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TOPIC: EFFECTS OF MULTIPLICITY OF TAXES ON FUNCTIONAL OBLIGATION OF HOTELIERS IN TOURISM INDUSTRY IN GHANA

BY

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EFFECTS OF MULTIPLICITY OF TAXES ON FUNCTIONAL OBLIGATION OF HOTELIERS IN TOURISM INDUSTRY IN GHANA

By

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A thesis submitted to the Department of Accounting and Finance, School of Business, KNUST in partial fulfillment of the requirements for the degree of

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NOVEMBER, 2022

DECLARATION

This is to certify that this thesis is the result of my own research work and that no part of it has been presented for another degree in this University or elsewhere.

Ebenezer Odoi Mensah …………………………… ……………………

(**PG 9424921**) Signature Date

SUPERVISOR'S DECLARATION

This is to certify that Ebenezer Odoi Mensah carried out this thesis work with my direct supervision in partial fulfillment of the requirement for the award of Master of Science in Accounting and Finance at KNUST.

Certified by:

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Certified by

Prof. K.O Appiah (PhD, FCCA) ……………………………. …………………….

(Head of Department) Signature Date

ABSTRACT

Multiple taxation continues to be a bane to the operations of hotels operating in Ghana especially those in Accra. The main objective of the study was to examine the effect of multiple taxation in the financial obligations of hotels operating in Accra. The study used a cross-sectional quantitative descriptive research design, and a total of 120 staff from the various hotels in Accra were purposively selected. Responses from the participants were elicited using a well-structured selfadministered questionnaire by leveraging on Google Form. The analyses of the data were performed using the JASP software by running descriptive statistics and mean score analysis of Likert scales. The results of the study showed that hotels pay more than 12 different taxes and levies in addition to about 3 to 5 other financial obligations to external bodies. One main relevance of paying taxes was the perceived contribution to national revenue. Any other relevance or benefits of paying taxes and levies were rated very low by the participants. The adverse effect of multiple taxation included increased rates charged for services, negative effect on profit of hotels, hindrance to hotel growth, and disruption of hotel operations by tax agents who visit the facility. Hotels use more that 22 percent of their revenue to pay taxes and levies. It was recommended that government should view hotels as the last resort in the generation of internally generated revenue and rather focus on other related industries. There is also the need for a uniform or single tax for hotels to ensure compliance and effectiveness. Government is advised to provide tax incentives to hotels to motivate them to voluntarily pay taxes.

DEDICATION

I dedicate this project to God Almighty, my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. My wife Patience, lovely kids, friend Katherine and all my family for their enormous support. All my colleagues at the accounts department and staff and the Directorate of Ghana Tourism Authority for their unmeasurable contribution. My colleagues l have part company for time at committees, congregation and districts l recognized your prayers and other huge contribution .Lastly to Kwame Nkrumah University of Science and Technology , my year group of MSC Accounting and Finance at Tema, course rep Latif, the project supervisor Dr Clement Oppong and the head of department Prof K.O.Appiah for their valuable roles played to come this far

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

A tax represents a mandatory and unrequited payment to the government, as defined by the OECD in 1996. Unrequited in this context means that the benefits provided by the government to taxpayers are not directly proportional to the amount they pay. The entities that comprise the government include supra-national authorities, the central administration, agencies under its control, state and local governments, their administrations, social security schemes, and autonomous governmental bodies, excluding public enterprises.

James and Nobes (1997) provide an alternative definition, stating that taxes are compulsory levies imposed by public authorities, where taxpayers do not receive direct benefits in return. The effectiveness of taxation and the types of taxes applicable can be influenced by the economic structure and characteristics of the economy. The standard economic perspective on taxation and development focuses on how economic changes impact the development of the tax system. For instance, changes in the tax system may reflect structural shifts, such as the expansion of the tax net due to a declining informal sector, compliance facilitated by the growth of larger firms, and the adoption of transparent accounting practices encouraged by the expansion of the financial sector. Influential scholars like Tanzi (1992) and Burgess and Stern (1993) have emphasized these structural approaches in their commentaries and reviews of the subject matter.

Promoting the growth of tourism businesses in developing nations of sub-Saharan Africa, such as Ghana, is crucial to address national priorities. Governments can effectively use taxation as a tool to encourage private investment in alignment with the country's needs and goals. Ghana's primary national concerns include generating employment opportunities, reducing poverty, fostering industrialization, and achieving self-reliance. Therefore, facilitating the expansion of tourism businesses, particularly hotels, in Ghana is of utmost importance to enhance the country's standing among the global community.

Defining tourism proves to be a challenging task due to its diverse manifestations. Essentially, it involves a temporary or short-term departure from one's regular place of residence and work, with the intention of returning home after the visit. The duration of these visits can vary significantly, ranging from a single night to a year-long stay. While vacation trips for one or two weeks are common among most tourists, others, like business travelers, might have stays as brief as one night, and students taking a "gap year" could travel for several months. Although tourism typically entails being away from home, exceptions exist, such as day visitors who participate in excursions without overnight stays.

Tourism is not solely confined to leisure activities, even though most tourism occurs during leisure time. People become tourists for various reasons, including business, visiting friends and relatives, education, and health-related purposes. Tourism also encompasses the range of activities that individuals engage in while visiting their destination. These activities could involve sunbathing, visiting theme parks, participating in religious ceremonies, skiing, or attending business conferences. The hospitality industry encompasses a wide array of fields within the service sector, and hotels are a significant part of this industry (Narteh, 2013). This study primarily focuses on hotels in Ghana due to their widespread presence. An international definition of hotels describes them as properties with at least one licensed bar and restaurant on-site, featuring on-site management, providing breakfast, and sometimes offering conference or banqueting facilities. This sets hotels apart from other types of accommodations, such as self-catering accommodations, caravan or camp sites, or houses (Tuhin, 2011).

The hotel industry represents a highly profitable venture that offers a wide range of services to people, contributing significantly to the revenue generation of many countries worldwide. A country's revenue system can operate efficiently when the hotel industry fulfills its tax obligations. Hotels provide services such as accommodation, food, entertainment, and health and fitness facilities to the public.

The hotel industry and the tourism industry are closely connected. When tourism flourishes, hotels benefit the most, as an influx of foreign visitors flocks to the country, making use of hotels to their advantage. However, Ghana faces challenges as a high-cost tourism destination, largely due to relatively high airport taxes, leading to elevated airfares. Additionally, hiked fuel prices and other operational costs contribute to expensive transportation, discouraging travelers from coming to Ghana or staying for extended periods, which adversely affects the hotel business.

According to the World Tourism Organization (WTO, 1998), various taxes and fees are associated with tourist activities. These include charges for travel, air and ship transport (such as airport and harbor charges, taxes on travel tickets, contributions and taxes on fuel, and transit taxes for safety); hotel and other accommodation (involving a total of 15 different taxes and fees); restaurants (incurring value-added tax and excises on alcohol); road traffic (tolls and gas excises); car rental (municipal and local taxes, other taxes, and gas excises); taxes and fees for visiting tourist attractions; and taxes on games of chance, which contribute to the casino and gambling industry (Vjekoslav et al., 2012).

Countries where the tourism sector is subject to a lower value added tax rate have a competitive advantage to countries where a higher tax rate is set. Lower rates of tax are associated with growing tourism performance. Lower tax rates would be associated with lower prices and thus will have a higher demand and thus increase total revenue. Of course, higher spending by visitors, tourists will have positive effects on employment, this will generate higher levels of employment in tourism and sectors related to tourism. Events are in chain, because an employment growth is associated with increased revenue from other taxes, increased savings and increased profits. Higher income from tourism will encourage and enable higher expenses even in other sectors of the economy that will enable and generate higher revenues from taxes and other economic sectors.

In light of the above and the complexities that accompany the nexus of multiplicity of taxes and functional obligations of hoteliers in the tourism industry, this study seek to provide and empirical insight within the Ghana context.

1.1 Problem Statement

In Africa, high taxes or a multitude of taxes have been persistent issues. Over the years, Ghana has made significant strides in transforming from a low-tax economy to one with a broader tax base that includes both informal and formal sectors. However, this expansion has given rise to what taxation experts often refer to as double taxation and nuisance taxes. One example of such a controversial tax in Ghana is the Electronic Levy (E-Levy), which has negatively impacted industries involved in electronic transactions, leading to reduced profitability for many businesses in the hospitality sector. Despite the potential benefits of revenue generation, several issues persist with this approach. These include the reduction of overall taxable amounts, the adverse impact of taxation on organizational revenue, duplication of taxes on businesses and their profit margins, and the imposition of high taxes on utility consumption like water and electricity. It raises the question of whether globalization, or its side effects, is triggering an often unnoticed revenue crisis in a substantial portion of the developing world. The root of the problem lies in how developing economies, particularly those that joined the third wave of globalization or the "late liberalizing" countries, generated revenue before the 1990s. In the past, revenues heavily relied on taxes imposed on imports and exports, especially tariffs on consumer goods and luxury items. Scholars and policymakers have identified three waves of globalization: the periods of 1870-1914, 19451979, and 1980-today, marked by reductions in trade barriers and significant flows of trade, capital, and migration. In this context, "new globalizers" refer to developing countries integrated into the third wave, and their reliance on domestic production of intermediate goods and agricultural exports contributed to high trade tax revenues (Collier & Dollar, 2002).

In low-income economies, these trade tax revenues constituted around 40 percent of the total tax receipts, while in lower-middle income countries, they accounted for approximately 35 percent. Overall, they made up nearly one-third of tax revenues across the entire sample of developing economies. The persistence of reliance on trade taxes continued until the early 1990s, mainly because they were considered "easy to collect." This category of taxes encompasses import duties, export duties, profits from export or import monopolies, exchange profits, and exchange taxes. These taxes are simple to monitor and collect at centralized locations, such as border areas, and do not require a complex administrative setup.

