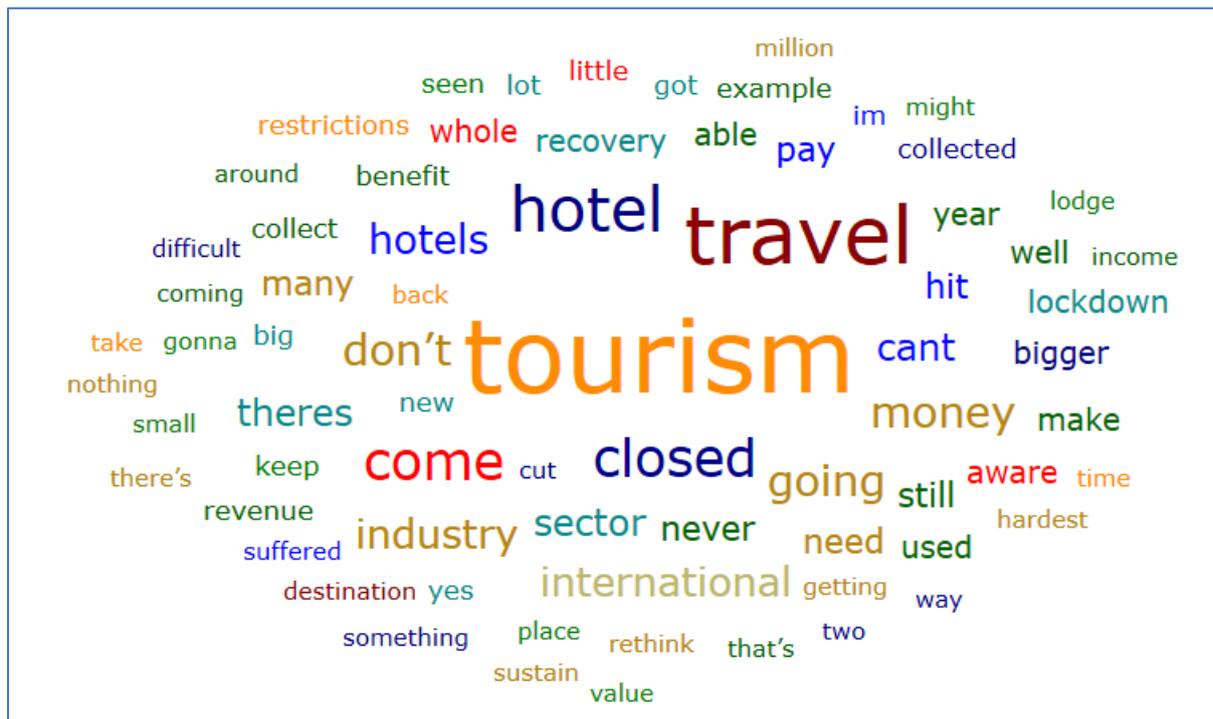


Figure 2: Impact of COVID-19 on the collection of the levy

Source: Authors'

### ***Impact of COVID-19 on levy collection and tourism in general***

The findings revealed that COVID-19 affected tourism due to restrictions on travel. As a result, the whole tourism value chain was involved, including travel facilitators, such as tour operators.

Many tour operators have shut down their businesses and never to rise again because they are the connectors. They connect the tourists to the accommodation, the attraction, the airline, and the entire tourism value chain. They are the first victims of COVID-19 because they suddenly found themselves with nothing to package and cannot sell (CEO of a non-governmental organisation).

Most accommodation establishments had faced the consequences of an oversupply of accommodation, resulting in drastically lower occupancy rates owing to the COVID-19 lockdown. The impact of the lockdown made it difficult for some establishments to remain open during the hard lockdown and high alert level because of the low to zero occupancy.

Establishments located in towns have been hit hard because of oversupply, but those near nature attractions in less developed areas, I think they have been able to sustain during this period (Senior government manager).

