

THE INCIDENCE OF INDIRECT TAX EVASION IN OFFINSO MUNICIPALITY.

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DECLARATION

I hereby declare that this piece is my own work towards the Master of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the university except where due acknowledgement has been made in the text.

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DEDICATION

To Almighty Allah I say Alhamdulillah for His blessings, mercies, guidance and wisdom throughout my education. To my parent Mr. Abdullai Sena and Mrs. Zainab Osman. To My siblings Ayishatu Abdullai, Alhassan Abdullai and Osman Abdullai. My friends who are like brothers to me, Abdullai Issah and Haruna Abdul Majeed I say God bless you all for your support, prayers and encouragement. God richly bless you.



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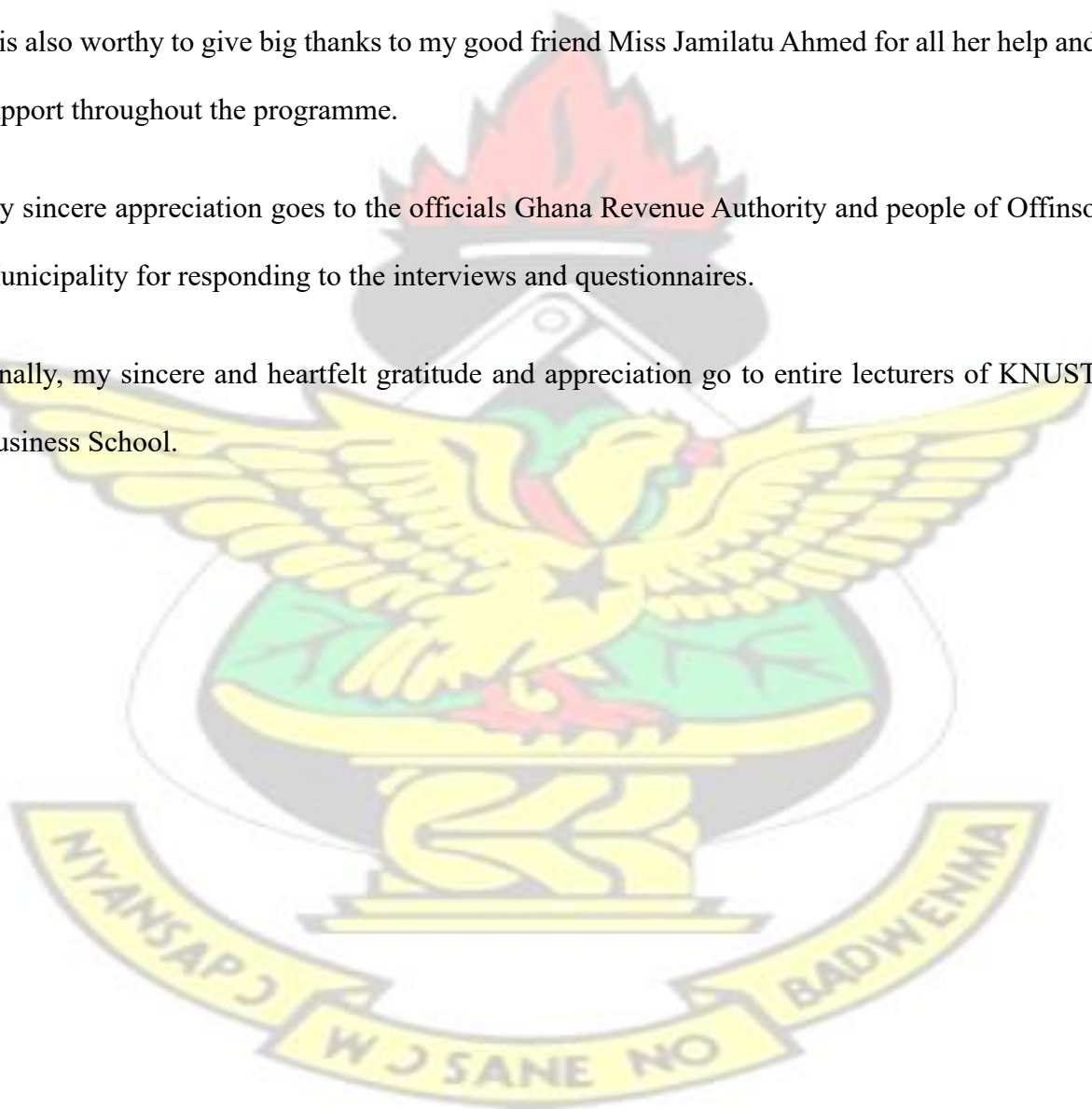
I am thankful to the Almighty Allah for His mercies, kindness, guidance and wisdom for making it possible for me to finish this work.