Nevertheless, there exist numerous arguments, some based on solid economic theory while others on market fundamentalism, opposing the extensive use of trade taxes. Starting from the late 1980s and continuing into the 1990s, there was a shift towards more open international markets, particularly in the aftermath of the Latin American debt crisis. A key element of this market opening was a significant reduction in tariffs, which coincided with countries joining the World Trade Organization (WTO) and accepting structural adjustment packages. As countries adopted a more liberal approach to trade, these "late liberalizers" seemingly forfeited a reliable source of tax revenue permanently. In essence, trade liberalization resulted in a substantial and swift decline in government income, i.e., trade tax revenues, across developing nations. We refer to this event as a "revenue shock" because it represents a sudden and relatively drastic reduction in government revenues, often triggered, to a large extent, by external factors.

The consequences are significant. Historically, revenue levels in developing economies have consistently remained far below those of advanced industrialized countries, and despite frequent and sometimes extensive deficit spending, many late liberalizing countries struggle to adequately provide public goods. Consequently, developing nations are faced with the urgent challenge of replacing nearly one-third of their already low tax revenue base with more difficult-to-collect domestic taxes. This is a daunting endeavor. Such reforms entail raising income taxes for individuals and corporations and implementing the value-added tax (VAT). Goods taxes like the VAT are complex, involving fees at multiple levels of production. Expanding income taxes is equally challenging, as a large percentage of citizens and firms in impoverished economies present logistical difficulties for taxation. The presence of weak bureaucracies, limited staff, and inadequate technologies exacerbate these issues.

In addition, with liberalization, governments are in a conundrum: they face rising political pressures to keep domestic taxes low so that less-productive firms can survive in the face of international market competition and, at the same time, more-productive exporting firms are demanding even lower tariffs. Tax reform in the liberalizing environment is a challenge for all of these reasons—both in passage and implementation.

1.2 Research Objectives

The research work explores the negative effects of the multiplicity of taxes and the effect of high taxes on the hotel sector. The specific objectives of the study were:

i. To explore the financial obligations on hotels; ii. To examine the relevance of taxes on covered entities; iii. To evaluate the adverse impact of multiple and high taxes on the performance of hotels; and iv. To suggest ways of ensuring better tax regimes and tax incentives for hotels.

1.3 Research Question

To get answers to the objectives of the survey, the following research questions were asked:

i. What are the financial obligations of the hotels? ii. What is the relevance of taxes on the hotels? iii. What are the effects of high taxes and multiple taxes on the performance of hotels?

iv. What are the ways of ensuring better tax regimes and tax incentives for hotels?

1.4 Scope

Geographically, the scope of this study is Accra in the Greater Accra region of Ghana. The contextual scope consists of supervisors, managers and some stakeholders in the hotel. Greater Accra is nearly the smallest region in Ghana but has the most economic activities. It is blessed with all nearly 80% of the up – market hotels in Ghana mainly 3 Star rated to 5 Star rated. Accra was also chosen because of its proximity to the researcher (Ghana Tourism Authority, 2019).

1.5 Methodology

For the purpose of this research, both quantitative and qualitative research methods will be used. The qualitative approach will help sample expert views on the subject. Questionnaires (quantitative methods), however will be administered to gather very meaningful data on the subject. The methodology used for this research will consist of a fine review of relevant literature, research of earlier works, impacts made, criticisms, limitations, current findings and its applications, argument as well advanced in taxation especially in the hotel industry.

1.6 Significance of the Study

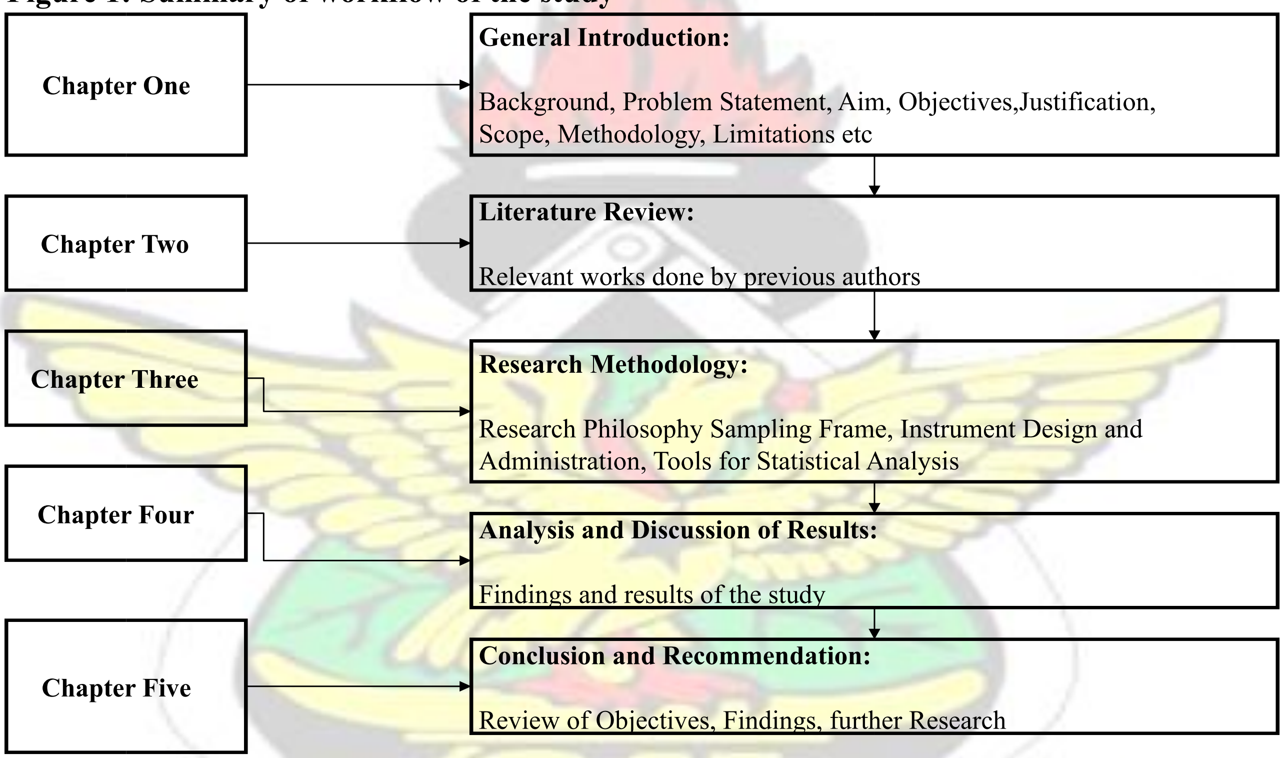
The significance of the study is in two folds – the empirical perspective and corporate world. On the empirical front, a clear gap has been established in existing literature where this study seeks to close this gap and provide foundation for further investigation by researchers in the future as far the nexus of multiplicity of taxation is concerned. Studies on the effect that multiplicity of taxes has among the service industry in Ghana especially hotels have received little attention, and hence, findings from the current studies would contribute to the literature. Researchers in the hotel industry, and taxation systems of Ghana would get a picture of how various taxes impact the performance of hotels in Ghana. The study would contribute to the literature on taxation in the service industry, especially among hotels. The study would contribute to the literature on ways of improving on the collection of multiple taxes. The academia and researchers would benefit from the findings of this study.

Shareholders and management of hotels would be well educated on how taxes contribute to the economy and how what can be done to improve existing tax regimes in the sector. This will provide theoretical basis for implementing policy decisions that will have implications on the multiplicity of taxation and its effect on the hoteliers in the tourism industry in Ghana.

1.7 Structure of the Study

This research wok will be prepared into five chapters. Chapter one being the introduction, and consist of the background of the study, problem statement, aim and objectives, hypothesis, scope, methodology, justification, limitations and the structure of the study. Chapter two contains literature review of the study. Chapter three looks at the details of the research methodology. Chapter four emphasizes on the analysis and discussion of data collected for the study. Chapter five touches on the summary, conclusion and recommendations for the study. Figure 1 shows the workflow of the study.

Figure 1: Summary of workflow of the study



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focusses on the review of literature highlighting relevant concepts and theories that relate to the research. The chapter further provides the theoretical foundation, and empirical literature of the research highlighting the different concepts and schools of thoughts of taxation; and its effect on hotel business. It also provides vital and relevant definitions, explanations and concepts.

2.1 Conceptual literature review

2.1.1 Taxation

Various scholars have provided different definitions for the term "tax." It refers to a compulsory fee imposed by the government on the income of individuals and corporate entities. Abdullai (2014) defines it as a mandatory payment required by the government, collected through its agents, on the earnings of individuals, businesses, and the purchase of goods and services. According to Hardwick and Khan (2002), taxes represent mandated transfers of funds from private individuals, organizations, or institutions to the government. Anyanwu (1997) outlines three main objectives of taxes: regulating the economy and economic activities, generating government revenue, and controlling income and employment.

In Abdullai's perspective (2014), taxation involves the process of administering and collecting taxes. The amount of tax revenue collected depends on various factors, primarily earnings and tax rates. According to Ali-Nakyea (2006), taxation is the act of imposing charges on companies or entities by government authorities with no specific reward given to the taxpayer for doing so. A tax payer is any individual obligated by law to pay taxes to the government. Ali-Nakyea (2008) expands the definition of "person" to include natural persons, individuals, businesses, and partnerships. As per Agalega's (2017) viewpoint, taxation refers to a compulsory levy imposed by a nation's government or relevant agency on taxable individuals, businesses, and other entities. Its purpose is to enable the government to raise funds necessary for the functioning of the economy and to achieve other macro-economic goals and fiscal policies.