The findings revealed that the smaller establishments had been affected more than the large ones—big establishments were able to repurpose their assets. Big establishments in tourism are mainly formalised businesses often profitable and have significant turnover reserves to repurpose operations compared to the majority of tourism Small, Medium and Micro Enterprises (SMMEs) which are largely informal and the survival rates are often poor in South Africa (Masutha & Rogerson, 2015; Ramukumba, 2017).

Some large hotel chains have also started to repurpose their rooms. Some last year took people for isolation and recovery processes (Senior manager in the tourism council).

The TBCSA estimated that levy collection declined by approximately 60% from 2019 to 2020 because of the COVID-19 lockdown. The low levy collection meant that less revenue would be allocated to the funds for marketing during COVID should the collection not improve to preCOVID-19 levels.

#### ***COVID-19 and repurposing of establishments and technology adoption***

Most of the key informants concurred that the COVID-19 lockdown resulted in the accommodation subsector moving into the hybrid format of a business operating model infused with technology, which limited the contactless or paperless environment. Some accommodation establishments allowed people to utilise their facilities as office spaces for other businesses. Thus, the lockdown has challenged the tourism sector to rethink its business approach and service offerings. COVID-19 came at an additional cost in terms of operations. Accommodation establishments had to think about how they adapt or assimilate technology.

There is a hotel now called Hotel Sky with two robots as part of its service staff. So, they do certain things, and those robots take on specific tasks that, maybe in the past, would have been done by a person at the reservation (Senior manager in the tourism council).

#### ***COVID-19 impact on profitability***

The findings revealed a consensus that COVID-19 restricted travel and revenue. As a result, the establishments could not collect and pay the levies. The lack of profitability prompted some establishments to suspend all operations based on the instability caused by uncertainty to impose a high alert level of lockdown until the restrictions were under control.

Accommodation is a spin-off from tourism. If tourists could not travel, then there would be no tourism. Therefore, there is no spending, and the accommodation establishments won't have anyone sleeping at their establishments because no one is travelling, whether international or domestic (Senior manager in government).

In addition to the contention above, it was evident that the COVID-19 lockdown had impacted levy collection. One of the key informants reinforced this argument:

A lot of people are going through a lockdown right now. I can tell you have been withholding the money; they've been looking at the money going in right now and

saying, "OK, well, if I take this money to TOMSA, well, I'm going to be left with minus zero minus one, so I'm going to keep it." And you know what, this is voluntary after all, so catch me if you can (Chief Executive Officer from a non-governmental institution).

The establishments also depend on international tourists, and since the borders have shut down temporarily, the COVID-19 pandemic has harmed the sector. Furthermore, although South African borders are opening gradually, multiple countries have not opened their borders, which has not assisted the establishments. This situation ultimately affects levy collection.

Unfortunately, the pandemic will be with us for some time. Even if international borders open, I don't necessarily think we will see a flood of visitors because the countries of origin for those visitors still have rules around quarantining when they come back. South Africa is on the red list, for example, the UK. As a result, if I were an international visitor, I would prefer to visit a location that makes travelling easier (Senior manager from a non-governmental institution).

In another contention, most respondents attribute the drop-in demand to be a result of fear of travelling:

And I think that the challenge is that with the different waves and changes in lockdown restrictions, people get afraid and would rather stay home (Senior manager in government).

From a tourism perspective, the lockdowns and restrictions meant that people couldn't travel, couldn't make bookings, and couldn't stay in hotels. Many hotels and businesses have had to rethink how they will sustain themselves through these restrictive environments, and some have been OK around them, and some have struggled, so it's a mixed bag (Senior manager in government).

### ***COVID-19 and the management of graded accommodation establishments***

With regard to COVID-19 and the management of graded accommodation establishments, the findings revealed that COVID-19 resulted in the closure of many establishments on both a temporary and permanent basis.

All the guesthouses have closed down in my suburb, and there were four. So, they've closed because there's no business (Chief Executive Officer from a non-governmental institution).