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ABSTRACT

Government revenue has been reduced due to the continuous evasion of indirect tax creating a gap between expected revenues and the actual revenues derived from this source. Based on this, the study sought to investigate the incidence of indirect tax evasion in the Offinso Municipality by identifying the sources and administration of indirect tax, the mode of indirect tax evasion and the causes of indirect tax evasion. To achieve this, the descriptive and inferential study collated data from taxpayers, intermediaries and tax collection agents in the Offinso Municipality using a semi-structured questionnaire and interview guide . The determinant of the indirect tax evasion in the Municipal was examined using the binary logistic model. The result of the study showed that indirect taxes in the Municipal are predominantly sourced from hotels, traditional cooking centres, sales of food stuffs, retailers, wholesalers, agro-based businesses, manufacturers, and service sectors like hair dressers, and many others in the form of Excise Duty and the National Health Insurance Levy. Some of the major acts or modes of indirect tax evasion revealed by both the taxpayers and the revenue collection agencies were non-declaration of incomes or corporate profits, trade mispricing through faked invoices, bribing of tax officers, misclassification of commodities and others. Factors such as high tax rate, bureaucratic nature of tax process, low tax morale of taxpayers, low quality of

the services in return for taxes and high level of corruption were all found to positively influence tax evasion. Based on these findings, the study made several recommendations including the adoption of effective and efficient computerized system, general public education on tax compliance, organisation of monthly seminars on taxes, provision of training programmes for tax collection officials and publication of tax revenue and expense.



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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In recent times, the part play by the legislature in many developing nations has gone far beyond the basic activities of external defence and internal law and order to that of an interventionist and active planning. The longing to elevate one's general public through intercession is the first craving of each devoted national. Tax payment is a show of such a craving. The payment of tax is a civic obligation and a forced commitment by government on her subjects and organizations to enable her fund or run public utilities and perform other social obligations. Taxes, in this manner, constitute the central wellspring of government income (Akakpo, 2007). Ghana, similar to any nation, relies on prompt payment of taxes to arrange and meet its improvement targets and aspirations. Together with advances and grants, these structure the substance of the government revenue.

Some contributory factors to this expanding role is the increase in the needs of growing population and the demand for more government services in the face of more urbanization and increase in per capita income for a variety of reasons. According to Hardwich Philip et al at every low levels of per capita income, the principal needs of the citizens are for essential necessities such as food, clothing, and shelter. The income elasticity of demand for these products falls as per capita income rises and there is an increase in demand for more luxurious goods at higher levels of income. In addition, higher levels of per capita income are associated with increasingly complex economies and societies, greater degrees of specialization among regions and among households and a greater interdependence on one part of the economy upon the others.

In perusing the national spending plan, the Minister of Finance may just hypothesize on the amount that will be accumulated in the national purse at a foreseen time, particularly from the payment of taxes because of organizations, associations and people who acquire wages and salaries and add to the Pay As You Earn (PAYE) system, Value Added on the grounds that the cash is not promptly accessible for disbursement. The same applies to advances and grants. The governments of developing countries usually wish to increase amount of development oriented services such as education, training, agriculture extension and research. This has put the government under pressure and they are now faced with the herculean task of how to raise the necessary revenue to meet the ever increasing levels of government expenditure.