Corporate taxes play a crucial role in shaping business activities and serve as a significant revenue source for governments globally (Hines, 2001). Within different legal contexts, various taxes and tax systems are organized (Kiprotich, 2016). Kiprotich defines tax as a compulsory, unrequited contribution to the government. According to Ameyaw, Korang, Twum, and Asante (2016), tax refers to any obligatory financial transfer from a nation's population to its government for the purpose of generating revenue. Muhika, Njeru, and Waiganjo (2017) describe tax as the process by which a state or government collects taxes from its citizens or residents within its territory to fund the functioning of the state apparatus.

Corporate entities are obligated to pay taxes, and failure to comply results in penalties (Ameyaw et al., 2016). The tax system encompasses tax administration, collection, and enforcement, which should align with the overall economic policy, aiming to encourage private investment and promote savings over consumption. Regardless of the type of tax and its implementation, the payer should experience the effects of taxation, which are referred to as tax effects. Effective tax administration, supported by a robust tax system, is crucial for a nation's progress (Beck, Kunt & Levine, 2005). The clarity of tax payable and the enforcement process should encourage voluntary compliance with tax rules. However, promoting voluntary compliance is a significant challenge, especially in developing economies.

According to Bhetia (2009), the relationship between the tax system and the economy makes it imperative that its fundamental characteristics be at least somewhat certain and stable. He claims that several ad hoc changes every year foster an atmosphere of uncertainty that hinders productive work, directs scarce resources to unproductive and undesirable channels, and encourages attempts to circumvent government measures.

2.1.2 Tax system in Ghana

In this section, we will discuss Ghana's tax system and administration, particularly focusing on its implications for businesses. We will also provide background information about Ghana's tax administration system and the various types of taxes that constitute its fiscal framework. The earliest form of taxation in Ghana, known as customs duty, was introduced in 1850. It imposed a rate of 0.5% ad valorem on imported goods and was overseen by a main collector stationed at Cape Coast Castle. Following that, the Gold Coast implemented the Poll Tax system in 1852. During World War II in 1943, the British Colonial Government introduced income tax in Ghana, then known as the Gold Coast. The Income Tax Ordinance (No. 27) of 1943 marked the first Income Tax Law, significantly influenced by the fundamental principles of the Income Tax Act in force in the United Kingdom at that time. The tax system in Ghana focused on levying taxes on income earned within the country, while money from overseas sources was exempted unless it was remitted to Ghana. Notably, the Income Tax Ordinance provided numerous reliefs and deductions. Over the years, the Income Tax Law has undergone various amendments and modifications, including the Income Tax (Amendment) Ordinance 1952.

In March 1953, the Income Tax Ordinance was released in its first consolidated edition (Abdallah, 2014). Several revisions were made to the first consolidated version until the second consolidated edition, known as the Income Tax Decree, 1966 (No.78), was issued in September 1966.

(Abdallah, 2014). In December 1975, the third consolidated edition, Income Tax Decree 1975 SMCD5, was published. The Internal Revenue Act 2000 (Act 592), in its fourth consolidated version, is the current law controlling tax administration in Ghana. This has also been amended and modified multiple times.

2.1.3 Classification of taxes in Ghana

Asante and Marfo-Yiadom (2010) describe taxation as the compulsory collection of money by a country's government from its residents, without directly providing any services or products in exchange for the amount gathered. Agyeman (2005) defines taxation as the mandatory payment of money demanded by the central or local government from the people of a country, not as payment for any specific service or as a penalty for a particular violation. Likewise, Mukasa (2011) defines taxation as the government's enforcement of tax regulations and laws to realize the benefits of their implementation.

Moreover, taxation serves as a dual-purpose tool in both generating government revenue and implementing social justice (Akakpo, 2009). In Ghana, taxes are categorized into two types: direct and indirect taxes. Direct taxes are intended to be paid by the individual or organization upon whom they are imposed, with the impact and burden falling on the same person or entity (Abdallah, 2014). Consequently, direct taxes are paid to the government based on earned income or wealth. These taxes are levied on individuals and businesses and are borne by the individuals who earn the income or possess the wealth.

According to Ghana Revenue Authority (GRA), direct taxes in Ghana are further classified as follows: Pay as You Earn (PAYE) is a type of tax levied on workers' earnings, and corporate taxes (Abdallah, 2014). PAYE is primarily a progressive tax in which higher-income earners pay more tax than lower-income earners. Furthermore, corporate tax is a sort of direct tax that is levied on the profits of businesses (Akakpo, 2009). As a result, the tax rate levied varies by industry and is also affected by the company's location. Furthermore, capital gains tax is a tax on the rise in the value of a chargeable asset between the time of purchase and the period of disposal (Abdallah, 2014). It is levied on a gain on the sale of a chargeable asset after deducting the exempt amount of GHS 50.

Gift tax is another type of direct tax that is charged on transfers of personal wealth from one person to another (Abdallah, 2014). It should be emphasized however, that some transfers, are exempt, such as those between husband and wife, transfers among close family members, and so on. On taxable gifts in excess of GH50, the tax rate is imposed. Finally, a rent tax is levied on the property money gained by landlords or ladies from the sale of landed holdings such as houses and farm lands (Agyeman, 2005).

Indirect taxes are levied on expenditure on goods and services and are paid only when the goods and services are purchased or consumed (Asante & Marfo-Yiadom, 2010). Individuals and businesses pay indirect taxes when they consume goods or services that are taxed. The Ghana Revenue Authority's (GRA) Customs, Excise and Preventive Service (CEPS) and Value Added Tax Service (VAT) divisions collect indirect taxes. The three main types of indirect taxes are VAT, import duty, and export duty. The Value Added Tax (VAT) is a consumption tax levied on the cost of purchasing goods or services (Asante & Marfo-Yiadom, 2010). It is levied at each stage of the manufacturing and distribution process. Registered enterprises normally collect taxes on behalf of the VAT Service and pay them to the VAT Service. It is a tax paid by the ultimate consumer since registered businesses can deduct any input VAT paid on taxable purchases from the output VAT and pay the difference to the VAT Service. It should be noted that some items and services are exempt, while others are zero rated. Agricultural products and inputs, for example, are exempt, whereas commodities manufactured for export are zero rated.

Furthermore, import duty is a tax levied on all imports or items carried into the country, unless specifically exempted by law (Abdallah, 2014). The amount of tax to be paid is determined by the value or volume of the imported commodities. Finally, an export duty is a tax levied on commodities that leave one country for another. Some exported items are free from this form of indirect tax.

2.1.4 Multiple taxation

According to Smith (2011), multiple taxation is a tax system in which taxes are levied on a number of different items or bases. Omesi, Teerah, and Nzor (2014) defined multiple taxation as the imposition of taxes by two or more jurisdictions on the same declared income (in the case of income taxes), capital gains, or financial transaction (in the case of sales tax), According to the definition given above, multiple taxation refers to the same income being taxed by multiple relevant taxing authorities. For instance, company profits are subject to company income tax (CIT), dividends are subject to withholding tax, and employee salaries are subject to PAYE tax. Even real estate is subject to capital gains tax and property tax.

Multiple taxation is defined by Abiola (2012) as the unlawful obligatory payments that local and state governments collect without the necessary legal support by intimidating and harassing the payers. Abiola asserted that the use of stickers, the installation of roadblocks, the use of revenue agents/consultants, including motor part touts, are characteristics of the collection of such taxes.

The imposition of fees or levies by more than one or two tax authorities on the same income, profit, or profit of an individual, a company, or a piece of property is known as multiple taxation. It is important to note that businesses in local government areas experience more various taxes.

Multiple taxation is a cancer on corporate organizations, considering its negative effect on the economy. According to Omesi, Teerah, and Nzor (2014), the manufacturing sector is subject to several statutory levies and taxes that are obviously duplications of what other levels of government impose. This is also brought on a wide range of issues with a nation's tax administration, including non-registration, inadequate documentation, and non-identification. According to Uguru (2013), the hospitality industry in Nigeria is today beset by a deluge of taxes, including registration fees for lodging establishments, stamp duty, VAT, Pay-As-You-Earn (PAYE), sign-post fees, environmental levies, water supply fees, and operation permits, among others.

2.1.5 Multiplicity of taxes in the tourism industry of Ghana

The tourism and hospitality industry of Ghana is currently saddled with about 20 different taxes and levies, and this situation affects the pricing in the industry. As a result, many people have positioned the country as an expensive destination for tourists. According to the president of the Ghana Hotels Association, Dr. Edward Ackah Nyameke, hotels in Ghana have to honour numerous tax obligations in addition to cost of maintenance, utilities, staff remuneration and other expenses (B & FT Online, 2021). Some of the taxes and levies include NHIL, GETFUND, VAT, Covid-19 levy, GTA levy, FDA levy, MMDAs levy, Fire Service levy, SSNIT for staff, data protection levy, BOPs levy, property rates, suitability report levy, GHAMRO levy, and others (B & FT Online, 2021).

2.1.6 Effects of multiple taxation on businesses

According to Nwokoro (2013), multiple taxes pose a serious danger to investment and growth of businesses. In addition, he claimed that because of Nigeria's onerous tax laws, the output of investment is inversely proportional to input, particularly in the country's telecommunications industry. According to Arinaitwe (2006), tax elements significantly affect costs of operation, which represent the annual cost of investing capital in a project. From the investor's perspective, he contends that the effective return on capital is reduced to the amount of tax owed on corporate revenue. Investment, according to Borgarello, Marignani, and Sande (2004), occurs when the gross return on further investment exceeds the tax-adjusted cost of capital.