The COVID-19 lockdown alert levels had undoubtedly had a financial impact on the tourism sector, including Gauteng graded accommodation establishments. Several establishments were closed, while others experienced meagre occupancy rates. This unprecedented impact of COVID-19 harms the collection of the tourism levy because there was either no collection or minimal collection.

The effects have been devastating; you've got people running businesses employing people who had no business. So, for example, people who are township tourism hubs, you know, lost their businesses overnight, and each time something happens, travel and accommodation were the first to be hit (Senior manager in government).

Further findings pointed out that existing establishments are fighting to survive, yet there is no relief from paying the levy during the COVID environment. The best way to cut costs for businesses is to cut or eliminate levies as a relief to the current financial distress impacted by the COVID-19 lockdown.

Go easy on people during COVID because so many are stressed. If we keep pushing to make more money from people, it might be enough to push people over the edge because so many have lost their businesses and livelihoods (Senior manager in government).

### ***Impact of COVID-19 on international travel***

Some key informants indicated that South Africa's challenge in the global space is the slower vaccination rate, which has made the country an unattractive place to travel. As a result, the establishments are unlikely to experience a recovery in the sector soon, even if international borders open. Another challenge was that most of the tourism products do not match the domestic market, which will make it difficult for establishments to recover, given the slow rate of vaccination and closure of international borders. 5-star hotels, for example, cannot reopen because their target market is international tourists.

We are looking at a two-or three-year recovery of the sector, and most of our products do not match the domestic market. But, you know, price is one of the critical challenges around affordability. So, there are many things that the sector needs to do to try to attract different markets. So, I think the industry will likely limp along (Senior manager in government).

### **Discussion**

This section presents a discussion based on the study findings related to the emerging themes. These include the impact of COVID-19 on levy collection and tourism in general, the repurposing of establishments and technology adoption, and the management of graded accommodation, the impact on profitability, and international travel.

### ***Impact of COVID-19 on levy collection and tourism in general***

The impact of the COVID-19 lockdown changed society and national economies, as such, tourism businesses in low income countries that are also more reliant on tourism will suffer the most (Bregoli et al., 2021). Barua (2021) argue that COVID-19 threatens the tourism economy of all countries whether or not large or small, developed or underdeveloped because the end of the pandemic remains uncertain. COVID-19 had severe implications on levy collection and South African tourism. Recovery during and after post-COVID-19 is imperative. Some establishments might completely exit tourism and enter into another economic sector where the impact of COVID-19 was not as severe due to uncertainty in returning to normality. However, COVID-19 has crippled the sector, making it unattractive for investment amid such a health pandemic. According to SAT (2020), establishments that opened in 2020 recorded below an estimated 5% occupancy rate and served primarily as quarantine and isolation sites and provided essential services to workers during the level five lockdown in the same year.

The unintended consequences of COVID-19 will unavoidably result in the loss of more levy collectors from the collection base. This situation can potentially collapse the levy system owing to financial distress suffered by establishments.

### ***COVID-19 and repurposing of establishments and technology adoption***

The COVID-19 lockdown resulted in establishments repurposing their businesses to remain in business and cushion against the adverse effects of the lockdown. In addition, some establishments utilised the lockdown as an opportunity to reconfigure and adopt modern technology in their business operating models. Lekgau and Tichaawa (2022) argue that COVID-19 will inevitably reconfigure and transform the tourism sector in terms of its products and services offerings and consumption. Schabbing (2022) suggests that tourism establishments need technology to improve operational efficiencies amid the COVID-19 disruption. Such improvements can enable establishments to enhance product/service offerings, process payments, generate data to track performance, and expand market share and growth which in turn strengthens business competitiveness (Boakye & Mensah, 2021). Disimulacion (2020) cited financial constraints, lack of skills, technophobia, and security issues are the most common barriers to Information Communications Technologies (ICT).