The principle objective of governments is to expand the rate of monetary development and thus raise the standard of living of their citizens to levels which could be compared favourably with those of the developed countries in a relatively short time. For this to be achieved however there must be the provision of the basic infrastructure which is a prerequisite, if there is to be growth in the other sectors of the economy. Due to the relatively low levels of income, the general high poverty level, high levels of subsistence agriculture and thus high cost of providing these infrastructures, the government of many, if not all, developing countries have become the sole providers of these services in their efforts to achieve economic development and the functions continue to expand. People do not typically comprehend why subsequent to apportioning such a great amount for a specific venture in the national spending plan, the said venture here and there never takes off, or, best case scenario, there is a long postpone before it takes off. In some cases the payment of compensations and particularly salary increases delay for quite a long time before the recipients appreciate the package.

Taxes are usually categorized as either direct or indirect, although the distinction between these two categories is not always precise. Direct taxes are those levied with income or with capital

(property) as a base or all those levied or charged specifically on individuals and corporate bodies. Under this, we have the income tax (charged on the aggregate wage of people, trusts, estates, and corporations) and capital gains tax charged on the sale and disposal of assets at a profit. Others are the selective alien tax, stamp duty, hotel and restaurant customer's tax and the night club licensing fees (Abdallah, 2006). In Ghana, the Ghana Revenue Authority (GRA) administers both the direct tax and the indirect tax.

Indirect taxes on the other hand, are of a more general application. They are assessed on transactions or production of particular goods or services. Under this we have the export taxes and the value added tax (VAT). With indirect taxes the incidence are on other persons. The administering authorities which levy the taxes on goods and services do not collect the taxes from the individual consumers but do so indirectly through the manufacturers, importers, exporters and other intermediaries (Abdallah, 2006). For the purpose of analysis, taxation can be divided into two broad areas namely tax policy and tax administration.

1.2 Statement of the Problem

Tragically in a manifestly obvious sense tax administration is tax policy in developing countries including Ghana. In a bid to achieve desired levels of revenue and different objectives of social and monetary improvement, many developing countries apply the tools of taxation through policies which ignore this creation of a conducive climate to enhance the successful implementation of these policies. Yet the significance of tax administration in the tax system cannot be over-emphasized in light of the fact that it assumes a pivotal part in deciding the genuine or effective tax system.

Ghana's tax structure which has been set up throughout the years has not been well organized. One important consequence of this neglect to give tax administration the boost it needs is the large scale tax evasion in the country.

A common complaint heard in Ghana, and as a matter of fact throughout the world, is that people do not want to pay taxes because they do not believe that government spends the money wisely or worse the money is spent or lost due to inefficiency and corruption. Paying taxes is making a financial sacrifice and unfortunately the circumstances of the Ghanaian economy are such that people are not willing to make such sacrifices. Thus making the application of the tax tool generally difficult. For a government to collect any reasonable amount of public revenue and for any tax tool to be successful a lot depends especially on the willingness of the tax payers and the literacy rate and also on the reliability of accounting systems and the existence of a predominantly money economy. Under direct taxation as honed in Ghana, the significant issue lies in the accumulation of the taxes particularly from the independently employed, for example, the specialists, builders, proficient experts like legal counselors, specialists, accountants, engineers, dealers in shops and hawkers among others.

With indirect tax the incidence of the taxation falls on the third parties but the taxes are being paid to the collecting agency by intermediaries like manufacturers, producers, exporters and importers. The problem with indirect tax collection is in some cases is that the final tax payer does not know the existence of the tax they are paying for. If the intermediaries collect the taxes from their consumers and do not pay it then they are not only evading the tax but also cheating their customers.

Government revenue has been reduced because of the continue evasion of indirect tax. Indirect tax evasion should not be allowed to continue for the country to be able to meet up with its aspiration of a better economy by 2020.

The total actual indirect tax revenue for the Ghana Revenue Authority of Offinso Municipality is usually less than the anticipated total indirect tax revenue. For instance in 2013, the anticipated total indirect tax revenue amounted to GH¢187,472.00 but the actual indirect tax revenue collected was GH¢99,809.00 which was less than the revenue anticipated (GRA-Offinso Municipal, 2015). This phenomenon has been occurring for the past years. This may be largely attributed to indirect tax evasion which is giving rise to the lower indirect tax revenue collected for the municipality. Taxpayers prefer buying from a non-VAT registered shops than a VAT registered shops, which is among the reasons for the lower indirect tax revenue. Also, taxpayers and the intermediaries would like to bribe the tax officials than paying for the amount due of the indirect tax leading to the emergence of corrupt tax officials among other reasons.