2.1.7 Tax compliance

Tax compliance, according to James and Alley (2002), is the ability of people, corporate bodies, and other entities subject to the law to pay the tax within an established framework of law and administration without imposing any enforcement activities into the collection. Fischer, Wartick, and Mark (1992) identified four tax compliance determinants:

i) tax system structure (tax rate, penalty, and the likelihood of identification, as well as the complexity of the tax system); ii) attitude and perception (fairness, ethics, and peer influence); iii) non-compliance opportunity (income level, income sources, and occupation); and iv) demographic factors (age, gender and education).

According to Das-Gupta (2002), tax compliance entails a true reporting system of documentation of a tax system; information on the computation of tax liabilities; and timely recording of the tax system and the tax to be paid. If individuals who are legally permitted to pay disregard the request to pay tax, such an individual and conduct implies noncompliance. According to James and Alley (2002), every tax defaulter's behaviour, whether individual or corporate, is equivalent to tax noncompliance and is punishable under tax law.

2.1.8 Drivers of tax compliance

There are several elements that influence tax compliance, including demographics, income, cost of compliance, tax agents, and moral or ethical issues (Singh, 2003). Kung (2016) also identified four primary elements that affect tax compliance behaviour, including institutional factors, psychological factors, and economic and non-economic factors. According to Kirchler (2007) and Loo (2006), there are four groups of elements that affect tax compliance, particularly for small businesses: economic considerations, institutional factors, social factors, and individual factors.

2.1.8.1 Institutional drivers

To lower the tax gap and improve voluntary compliance, an effective taxation system in terms of tax compliance necessitates a comprehensive responsibility on the part of tax authorities. According to Kirchler (2007) and Loo (2006), many institutional elements influence tax payers' compliance behaviour. These institutional drivers, according to Kirchler (2007) and Loo (2006), include the involvement of tax authorities, the simplicity of tax returns, administration, and the likelihood of detection. As a result, a number of scholars have begun to challenge the utility of sanctions as a sole motivator of tax compliance behaviour. As a result, recent research has moved focus to emphasize the relevance of voluntarism, persuasion, and collaboration, often known as the accommodating approach, as a regulatory tool for encouraging people to comply with tax obligations.

State tax authorities who support accommodative regulatory enforcement tend to consider individuals as social actors who are inclined to comply with rules, partly because they believe in the rule of law and partly because it is in their long-term self-interest (Naporow, 2015). Regulatory bodies that use the accommodative approach seek results through voluntary procedures and cooperation rather than coercion. Simplifying tax returns and administration could potentially assist taxpayers in accurately completing their tax returns, hence boosting tax compliance (Richardson, 2008).

2.1.8.2 Economic drivers

Economic drivers of tax compliance highlight the critical role of the state government in guaranteeing citizen tax compliance. Tax rates, tax audits, and views of government expenditure are all important economic drivers of tax compliance, according to Kirchler (2007) and Loo (2006). In addition to making inroads into explaining tax compliance among self-employed individuals, Hasseldine and Li (1999) believe that because the government and the tax authority are the main parties in the tax system, these institutions must design efficient and effective enforcement and collection mechanisms to reduce tax evasion. Other studies have identified taxation laws and systems (Keen, 2014), compliance cost (Laffer, 2014), tax rules, audits, and detection possibility as important economic compliance drivers (Benk et al., 2012).

Extensive research has also revealed that excessive tax penalties and fines lead to increased tax evasion (Kirchler et al., 2008). In effect, Alm et al., (1992) support the findings that fines do alter tax compliance, albeit with a negligible impact. Further research has discovered that raising tax rates encourages people to evade taxes (Ali et al., 2001; Torgler & Valev, 2007), however lowering tax rates does not necessarily promote tax compliance (Trivedi et al., 2004; Kirchler, 2007).

Inconclusively, Allingham and Sandmo (1972) concluded that taxpayers may choose to completely declare income or report less, independent of tax rate. Fowler (2005)) concurred that the variables that promote tax evasion in the economy are financial hardship, government waste, a low chance of detection, and a desire to circumvent the system.

2.1.8.3 Individual drivers

Evidence has begun to emerge indicating that taxpayer attitudes and ethics play a significant effect in their tax compliance decisions (Eriksen & Fallan, 1996). Individual drivers of tax compliance, according to Kirchler (2007) and Loo (2006), include personal financial restrictions, awareness of offences, and penalties. In addition, Chan et al. (2000) stated that Hong Kong taxpayers have a negative opinion about the tax system, which leads to reduced compliance. Other studies have discovered important individual determinants of tax compliance, such as fear of fines for noncompliance (Martinez-vazquez & Moreno-Dodson, 2012). Again, improving internal corporate operation procedures is required to ensure effective tax compliance.

For example, Richardson and Sawyer (2001) proposed that keeping good records leads to more accurate reporting of income and expenses in corporate tax filings. As a result, record keeping becomes a vital component that assists businesses in meeting their tax duties. From another angle, if a company keeps solid records, it is very probable that when these documents are turned over to the tax agency at the end of the year, the tax agency will have all of the information needed to accurately complete the tax return. There are various negative repercussions for the individual taxpayer if proper records are not kept, including the preparation of inaccurate tax returns and the waste of time and other resources spent in generating accurate financial records (Naporow, 2015).

2.1.8.4 Social drivers

Tax authorities, without a doubt, are constrained in terms of logistics for filed inspection, audit, and check tax evaders. Alternatively, extensive studies have discovered a variety of social drivers influencing taxpayer compliance. According to Kirchler (2007) and Loo (2006), social factors such as referent groups and relationships, opinions of social leaders, tax payer ethics and attitudes, perceptions of equality and fairness, and political affiliation drive compliance behaviour. These compliance drivers are critical for increasing taxpayers' voluntary tax compliance. Other social determinants discovered in subsequent studies include subjective norms and cultural differences (Benk et al., 2012), tax payer and collector morality and ethical ideals, and tax system equity (Murphy, 2004).

Building strategic relationships to help shape tax agents' understanding of taxpayer motivations, as observed by Braithwaite (2003), will improve the skills of tax officials and enable them to respond to different needs of different taxpayers and gain support for strategies that address specific industry issues and practices. Taxpayer compliance cannot be forced, but must be accomplished willingly through communication and understanding (Aryes & Braitewaite, 1992).

2.2 Theoretical literature review

This section of the literature examined the academically developed theories that served as the foundation for the study and were pertinent to it. These theories include the planned behaviour theory, the economic deterrence theory, and the ability to pay theory of taxation.

2.2.1 The ability to pay theory of taxation

Swiss philosopher proposed the ability-to-pay theory of taxation (Rousseau, 1985). The idea that taxes should be imposed on people based on their income or financial capacity is the basis for progressive taxes, which see their rates rise as taxable revenue rises (Jones, 2014). The theory is predicated on the idea that those who earn more money or are wealthier and are in a position to pay taxes should be required to do so at a higher rate than those who earn less money as an individual or as a business. This offers the most equal tax structure for an economy, and industrial economies have typically used it (Ogbonna & Ebimobowei, 2012).

This model's central assumption is that taxation should be distributed among members in a society according to the principles of fairness and equity. According to this idea, taxes are paid based on relative ability to pay and are therefore distributed based on the income levels of individuals or businesses (Ogbonna & Ebimobowei, 2012). This theory applies to the study because it explains how taxes affect business growth in either a positive or negative way. Therefore, the ability of enterprises to pay the amount of tax levied on them by tax authorities determines whether or not they do so. When companies pay excessive taxes, it usually affects their profitability, which results in a slowdown in growth.

2.2.2 The economic deterrence theory

The economic deterrence theory, often known as the theory of tax compliance, emphasizes that taxpayers are moral utility maximisers with the incentive to comply. According to the hypothesis, taxpayers are affected by economic factors like the desire to maximize profits and the risk of being caught (Kuug, 2016). The economic deterrence theory assumes that the taxpayer maximizes utility and that tax evasion occurs when the advantage outweighs the penalty for non-compliance. As a result, a penalty structure is an essential component of the punishment and influences people's decisions to avoid paying taxes. It was acknowledged that there was a threshold at which enforcement became unprofitable and caused a social harm. As a result, other theories based on the economic deterrent hypothesis were developed.

The likelihood of detection and the severity of punishment have an inverse relationship, according to Allingham and Sandmo (1972). They claimed that fines should be minimal in situations where there is a high likelihood of detection and vice versa. Given the size of the unstructured informal sector and what appears to be a significant rate of tax evasion, Allingham and Sandmo's (1972) theory proposal may make sense for the nation-state of Ghana. In cases where evading detection is certain, according to their analysis, a moderate punishment may function as a deterrent just as well as a more severe one.

Thus, it is argued, if the offender knows that there is a high likelihood that they will be caught, increasing the penalty level may not always have a higher deterrent effect. Allingham and Sandmo (1972) looked at taxpayers' attitudes toward risk in articulating another aspect of the utility view, and they argued that in cases when a taxpayer is risk-averse that declines with income, an increase in the tax rate would result in a drop in evasion. Therefore, it was suggested that a taxpayer's attitude toward risk was influenced by their degree of income. According to this perspective, there is a decreased possibility of tax evasion or non-compliance as taxpayers' income increases. According to Lyons' (1974) theory, there will be less tax evasion when the government fosters an atmosphere that makes it possible for taxpayers' income to rise.