Although COVID-19 has distressed the tourism sector, some establishments leverage their operations. According to Sucheran (2021), crises such as the COVID-19 pandemic unboundedly force tourism businesses to reconfigure their operating strategies due to the high level of uncertainty, which requires a timeous and immediate response. Arguably, there is a need for the tourism sector to find innovative solutions to circumvent and remain resilient post-COVID-19 under future health crises. Therefore, the COVID-19 environment presented an opportunity for TBCSA to reflect on the tourism levy and its impediments and recommend short- and long-term solutions to reignite the levy collection base post-COVID-19.

### ***COVID-19 impact on profitability***

The COVID-19 lockdown measures disrupted tourism economic activities which resulted in unintended economic damage for destinations (Sucheran, 2022). The COVID-19 lockdown affected revenue generation for the establishments because many are dependent on international tourists compared to domestic travellers to generate profit. Major concerns that relate to COVID-19 are financial impacts, loss of customers, lack of clarity on the duration of the pandemic, and socioeconomic impacts on livelihoods and the sustainability of establishments (Altinay & Aric, 2021). The recovery of the tourism sector will take some time unless travel restrictions are relaxed. Altinay and Aric (2021) predict that it will take approximately five years for the tourism sector to revert to the much-needed pre-COVID-19 daily occupancy rates and income. The sooner the tourism *sector* reopens internationally, the better for most establishments heavily reliant on tourist arrivals to generate revenue. Reopening can further boost tourism levy collection, where possible. Harman et al. (2021) pointed out that following the 2008 global economic crisis, it took eight years for revenues to recover to pre-crisis levels. The decline in profitability of establishments affected the progress of collecting the levy as there was minimal to zero collection. The impact of COVID-19 on levy collection suggests that establishments would cut the tourism levy as part of their cost-containment measures if necessary. The tourism levy is purely voluntary, and establishments can withdraw. This can further reduce the revenue which is earnestly needed to market the country during and post-COVID pandemic for tourism recovery.

### ***COVID-19 and the management of graded accommodation establishments***

The COVID-19 lockdown alert levels followed by travel restrictions resulted in the complete shutdown of some establishments while others closed temporarily. The closure of establishments meant either zero from those that were not operating or more miniature collections of the levy from establishments receiving customers. Therefore, there was an expectation for TBCSA to allow establishments to keep the collected levies during the

lockdown. According to SAT (2020), the higher alert lockdown levels, which limited interprovincial travel and curfew, caused revenue loss, permanent and temporary closure of establishments, and a massive employee turnover. As a result, many establishments could not survive the COVID-19 crisis and faced the possibility of permanent closure (SAT, 2020). Moreso, many establishments in South Africa were concerned about the future of their businesses due to the uncertainty of the crisis (Sucheran, 2022). Levy collector establishments are likely to anticipate being relieved from the collection of the tourism levy in times of crisis. TBCSA will find it challenging to grow the levy collection base under COVID-19 because many establishments, including Gauteng province, are financially distressed. Many establishments do not have any enthusiasm for the tourism levy. Revenue from the tourism levy acts as a relief fund for future pandemics. Financial aid for the tourism sector in a form of reduced tourism levies and taxes augmented by the adoption of health protocols is critical to help the sector to recover (Dube, 2021).

According to Group Nao (2020), tourism-related taxes are often reduced or suspended as a relief in the tourism sector during a pandemic. For example, Iceland, Croatia, and Turkey have all suspended the tourism tax due to the devastating impact of COVID-19. On the other hand, the Government of Alberta (2021) permitted all accommodation establishments to retain all collected tourism levies as part of the relief schemes to cushion establishments against the impact of COVID-19. According to Porada-Rochon et al., (2021), public and private policy support and coordination are necessary to sustain pre-COVID-19 operational levels of the tourism sector. In South Africa, the Department of Tourism offered qualifying tourism Small Micro and Medium Sized Enterprises (SMMEs) financial support through the Tourism Relief Fund (REF) capped at R50 000 once off per entity to mitigate the impact of COVID-19 to ensure sustainability (Department of Tourism, 2020). Establishments criticised the government over the TER and other regulatory relief because the funds were not adequate to meet the financial needs of the distressed tourism businesses (Sucheran, 2022).

### ***Impact of COVID-19 on international travel***

The closure of national borders and travel restrictions from one country to another, which depends on international travel to boost tourism, harmed establishments. Baum and Rogerson (2020) posit that the impact of COVID-19 exposed the vulnerability of international tourism to external shocks owing to its dependence on global visitation. Moreso, staycations will gain popularity because localism and the development of a localised form of travel will feature prominently in tourism recovery strategies for destinations (Baum & Rogerson, 2020). International tourists are still sceptical about travelling. As such, international tourism is expected to grow more slowly than domestic tourism (Jones, 2022). In addition, there will be a lot of competition among destinations for international tourists.

Vaccination trials acted as a preventative measure against the virus to enable international travel to resume. However, the slow pace of vaccination, especially in South Africa, will make it difficult for some establishments to recover so that international travel can reopen fully. The reopening of the tourism sector depends on the country's fast-tracking its vaccination drive and inoculating approximately 70% of the population (SAT, 2020). Despite the donations of millions of vaccines by developed countries, there is still a high level of vaccine hesitancy amongst many people in South Africa. Delays in bringing COVID-19 under control unintentionally compromised the levy collection. Porada-Rochon et al. (2021) argued that partial lockdowns will likely make the tourism sector's rate of recovery slower and take longer.

The international tourism sector needed to wait for a certain period of relaxation of lockdown restrictions before some tourism establishments could resume operations. In South

Africa, the end of the national state of disaster in April 2022 and the removal of lockdown restrictions in August 2022 bode well for the recovery of the tourism sector and the collection of the levy. This revenue will be necessary to rebuild a positive image in the minds of tourists by initiating effective marketing and promotional campaigns both domestically and internationally in order to recover the sector (Damunupola et al., 2020). According to the Department of Tourism (2021), there is a need for a strategic partnership between the government and the private tourism sector to form joint marketing campaigns to stimulate domestic and international tourism demand. According to Baum and Rogerson (2020), there is a need for focused marketing for domestic and regional markets to showcase South Africa's tourism product offerings as the first steps towards the recovery of tourism.

### Conclusions and recommendations

This article explores the administrators' opinions on the impact of the COVID-19 lockdown on levy collection in Gauteng graded establishments. A qualitative case study design drawing on the thematic analysis to unearth responses from 15 purposive and snowball sampled tourism stakeholders with in-depth experience of the tourism levy. The findings revealed that the COVID-19 lockdown was a considerable challenge because it negatively impacted tourism and levy collection. The lockdown resulted in the repurposing of establishments and the adoption of technology, the closure of establishments, and the negative impact of international travel. In addition, the Levy collection base was under threat during the COVID-19 pandemic amid the lockdown levels and travel bans to and from South Africa. As a result, the levy collected was little, as businesses are still struggling to recover from the effects of the COVID-19 pandemic.

The study developed a framework using the stakeholder theory to provide conceptual support for to use of the levy to effectively market to recover tourism from COVID-19. Adoption of the stakeholder theory which involves collaborative efforts from all stakeholders such as government, TBCSA and tourism establishments can improve levy administration and collection for tourism sector marketing to respond to the current and future crises. We propose some key recommendations for rebuilding South Africa's tourism sector post-COVID-19. First, setting up special funds with a portion of the levies to help businesses deal with future disasters or problems that affect the tourism sector as a whole. Second, providing financial support in the form of deferral of levy collection can assist establishments to a certain extent in covering operational costs. Levy deferral can also help strengthen the relationship between TBCSA and the government, tourism associations, local tourism authorities, and establishments collecting the levy. Third, the government should consider reducing Value Added Tax (VAT) on tourism to increase competition and generate significant income in the tourism sector. A decrease in the tax rate could increase the number of tourists. Therefore, profits generated from tourists will compensate for the reduced tax. Fourth, introduce an online levy collection and remittance system that automatically deducts the 1% from the transaction and remits it directly into the TOMSA account. TBCSA can work with establishments and banks to put the online system into operation. Fifth, compile a resilience strategy to better manage levy collection. Stakeholders should be able to mitigate risk through timeous intervention. Finally, there is a need to monitor and evaluate the levy collection processes regularly. This study is vital for the South African government and TBCSA to consider the growth of the tourism sector through levy collection post-COVID-19.