Tax evasion in the US has exposed the limitations in the economic deterrence theory, which has prompted researchers to look for more sophisticated explanations that highlight harsher penalties for tax evaders in order to reduce non-compliance. Although the investigations were based on the economic deterrent hypothesis, they show that when the likelihood of detection is very low, taxpayers are more sensitive to the severity of the punishment than to the likelihood of detection (Reinganum & Wilde, 1986). It is believed that a taxation system that balances rewards and penalties is wiser in maximizing compliance than a system that only concentrates on sanctions (Brunner & Falkinger, 1999). As a result, deterrence may greatly benefit from positive inducements for compliance. The issue is how the inducements will be received, though. It doesn't matter if they (inducements) take the form of quicker tax refunds or a percentage decrease in the amount of tax due.

This theory is relevant to the current study because it assumes that tax authorities and the government will appreciate the motivations of taxpayers and how they affect their desire to comply with tax obligations. Businesses will prosper and more revenue will be generated if the government fosters a favourable business environment. As a result, business owners will be prepared to pay their taxes on time and without defaulting. The results of the current study made it evident that concentrating on fines alone may not be sufficient to address the issue of tax evasion.

2.2.3 Theory of planned behaviour (TPB)

The theory of planned behaviour suggests that any significant change in policy must take into account the direct relationship between an individual's intention and behaviour. Since only through the voluntarily participation of taxpayers is revenue collected, the purpose of the taxpayer is a crucial component of tax compliance. Therefore, forecasting taxpayers' intent to comply is just as crucial as forecasting their actual behaviour in terms of compliance (Chorlton, Conner & Jamson, 2012). It is important to keep in mind that how taxpayers are treated will depend on whether the behaviour is driven by unwillingness or another motivation.

Therefore, rather than implementing interventions in response to noncompliance, which would encourage future noncompliance, the tax authority would devise interventions that preventively address the root of the noncompliance. The TPB tackles the issue of behavioural control in addition to intention by including perceived behavioural control and actual control. While actual control has been defined as the relevant skills and talents as well as obstacles to or facilitators of performance, perceived behavioural control has been defined as the individual's controllability of the behaviour and their self-efficacy in completing the required behaviour (Ajzen, 2011).

The theory of reasoned action (TRA) is extremely closely tied to the TPB. Many academics have used TRA as their primary theoretical framework while researching on a range of behavioural issues. As the precursor to actual behaviour, behavioural intention is the main emphasis of the TRA. It is considered that intentions encompass the driving forces behind motivating behaviour. According to Ajzen (2011), intention is a measure of how much effort a person is willing to put forth to carry out the behaviour. Understanding a specific person's behaviour, such as that of taxpayers, requires determining the factor that predicts the intention of people behavioural.

Two independent predictors of intentions are proposed by TRA. These are the altitude toward behaviour and subjective norms. According to Ajzen (2011), attitude refers to how positively or negatively an individual evaluates a specific behaviour. One of the components that determine attitudes is the behavioural belief, which involves a judgement of the implications or outcomes of a certain conduct. Attitudes are affected by a belief in an outcome, whose degree is determined by the evaluation of the outcome. According to Loo, Evans, and McKerchar (2012), subjective norms are societal pressures that one feels is placed on them to behave or not act. In other words, social pressure might be the cause of a person acting in a certain way.

Perceptions of unreasonable tax burdens can influence taxpayers' attitudes about paying taxes and, as a result, their compliance behaviour with the tax system, according to Millar and Shevlin (2003). An effective attitude, according to Breckler and Wiggins (1991), relates with feelings like happiness, sadness, or guilt when engaging in a certain behaviour, while an instrumental attitude refers to a more cognitive aspect in which engaging in that behaviour would be advantageous. This suggests that the taxpayer's feelings may influence compliance because they may voluntarily comply with legal requirements, like paying taxes, when it favours their mood. However, the taxpayer will decide whether to comply or not when they take into account the benefits, either positive or bad, that the person will receive from compliance, that is cognitive consideration, then the one may comply or not.

This theory demonstrates that SMEs' ability to pay taxes depends not simply on their desire to do what the government asks or on their concern about facing legal repercussions, but also on the altitude and beliefs of their managers and owners. The theory helps to explain other significant elements that have an impact on tax compliance and the perceptions of how tax revenue is utilized.

2.3 Empirical literature

Empirical analysis is an important component of research because it allows the researcher to learn what has already been done in the particular field of study. Below are various works conducted by other researchers that have been reviewed and discussed.

In their studies, Adeniyi and Osazee (2018) researched on the impact of various tax regimes on sustainable development among small scale firms in in Lagos State. The survey design approach was used in the study by administering a questionnaire to a sample of 250 respondents who were purposively chosen from the target population. Through the use of multiple regression, the hypotheses were examined. The results show a significant relationship between various tax burdens and SME performance indicators. The report suggests creating an appropriate agency to handle the problem of multiple taxes in the country.

A study conducted by Ovunda (2018) in Nigeria examined the burning issues in the Nigeria tax system, tax reforms and how they impact on revenue generation. Data were collected from primary sources from a sample of 80 respondents, and multiple regression analysis was used. The findings demonstrated that tax changes have a significant positive link with and influence revenue generation, since better reforms lead to an increase in overall revenue. It was discovered that tax evasion and avoidance are negatively associated with revenue generation since an increase in such practices results in a large decrease in total revenue. The study also revealed a favourable association between numerous taxation and revenue generation, since the multiplicity of taxes tends to boost the government's revenue base.

Okolo, Okpalaojiego, and Okolo (2016) in Enugu State, Nigeria, investigated the impact of numerous taxes on investments made by small and medium-sized businesses. Using a survey study design, 80 SMEs were sampled. Simple percentages and frequencies were used to analyze the data from the primary data, and an analysis of variance (ANOVA) was used to assess the research hypotheses. The study discovered a negative relationship between the performance of SMEs and multiple taxation. Based on the findings, the paper makes recommendations for the development of tax policy that take into account the improvement of SMEs capital allowance when the government imposes taxes.

James and Alley (2000) investigated the reasons for tax compliance and what motivated taxpayers to comply willingly and advocated that the use of penalties for tax defaulters should be avoided in order to build a better approach that will assist citizens in meeting their tax responsibilities. Mohamad and Mohd-Asri (2017) observed a substantial association between tax incentive and company size in relation to tax noncompliance, indicating clearly the possible loss of money that may affect the infrastructural provisions planned to be implemented by the government.

Obongo, Memba, and Oluoch (2018) discovered that tax knowledge and awareness can influence taxpayer behaviour and ability to comply with the tax laws and regulations that regulate their activities. The study also found that firms that are aware of tax laws are more likely to comply with tax remittance, and it was proposed that revenue agencies provide more information and education on tax legislation and their role in revenue generation for government.

Lederman (2018) noticed in her review that governments use audit measures and the enforcement of penalties to collect taxes, but she is concerned that such techniques may deter noncompliance with tax rules. However, the methodologies were discovered to be consistent with the most economic modelling of tax compliance. According to other research, enforcement may be unfavorable and backfire, "crowding out" taxpayers' incentive to pay adequate taxes due. Although the empirical study demonstrated that enforcement measures such as audits and penalties are highly serious deterrents, a few recent studies have found that audits have a detrimental influence on the subsequent tax payments of individuals found compliant during the audit.

Ebere, Eunice, and Chimaobi (2016) investigated the impact of multiple taxation on investment in small and medium-sized businesses in Enugu State. One of the study's objectives was to investigate the impact of multiple taxation on SME investment. Multiple taxation has been demonstrated to have a negative impact on SMEs' investments. According to the report, the government should create a tax policy that encourages investment in SMEs.

Similarly, Adebisi and Gbegi (2013) conducted a study on West African Ceramics in Nigeria to examine the impact of numerous taxes on the performance of SMEs. The study discovered that multiple taxation has a detrimental effect on the success of SMEs and that there is a significant positive relationship between SMEs' size and ability to pay taxes. It used survey design on a sample of 74 employees. In order to support SMEs, it was suggested that the government adopt a unified tax policy and that takes into account the size of SMEs when establishing tax regulations for them.

Chukwuemeka (2017) did research on multiple taxation and business firm operations in Aba metropolis in Nigeria. The study's goal was to investigate the impact of taxation on businesses, notably in Aba. Structured questionnaires were utilized to collect information from chosen private business owners in Aba. The data was analyzed using simple percentages. The findings imply, among other things, that multiple taxes have inhibited the establishment of new enterprises in Aba city.

Segun and Osazee (2018) conducted research on the impact of multiple tax regimes on sustainable development of businesses in Lagos state. The goal of the study was to investigate the impact of multiple tax burdens on the commercial performance of small-scale firms, notably in Lagos Island. Data were gathered from small business owners in Lagos Island Local Government using primary sources. Simple percentages were used to analyze the data. It was revealed that there was a substantial association between MT burden and small-scale enterprise business performance. The research proposed that the government create an institution to address the MT problem in Nigeria. Wasiu, Emanuel and Aderemi (2019) examined the roles that court systems in Nigeria has played in addressing the abnormalities of multiple taxation regimes on the hospitality industry. While relying primarily on secondary data, main inputs are confined to participatory and observational methods. The administrative burden of complying with multiple taxes on hospitality firms in Lagos State is higher than in other States, notably with the introduction of sales tax and later consumption tax on hospitality related enterprises within the State. The study discovered that there are large multiple tax burdens on hospitality firms in Nigeria in general, despite the courts playing informed roles in addressing bottlenecks of multiple taxes on consumers of hospitality business.

The above studies form the basis for developing the hypothesis for this current study where is it predicted that there is a significant relevance of taxes on covered entities and there is a significant impact of multiples taxes on performance of hotels.

H1 There is a significant relevance of taxes on covered entities.

H2 There is a significant adverse impact of multiple taxes on the performance of hotels.

2.4 Conceptual framework

The conceptual framework the guided the progress of the study is presented below.