### References

- Ababneh, R. & Rawabdeh, M. (2018). Factors Affecting the Collection of Revenues as Perceived by the Local Administration Employees in Jordan. *Management Research and Practice*, 10(4), 46-61.

- Altinay, L. & Arici, H.E. (2022). Transformation of the Hospitality Services Marketing Structure: A Chaos Theory Perspective. *Journal of Services Marketing*, 36(5), 658-673.
- Al-Harethi, S.R. & Aziz, A.S. (2018). *Factors Determining Tax Administration Efficiency in Hadhramaut, Yemen: Perception from Individual Taxpayers*. Paper presented at the International conference on accounting studies, Penang, Malaysia, 16-17 October 2018.
- Barua, S. (2021). Understanding Coronanomics: The Economic Implication of the COVID-19 Pandemic. *The Journal of Developing Areas*, 55(3), 436-450.
- Baum, T. & Rogerson, C.M. (2020). COVID-19 and African Tourism Research Agendas. *Development Southern Africa*, 37(5), 727-741.
- Boakye, K.A. & Mensah, E.A. (2021). Conceptualizing Post-COVID 19 Tourism Recovery: A Three-Step Framework. *Tourism Planning & Development*, 1(1), 1-25.
- Bregoli, I., Del Chiappa, G. & Fotiadis, A.K. (2021). The Impact of COVID-19 on Italian Accommodation: A Supply-perspective. *Journal of Tourism, Heritage & Services Marketing*, 7(1), 13-22.
- Bruce-Twum, E. (2014). Gift Tax Compliance in Ghana: An Empirical Study. *Journal of Finance and Accounting*, 2(1), 1-7.
- Bulchand-Gidumal, J. & Melian-Gonzalez, S. (2021). Post-COVID-19 Behaviour Change in the Purchase of Air Rickets. *Annals of Tourism Research*, 87(1), 2-4.
- Burger, A. & Simila, T. (2006). Sampling and Sampling Design. *Journal of Public Administration*, 41(3.1), 656-668.
- Cetin, G. (2014). Sustaining Tourism Development through City Tax: The Case of Instabul. *E-Review of Tourism Research*, 11(1), 26-41.
- Chau, G. & Leung, P. (2009). A Critical Review of Fischer Tax Compliance Model: A Research Analysis. *Journal of Accounting and Taxation*, 1(2), 034-040.
- Collins, C.G. & Stephenson, E.F. (2018). Taxing the Travellers: A Note on Hotel Tax Incidence. *Journal of Regional Analysis & Policy*, 1(48), 7-11.
- Daily Southern & East African Tourism Update. (2015). *Where does the TOMSA Money go? Ask industry*. Now media. Available at <https://shortest.link/1xz0> [Retrieved October 9 2021].
- Daley, M. (2017). *Options for a Tourism Levy for London. A Publication for the London Finance Commission*. Available at <https://shortest.link/1x-M> [Retrieved March 22 2022].
- Damunupola, A., Gamage, S. & Idroos, A.A. (2020). *Tourism after Corona: Impacts of COVID 19 Pandemic and way Forward for Tourism, Hotel and MICE Industry in Sri Lanka*. Available at <https://dx.doi.org/10.2139/ssrn.3587170> [Retrieved March 22 2022].
- Denford, D., Newman, W. & Sitcha, L. (2019). An Evaluation of the Effectiveness of Presumptive Tax Administration on Revenue Collection by ZIMRA: A Case Study of the Cottage Industry in Harare (2011-2018). *Academy of Entrepreneurship Journal*, 25(2), 1-15.
- Disimulacion, M.A. (2020). *MICE Tourism during COVID-19 and Future Directions for the New Normal*. Unpublished PhD Thesis. Philippines: Far Eastern University.
- Dube, K. (2021) Implication of COVID-19 Induced Lockdown on the South African Tourism Industry and Prospects for Recovery. *Africa Journal of Hospitality, Tourism and Leisure*, 10(1), 270-287.