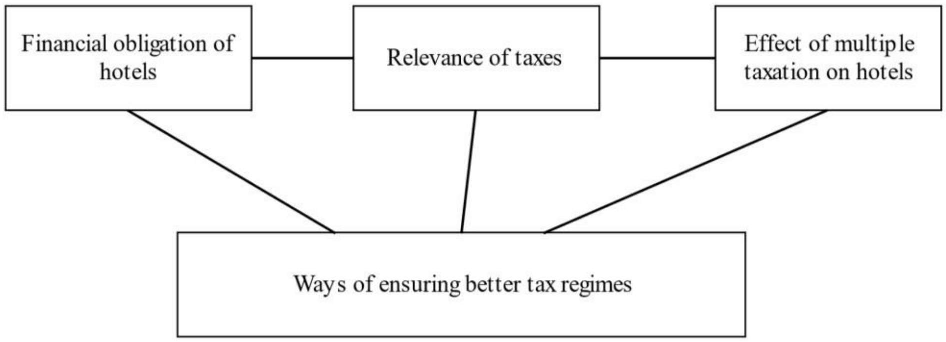


Figure 2: Conceptual framework

Source: Author's construct

2.5 Summary of chapter

Taxation among hotels in Ghana comprises levies that are imposed on them to be paid periodically out of their revenue. These taxes or levies are being collected by different organizations with various objectives and mandates. This phenomenon leads to a situation called multiple taxation, and it is very prevalent among the hotel sector in Ghana. Fees or levies are imposed on hotels by more than one tax authority or statutory body on the same revenue or income of the hotels. According to operators in the hospitality industry, there are about 20 taxes and levies imposed on hotels in Ghana, and this negatively affects their businesses.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter highlights on the various methodologies and techniques used to analyze the responses of participants. The data sources, research design, data collection tools and procedures, sample strategies, study variables, data processing, and method of analysis are all highlighted in this chapter. The research focused on hotels operating in Accra. These units served as the target population where the samples were taken.

3.1 Study area

Accra is part of the Accra Metropolitan Assembly (AMA) which is a local government authority created to administer the Accra Metropolis. It is therefore created for political and fiscal decentralization. Local government reforms of 1988 sought to transfer resources and power to the local government units to enable them assume greater responsibility at the local level. The local government reforms created Metropolitan, Municipal and District Assemblies.

3.1.1 The physical features of Accra

AMA is composed of eleven sub-Metropolitan and District Councils. The total land size of the assembly is approximately 200 square kilometers. To the north of the assembly is Ga West District Assembly. The southern boundary of the assembly is the Gulf of Guinea. The demarcated area with the population of 250000 and over is considered Metropolitan assembly while demarcated areas with the population of 95000 and over are considered Municipal assemblies. District assemblies have population of 75000 and over. At the top of the local government structure is the Ministry of Local Government that formulates policies to regulate the creation and operation of the local government authorities. The ministry makes policies relating to planning, budgeting, monitoring and evaluation of all the local government units.

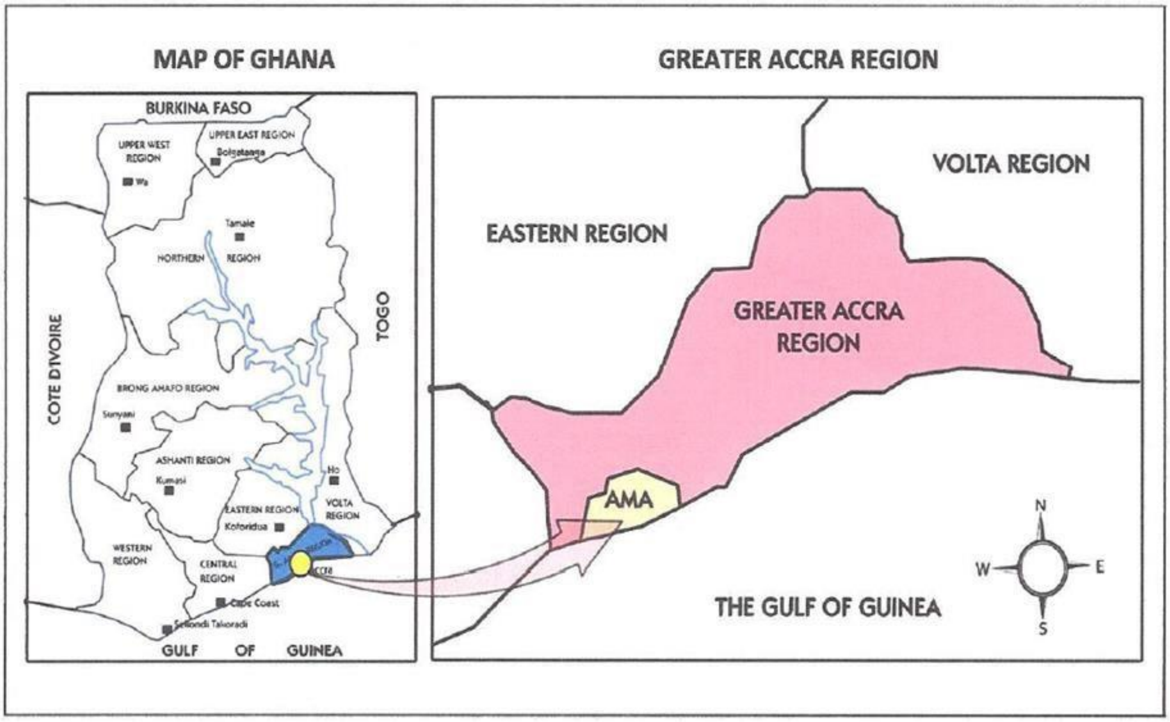


Figure 3: Location of AMA

Source: (www.ghanadistricts.com)

3.2 Methodology

3.2.1 Design of study

A cross-sectional quantitative descriptive research design was employed for the study. The descriptive cross-sectional survey is ideal for establishing relationship between exposure and outcome variables. Responses were collected from different hotels in Accra; and the approach and analysis were purely quantitative. Quantitative research employs approaches concerned with the methodical examination of social phenomena via the use of statistics and numerical data. As a result, it is reliant on measurement, and the assumption with quantitative research is that the study topic can be quantified. It is used to analyze patterns, correlations, and to validate data (Watson, 2014).

3.2.2 Population and sample

A population is the group of interest from which the researcher solicits possible information about the study (Babbie, 2010). A population is a group of individuals with one or more underlying characteristics that are of interest to a researcher (Fraenkel and Wallen, 2000; Nwana, 2008).

The population included managers, and supervisors of all hotels operating in Accra. The selection of each facility was done using a convenience sampling technique that considered the accessibility of the facility to the researcher. The total sample for the study was one hundred and twenty (120), which comprised of at least seven (8) respondents from each hotel that participated in the study.

3.2.3 Sampling technique

Trochim (2006) expounded the view that sampling is the method used for selecting units (example, people, things, enterprises) from a population of interest. The selected units form the sample whose statistics are used to generalize the characteristics of the population. The sampling technique is influenced by the method of enquiry used by the researcher (Braun and Clarke, 2006). For this study, a convenience sampling technique was used to select each facility, by taking into consideration the accessibility of the facility to the researcher. The participants were then purposively selected in order to get reliable answers to the questionnaire. For the purposes of this study, a sample of one hundred and twenty (120) was considered. A sample of 120 was based on positions established by the researcher, as expounded by Fowler (2005), that a sample size range of more than 50 is considered appropriate for undertaking research.

3.2.4 Selection of respondents

The respondents for the study were selected according to purposively sampling, based on their knowledge and information on the subject matter under study.

3.2.5 Study instrument

A well-structured self-administered questionnaire was used to elicit responses from the participants, based on these areas namely; demographic data, multiple taxes, profitability, and effect of the taxes on performance on their operations, and recommendations. The reason for the self-administered questionnaire was to afford respondents the luxury to answer at their own pace without compromising on their busy schedules (Boohene & Lartey, 2011).

3.2.6 Sources of data

According to Saunders et al. (2012), data refers to collated and documented belief, evidence, and statistical information use for referrals. For this study, both primary and secondary data were used to gain insight into effect of multiplicity of taxes on the performance of hotels in Ghana. The primary data was obtained from the administration of the questionnaires, and the secondary data were derived from the review of literature.

3.2.7 Data Analysis

According to Sekeran (2003), data analysis is the technique of evaluating data using analytical and logical reasoning to examine each component of the data provided. The data was first collected using Google Form; and later exported into Excel for analysis using the JASP Software. Prior to the analysis of the data, they were cleaned to make analysis easier. For the purpose of this study, the researcher employed the quantitative method for the data analysis. The quantitative data acquired through the administration of the questionnaires were analyzed by the use of descriptive, and inferential statistics. The analysis of the data was conducted using descriptive statistics, including means, frequency and percentage for the characteristics of the study participants and other summary results. The effect of multiple taxation on the performance of hotels was analyzed using mean score analysis.

3.3 Ethical consideration

Ethics examine the guidelines, moral as well as standard behavior as this gives scholars a code of moral procedures with respect to conducting studies in the morally accepted way (Struwig et al. 2001). The research code of ethics provides researchers direction not to identify themselves in any research misconduct for example plagiarism without due acknowledgement.

The researcher adhered to ethical behaviors in the conduct of this research. Views of research participants were strictly complied with, and the participants could voluntarily decide to opt out of the study at any time. All citations in text were duly acknowledged. The data used were information gathered from managers of hotels, and confidentiality of respondents were maintained. Results of the findings were presented in the way they were provided by respondents, without tampering with the information in favour of a particular group.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the survey conducted among various hotels operating in Accra. The chapter begins by presenting the demographic characteristics of the study participants, followed by results on the various objectives of the study.

4.1 Demographic characteristics

A total of 120 participants were interviewed from the various hotels in Accra. Out of the total, 38 percent were females, and 62 percent were males. The mean age of the participants was 33.1 years with an average number of 8.7 years of working. Majority of the participants constituting 53 percent were frontline staff, 31 percent were supervisors, and 16 percent were managers as shown in table 1.

Table 1: Demographic characteristics of participants

Demographic characteristics	Frequency	Percent
Sex		
Female	46	38%
Male	74	62%

Position in company		
Frontline staff	63	53%
Manager	20	16%
Supervisor	37	31%

Source: Field work (2022)

4.2 Objective 1: Financial obligations on hotels

The financial obligations of hotels as stated by all the participants included taxes, levies, remuneration, operational cost, and suppliers as depicted in table 2. Other financial obligations included bonuses as indicated by 67 percent of participants, marketing as indicated by 48 percent, and renovations indicated by 41 percent of participants.

Table 2: Financial obligations on hotels

Financial Obligations	Frequency	Percentage
Taxes	120	100%
Levies	120	100%
Remuneration	120	100%
Operational Cost	120	100%
Suppliers	120	100%
Renovations	49	41%
Legal	-	-
Bonuses	80	67%
Corporate Social Responsibility	-	-
Royalties	-	-

Marketing	58	48%
Consultants	-	-

Source: Field work (2022)

From the results, it was clear that hotel businesses had at least nine (9) different taxes and levies that are paid within a year as shown 3. The majority of them constituting 84 percent indicated that they pay more than 12 taxes and levies within a year, and the remaining 16 percent pays between 9 to 12 taxes in a year.

Table 3: Number of taxes paid by hotels

Number of taxes	Frequency	Percent
Less than 3	-	-
3 to 5	-	-
6 to 8	-	-
9 to 12	19	16%
More than 12	101	84%

Source: Field work (2022)

These taxes and levies are paid to more than 8 different organizations according to the results of the study as depicted in table 4. Majority of the participants accounting for 54 percent indicated that they pay taxes and levies to more than 12 organizations, and 46 percent indicate that they pay taxes and levies to organizations about 9 to 12 in number.

Table 4: Number of organizations collecting taxes

Number of organizations	Frequency	Percent

Less than 3 organization	-	-
3 - 5 organizations	-	-
6 - 8 organizations	-	-
9 - 12 organizations	55	46%
More than 12 organizations	65	54%

Source: Field work (2022)

Besides the statutory taxes and levies paid by these hotels, there are other financial obligations that hotels are obliged to fulfill as shown in table 5 below. According to 60 percent of the participants, there are about 3 to 5 other payments that hotels make in a year. The remaining 40 percent indicated that they make about 6 to 8 other payments.

Table 5: Number of other payments by hotels

Number of other payments	**Frequency**	**Percent**
Less than 3	-	-
3 - 5 payments	72	60%
6 - 8 payments	48	40%

Source: Field work (2022)

4.3 Objective 2: Relevance of taxes

The participants rated some of the relevance or benefits they derive from the payment of these taxes and levies as depicted in table 6 below. The highest rated relevance of taxes to their hotel businesses was contribution of business to national revenue (mean = 4.108); followed by the indication that there is value gained in paying these taxes albeit lowly rated. The benefit of taxes in providing infrastructure that reduce cost of doing business was rated the lowest with a mean of

1.833; and this was preceded by improvement in well-being of customers which affect patronage of business (mean = 1.917).

Table 6: Relevance of taxes for hotels

Relevance of taxes for hotels	Mean	Std.
Contribution of business to national revenue	4.108	0.312
There is value gained in paying these taxes	2.15	0.496
Provision of social amenities to the hotel	2.017	0.701
Improvement in well-being of customers which affect patronage of business	1.917	0.278
Provision of infrastructure that reduce cost of doing business	1.833	0.524

Source: Field work (2022)

4.4 Objective 3: Effect of multiple taxes on performance

According to all the participants, at least 17 percent of the revenue of hotels are used to pay taxes and levies as shown in the table 7 below. Majority of the participants constituting 64 percent indicated that more than 22 percent of their revenue are used in paying taxes and levies; and 36 percent indicated that 17 to 22 percent of their revenue are used in paying taxes and levies.

Table 7: Proportion of revenue used for taxes

Proportion of revenue used for taxes	Frequency	Percent
Less than 5 percent	-	-
5 - 10 percent	-	-
11 - 16 percent	-	-

17 - 22 percent	43	36
More than 22 percent	77	64

Source: Field work (2022)

Participants rated the impact of multiple taxation on their hotel businesses, and all the possible impacts were highly rated as depicted in the table 8 below. According to the participants, multiple taxation result in increased rates charged for services (mean = 4.692); followed by the indication that multiple taxation affects the profit of hotels (mean = 4.525). Other impacts of multiple taxation were that multiple tax agents disrupt the operations of the hotels (mean = 4.433); multiple taxation affects the financial performance of hotels (mean = 4.358); and multiple taxation impeded growth of hotels.

Table 8: Impact of multiple taxation on hotels

Impact of multiple taxation	**Mean**	**Std**
Increase rates charged for services	4.692	0.464
Multiple taxation affects the profit of my hotel	4.525	0.501
Multiple tax agents disrupt the operations of my hotel	4.433	0.498
Multiple taxation affects the financial performance of my hotel	4.358	0.482
Multiple taxation impeded the growth of my hotel	4.242	0.43

Source: Field work (2022)

4.5 Objective 4: Ways of ensuring better tax regimes

Participants suggested some possible ways of consolidating or reducing these multiple taxes on the hotel sector. Some of the ways suggested included: consolidation of all taxes into one, abrogation of some of the taxes that are just duplicates of others, tax education needs to be intensified, and the amount paid as taxes and levies need to be reduced. Others also advocated for just one tax for all the businesses in the hotel sector.

4.6 Discussion

The study explored the negative effects of multiplicity of taxes on the hotels industry in Accra. Areas of interest included the financial obligations on hotels, relevance of taxes, negative effect of multiple taxes, and ways to improve the tax regime. Despite the few studies that have been conducted elsewhere in Africa, there is limited studies in Ghana. In this regard, the current study attempted to fill the gap. The discussion is based on the four main objectives of the study.

Firstly, the study explored the financial obligations on hotels operating in Accra. Hotels have numerous financial obligations that they are required to meet annually. For some of the financial obligations, they are fulfilled every month, quarterly, and others annually. All the hotels indicated that the constant financial obligations they are expected to meet included taxes, levies, remuneration, operational cost, and cost of suppliers. Some other obligations which could be seen as occasional included cost of bonuses, renovation, and marketing. Hotels operating in Accra are contended with more than 12 different taxes and levies to pay annually. These taxes and levies are collected by more than 12 organizations. Beside these statutory payments, hotels have about 3 to 5 other financial obligations to other associations or bodies. Examining the numerous financial obligations on hotels, there are possible duplications and overlapping in these taxes. A consolidation of the multiple taxes would engender harmony in the system.

Secondly, the study examined the relevance of taxes on the hotels surveyed. The payers of taxes or levies expect to derive some benefits from the government for these payments. According to the participants, the highly rated relevance of paying taxes or levies was their contribution of businesses to national revenue. This could be seen as a motivation for businesses to pay taxes or levies. The other motivations listed were rated low and included value gained in paying these taxes, improvement in well-being of customers which affect patronage of business, and provision of infrastructure that reduce cost of doing business. Taxes for the hospitality industry have become a significant source of revenue for many jurisdictions around the world. Such taxes are important in some tourist-intensive countries to fund infrastructure and services (Aguiló et al., 2005). As corroborated by Tiwari and Chancellor (2021), taxes paid by hospitality businesses were seen to increase the revenue of central government. A close look at the motivations for paying taxes or levies shows that hotels are not getting the needed benefits from the government as they expect. It could be deduced that hotels are not having confidence in the use of these multiple taxes and levies. In addition, the adverse impact of multiple taxation on the performance of hotels were evaluated. Hotels have to use more than 22 percent of their revenues to pay taxes and levies, and this is worrying for the sustenance of their businesses considering the other financial obligations of hotels. Some of the impact of multiple taxation on the hotels include increased rates charged for services, effect on hotel profit, disruption of operation by tax agents, and impediment to growth of hotels. The results is in consonance with (Onyeukwu et al., 2021) who indicated that multiple taxation have significant effect on total revenue of businesses in the hospitality industry. They further showed that multiple taxation has significant effect on the profit of hospitality businesses. According to Soebyakto and Agustina (2014), taxes play an important role in a state, particularly in the implementation of development, because taxes are a source of income to finance all expenditure, including development expenditure.

Taxation has become a significant contributor to the government, but for businesses, it is an expense that can reduce profits. The adverse effect of multiple taxation on hotels has the potential to stall the growth of hotels, and investors could lose interest in investing in that sector. Multiple taxation, in whatever form it takes, is detrimental to economic development. It deters investors and encourages tax avoidance and evasion. As a result, there is an urgent need to address the issue in order to achieve the much-desired success in tax reform (Amadi, 2020).

Finally, the study explored ways of ensuring better tax regimes for hotels. Some of the suggestions from the participants included consolidation of the various taxes and levies into a reduced number; abrogation of some of the taxes whose objectives are not clear; and proper educations education on taxes paid. Others also indicated that the amount paid as taxes need to be reviewed to lessen the financial burden on hotels. Some were of the view that the hotel sector must have just one tax system for all their operations. Multiple taxes charged to customers on the final bill can be a huge turnoff and play a significant role in turning them away (Panwar & Patra, 2017). According to them, tax cuts will increase consumption, which will lead to more job opportunities. The hotel sector would benefit immensely if these taxes and levies are harmonized in a simplified tax structure (Tiwari & Chancellor, 2021).