- Freeman, E., Horisch, J. & Schaltegger, S. (2014). Applying Stakeholder Theory in Sustainability Management: Links, Similarities, Dissimilarities, and a Conceptual Framework. *Organisation & Environment*, 27(4), 328-346.
- Grizane, T. & Pole, L. (2021). Tourism Tax Model for the Development of Regions. *Research for Rural Development*, 36(1), 239-246.
- Group Nao. (2020). *Tourism Taxes By Design. White Paper: Destination Funding and the Impact of Tourism Taxes On European Cities and Urban Communities*. Available at <https://shortest.link/1C9S> [Retrieved May 6 2022].
- Government of Alberta. (2021). *Tourism Levy*. Available at <https://shortest.link/1Cbq> [Retrieved April 6 2022].
- Harman, O., Jensen, A., Naeem, F., Saan, M., Wani, S. & Wilkinson, N. (2021). *COVID-19 and Taxes: Policies for the Post-pandemic Recovery*. Available at [shorturl.at/msBDL](http://shorturl.at/msBDL) [Retrieved March 22 2022].
- Harwell, M.R. (2011). Research Design in Qualitative/Quantitative/Mixed Methods. In Conrad, C.F. & Serlin, R.C. *Research in Education: Pursuing Ideas as the Keystone of Exemplary Inquiry*. The University of Minnesota. (pp.147-163).
- Heffer-Flaata, H., Suau-Sanchez, P. & Voltes-Dorta, A. (2021). The Impact of Accommodation Taxes on Outbound Travel Demand from the United Kingdom to European destinations. *Journal of Travel Research*, 60(4), 749-760.
- Jones, P. (2022). A Review of the UK's Tourism Recovery Plans Post-COVID-19. *Athens Journal of Tourism*, 9(1), 9-18.
- Kangave, J. (2004). *Improving Tax Administration: A Case Study of the Uganda Revenue Authority*. Unpublished Master's Thesis. Queen's University.
- Karma, G.M., Karmana, W. & Kisnayanti, N.P.L. (2021). Analysis Impact of COVID-19 Pandemic on Hotel and Restaurant Tax Revenue in Badung Regency. *Jurnal Pajak Indonesia*, 5(2), 217-223.
- Kumar, R. (2019). *Research Methodology: A Step-By-Step Guide for Beginners*. Los Angeles: Sage publications.
- Kumar, R. (2011). *Research Methodology: A Step-By-Step Guide for Beginners*. Great Britain: Sage Publications.
- Lekgau, R.J. & Tichaawa, T.M. (2022). The Changing Nature of the MICE Sector in South Africa due to COVID-19. *Tourism Review International*, 26, 87-101.
- L'Huillier, B.M. (2014). What does "Corporate Governance" Actually Mean? *Corporate Governance*, 14(3), 300-319.
- Lombard, M. (2018). *South Africa's Sugar Tax System: A Taxation Perspective*. Unpublished Master's Thesis. Bloemfontein: University of Free State.
- Mangayi, C. (2014). An Investigation on the Performance of the Levy Collection System: A Case of Zimbabwe Tourism Authority (ZTA). Unpublished Masters Dissertation. Midlands State University, Zimbabwe.
- Masutha, M. & Rogerson C.M. (2015). Business Incubation for Small Enterprise Development: South African Pathways. *Urban Forum*, 26, 223-241.
- Matiza, T. & Kruger, M. (2022). Profiling the South Africa Recreational Domestic Tourist in the Era of COVID-19
- McClellan, B.C. (2013). *The Consequences of Poor Tax Administration: Collections, Growth, and Evasion*. Unpublished Doctoral Thesis. Georgia State University.
- Nakonechna, G. (2016). *Ways of Improving the Administration of Tax and Levies in Ukraine*. Available at <https://bit.ly/3cUsAi1> [Retrieved December 23 2021].
- Organisation for Economic Co-operation and Development. (2014). *Taxation and Tourism*. OECD Publishing: Paris, France.