4.7 Limitations

This research like any other academic research was fraught with a lot of challenges. Funding to interview more hotels was difficult to acquire, access to participants to respond to the questionnaire was not easy, availability of past literature on the subject matter, willingness of individuals to participate in both the administration of questionnaires and for the conducting of interviews, time factor due to limited duration of the program as well and other commitments are some major challenges faced in the research work

Furthermore, the metrics used to evaluate the impact of taxation on business performance were limited to subjectivity, which was based on respondents' perceptions. Despite the fact that subjective measures of perception show a favorable association with objective measures of company success (e.g., Murphy & Callaway, 2004), other objective measures such as financial data should have been included. Another limitation is the generalizability of the findings, as the study was limited to only hotels operating in Accra. It would be advisable to do comparative research between different types of hotels to improve generalizability.

4.8 Conclusion

The objective of the study was to examine the effect of multiple taxation on hotels operating in Accra. The findings show that hotels have numerous financial obligations to meet periodically beside the payment of taxes and levies. The highly identified relevance derived from paying taxes was their contribution to national revenue. Hotels did not attribute any benefit derived from the government as a result of paying taxes. Multiple taxes were seen to have adverse effect on the performance of hotels. Government is advised to consolidate all the taxes together and have one tax for hotel sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter lays out the summary, conclusion and recommendations derived from the findings of the study, for policy makers and other stakeholders in the hotel sub-sector.

5.1 Summary

Multiple taxation among hotels in Ghana has been an issue that hoteliers do complain about often. However, there is little studies to explore some of the effects on the operations of these hotels, and the current study was undertaken to fill the gap. The main objective of the study was to explore the negative effects of the multiplicity of taxes on the hotel sector in Ghana using Accra as a case study. A cross-sectional quantitative descriptive research design was used for the study. The population for the study comprised of managers and supervisors of hotels operating in Accra. The total sample for the study was 120 which comprised of at least 8 respondents from each hotel. Hotels were selected using a convenience sampling technique, and respondents were purposively selected.

A well-structured self-administered questionnaire was the study instrument used to elicit the responses from the participants. The questionnaire was sectioned into: demographic characteristics, financial obligations of hotels, relevance of taxes on entities, impact of multiple taxation, and ways of improving tax regime. Responses were gathered from the participants using Google Form, and was later exported into Excel for data cleaning. The analysis of the data was performed using the JASP software by running descriptive statistics including means, frequency and percentages, and other summary results. The results of the study are summarized according to the specific objectives as expounded below.

5.1.1 Financial obligations on hotels

The results show that hotels have numerous financial obligations to statutory bodies and other external agencies. These obligations are fulfilled on a monthly, quarterly, or yearly depending on the beneficiary agency. Some of the financial obligations include taxes, levies, remunerations, operational cost and cost of suppliers. Others are cost of bonuses, renovations, and marketing. According to the results, there are more than 12 different taxes and levies that hotels operating in Accra are made to pay annually in addition to about 3 to 5 other financial obligations to associations and external bodies.

5.1.2 Relevance of taxes

From the perspective of the participants, the highly rated relevance derived by their businesses from paying taxes and levies was the contribution to national revenue. Other relevance of paying taxes and levies were rated very low by the participants. These lowly rated benefits or relevance according to the participants include value gained in paying taxes, provision of infrastructure that reduce cost of doing business, improvement in well-being of customers which affect patronage of business.

5.1.3 Effect of multiple taxes on performance

The results show that coupled with the numerous taxes, most hotels spend more than 22 percent of their revenue on paying taxes and levies. The impact of these multiple taxation on hotels includes increased rates charge for services, disruption of operations by tax agents, negative effect on profit of hotels, and impediment to the growth of the hotels.

5.1.4 Ways of ensuring better tax regimes

The way forward for the hotels in confronting these multiple taxations demands a holistic approach from policy makers. Some suggestions made include consolidation of the various taxes and levies in a single tax for hotel sector, abrogation of taxes and levies whose objectives are not clear, and proper education on taxes paid.

5.2 Conclusion

Hotels and other tourism businesses operating in Ghana are immersed in a pool of multiple taxation which is having a toll on their business operations. Besides the payment of taxes and levies to government, there are other financial commitments that hotels make to other external bodies. As a result of multiple taxation, the revenues and profits of hotels are negatively affected, cost of operations get increased, and engagement with various tax agents disrupt hotel business activities. The findings would provide evidence for policy makers to harmonize the multiple taxes on hotels and boost tax compliance and confidence among hoteliers.

5.3 Recommendation

From the results of the study, the following recommendations are made:

Because of the lack of industrialization, the government should not view hospitality firms as a last resort for internally generated revenue. Rather than scaring potential investors with numerous tax legislation, they should create an avenue that will attract potential investors in related industries. Managers should seek out and hire tax professionals to help them better manage their tax obligations in order to improve the firm's earnings position. Tax incentives and reforms that reduce the tax burden on corporate earnings should be encouraged.

Tax policies should be flexible and unambiguous in order to increase compliance. Furthermore, the government should make concerted efforts to review the numerous duplications of the existing taxes levied on hotels in Ghana. There is need for uniformity in tax practices. Effective utilization of tax revenues in providing basic amenities; enforcement of compliance with acts related to taxes and levies or an appropriate review of these acts to harmonize other taxes that are not clearly spelt out.

Government must provide more tax incentives and implementation of the incentives in the hotel sector to motivate operators to voluntarily pay taxes. There is also the need to ensure transparency, accountability and adherence to due process in the administration of taxes. The allocation and distribution of tax funds when made clear and transparent would persuade people and increase their awareness and compliance. Transparency will motivate people to complete their tax obligations because they understand and recognize that the benefits of their tax contributions will be repaid by the government through improved provision of some public services and infrastructures.

5.4 Further research work

The study is fraught with some limitations that could be addressed in future research works. Firstly, in future studies, the scope of hotels interviewed could be extended to include other parts of Ghana to fully understand the nationwide picture of the issue of multiple taxation. Extending the geographical scope would enhance the generalization of the results for the whole country.

In addition, future research could use actual financial data of hotel performance which is more objective instead of relying on perceptual data which has elements of subjectivity. Because the data was based on the perceptions of the participants, it is liable to self-rating bias.

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Appendix

Appendix 1: Questionnaire

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

Dear Participant,

I am a student of the Kwame Nkrumah University of Science and Technology (KNUST), and as a requirement for graduation, I am to conduct this research. The purpose of this survey is to explore the effects of multiplicity of taxes on the hotel industry.

I invite you to take a few minutes to complete this short survey which would provide me with the information I seek. Your participation is voluntary, anonymous (I do not ask for your name) and confidential. The results would be used purely for academic purpose.

Thank You!

PART A: Demographic characteristics

1. **Gender** ☐ Male ☐ Female
2. **Age of respondent (in years)** …………………………………………
3. **Number of years working in the company** ………………………………………….

4. **What is your current position in the company?**

☐ Manager ☐ Supervisor ☐ Frontline staff

PART B: Financial Obligations on hotels

5. **What are financial obligations of your hotel?** (Tick as many as apply)

☐ Taxes ☐ Levies ☐ Remuneration ☐ Operational cost

☐ Suppliers ☐ Renovations ☐ Legal ☐ Bonuses

☐ Corporate Social Responsibility ☐ Royalties ☐ Marketing ☐ Consultants

6. **How many taxes or levies does your organization pay in a year?**

☐ Less than 3 ☐ 3 – 5 ☐ 6 – 8

☐ 9 – 12 ☐ More than 12

7. **How many organizations do you pay tax or levies to?**

☐ Less than 3 organizations ☐ 3 – 5 organizations ☐ 6 – 8 organizations ☐ 9 – 12 organizations ☐ More than 12 organizations

8. **Beside taxes and levies, how many other statutory payments or required fees does your hotel make?**

☐ Less than 3 ☐ 3 – 5 ☐ 6 – 8

PART C: Relevance of taxes on entities

9. **Indicate your level of agreement with the relevance of taxes to your hotel**

Relevance of taxes on hotels	**SA**	**A**	**N**	**D**	**SD**
Provision of infrastructure that reduce cost of doing business	☐	☐	☐	☐	☐
Provision of social amenities to the hotel	☐	☐	☐	☐	☐
There is value gained in paying these taxes	☐	☐	☐	☐	☐
Improvement in well-being of customers which affect patronage of business	☐	☐	☐	☐	☐
Contribution of business to national revenue	☐	☐	☐	☐	☐

NB: SA = Strongly Agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly Disagree

PART D: Impact of multiple taxes

10. **What percent of your annual revenue goes into paying taxes and levies?**

☐ Less than 5 percent ☐ 5 – 10 percent ☐ 11 – 16 percent

☐ 17 – 22 percent ☐ More than 22 percent

11. **Indicate your level of agreement with the impact of multiple taxation on your hotel.**

Impact of multiple taxation	**SA**	**A**	**N**	**D**	**SD**
Increase rates charged for services	☐	☐	☐	☐	☐
Multiple taxation affects the profit of my hotel	☐	☐	☐	☐	☐
Multiple taxation affects the financial performance of my hotel	☐	☐	☐	☐	☐
Multiple tax agents disrupt the operations of my hotel	☐	☐	☐	☐	☐
Multiple taxation impeded the growth of my hotel	☐	☐	☐	☐	☐

NB: SA = Strongly Agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly Disagree

PART E: Ways of improving taxes

12. **In what ways can the collection of multiple taxes be improved?**

a. ……………………………………………………………………………………………………

b. ……………………………………………………………………………………………………

c. ……………………………………………………………………………………………………