- Paul, J., Sharma, G.D. & Thomas, A. (2021). Reviving Tourism Industry Post-COVID-19: A Resilience-Based Framework. *Tourism Management Perspectives*, 37(1), 2-11.
- Porada-Rochon, M., Skare, M. & Soriano, D.R. (2021). Impact of COVID-19 on the Travel and Tourism Industry. *Technological Forecasting and Social Change*, 163(240), 120469.
- Putra, P. & Satria, M. (2020). Hotel and Restaurant Tax Domination as a Source of Local Revenue of Badung Regency: A study amidst the Covid-19 pandemic era. *Jurnal Ekonomi dan Bisnis Jagaditha*, 7(2), 114-122.
- Ramukumba, T. (2017). Support Interventions For Tourism SMEs in the Eden District Municipality: Westen Cape Province, South Africa. *African Journal of Hospitality, Tourism and Leisure*, 6(3), 1-11.
- Schabbing, B. (2022). Current Challenges and Alignment Options for German MICE Destinations to Increase Competitiveness after Corona. *Journal of Convention & Event Tourism*, 23(1), 86-94.
- Soehardi, S. & Untari, D. (2020). The Effects of Covid-19 Pandemic on Hotel Employees. Hotel Occupancy Rates and Hotel Tax Income in Jakarta, Indonesia. *System Reviews in Pharmacy*, 11(12), 964-972.
- South Africa. Department of Tourism., International Finance Corporation. & Tourism Business Council of South Africa. (2020). *A tourism industry survey of South Africa: COVID-19*. [shorturl.at/hGLO5](https://shorturl.at/hGLO5)
- South Africa. South African Tourism. (2021). *Tourism sector recovery plan – COVID-19 response*. Available at <https://rb.gy/lmkkdo> [Retrieved March 22 2022].
- South Africa. (2014). *Tourism Act, 2014 (Act 3 of 2014)*. Pretoria: Government Printers.
- Statistics South Africa. (2021). SA Tourism Industry Struggles Amidst COVID-19 Pandemic. Available at <https://www.statssa.gov.za/?p=14281> [Retrieved March 22 2022].
- Sucheran, R. (2021). The COVID-19 Pandemic and Guesthouses in South Africa: Economic Impacts and Recovery Measures. *Development Southern Africa*, 39(1), 35-50.
- Tourism Business Council of South Africa. (2013). *Levy Contributor Report 2013/14*. Centurion: Pretoria.
- Tourism Business Council of South Africa. (2015). *Contributors Report*. Centurion: Pretoria.
- Tourism Business Council of South Africa. (2016). *TOMSA Contributors Report 2016*. Centurion: Pretoria.
- Tourism Business Council of South Africa. (2020). *Pocket Guide: How to Collect the Tourism Levy*. Centurion: Pretoria.
- Tourism Business Council of South Africa. (2020). *TOMSA Fact Sheet*. Centurion: Pretoria.
- Tourism Grading Council of South Africa. (2020). *Find Graded Establishment*. Available at <https://shortest.link/1Bkz> [Retrieved June 14 2022].
- Williams, C. (2007). Research Methods. *Journal of Business & Economic Research*, 5(3), 65-72.
- World Travel and Tourism Council. (2018). *Fairer and more Intelligent Tax Policies in Travel and Tourism*. United Kingdom.