1.3 Objectives of the Study

1.3.1 General Objective:

To examine the incidence of indirect tax evasion in the Offinso Municipality.

1.3.2 Specific Objectives:

- 1) To identify the sources of indirect tax in Offinso Municipality
- 2) To assess the indirect tax administration in the Offinso Municipality
- 3) To identify the existence of indirect tax evasion in the Offinso Municipality.
- 4) To assess the causes of indirect tax evasion in the Offinso Municipality.

1.4 Research Questions

1. What are the sources of indirect tax in Offinso Municipality?
2. How is the indirect tax administered in the Municipality?

3. Is there evidence of existence of indirect tax evasion in the Municipality?
4. What are the causes of indirect tax evasion in the Offinso Municipality?

1.5 Justification of the Study

Tax evasion is a general wonder. It happens in all social orders, every single social class, all profession and every economic industries. It is often undetected and its extent is difficult to measure. Tax evasion results in the loss of revenue to the government. It also fosters inequitable distribution between the various classes of taxpayers because individuals with comparable income frequently wind up paying altogether different taxes as a result of the distinctive open doors for tax evasion.

In years past, indirect taxes have generated more revenue for government of Ghana and other developing countries than direct taxes. One finds a predominance in government revenue of taxes on international trade (both import and export), followed by taxes on income and property. Though the pattern may vary from country to country, the general pattern in developing countries is one of greater dependence on commodity or transaction taxes than on income or property taxes. However, direct taxes have a greater ability to reach a high concentration of income and wealth than the indirect taxes because they (direct taxes) are based on income. They have a greater ability in influencing the flow of capital investment to move to the priority areas of economy than the indirect taxes which are based on consumption. Direct taxes (especially income taxes have the potential to boost the developmental efforts in Ghana and other developing countries.

The study is important in that it calls for attention to be paid to tax evasion especially with the political problem of rising deficits. If this problem is tackled and solutions implemented, there

should be increased tax yields which will play a very important role in restoring macroeconomic balance in Ghana as well as fill the missing gaps created by the indirect taxes.

There is the need to devote more resources to measuring and combating the evasion of taxes. The flaws in the administration of existing tax laws could be improved to increase revenue collection. If these flaws are corrected, we believe that the government of Ghana would not encounter much difficulty in raising revenue to meet its development needs.

1.6 Limitation of the Study

Although the study can be conducted for the whole of the Ashanti Region and the nation as a whole because of the study's economic benefits to the nation, only Offinso Municipality has been chosen as the case study area because the researcher was constrained with time. Due to time constrain the research was limited to Offinso Municipality, since the researcher is a student and at the same time a worker on a full time basis. Therefore the researcher would have to manage time to work, study and conduct research at the same time. Notwithstanding time as a limiting factor, the researcher hoped to go beyond the Offinso municipality in a subsequent research. Also a sizeable number of the respondents were hesitant and others declined to help with the organization of the questionnaires subsequent to the vast majority of them asserted that through their answers they could be victimized. To reduce the level of this problem, the researcher highly encouraged anonymity in the answering of the questionnaires to ensure confidentiality. Financing was also another limiting factor of the study. Moving from Abofour to Offinso day in day out was extremely costly. The researcher managed the available finance to move around the municipality to gather the necessary information.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This segment of the research surveys literary works identified with incidence of indirect tax evasion. The review begins with the discussion of taxes in Ghana, and emphasizing more on indirect taxes. Other major sections reviewed in the chapter included tax incidence, tax evasion, factors influencing tax evasion, the modes of tax evasion in Ghana and the measures to prevent or reduce tax evasion in Ghana.

2.1 Taxes in Ghana

Taxes are not another marvel; they are as old as human advancement itself. Tax can be characterized as the charge demanded by the administration of a nation upon its dwellers for its defend or with the end goal of encouraging people in general of that nation. As indicated by Dalton (1920), a tax is an obligatory commitment forced by a state power, independent of the precise measure of administration delivered to the citizen reciprocally, and not as punishment for any legitimate offense. The key part of every one of these definitions is that there is a lawful impulse to pay or to give and one normal component between taxes is that they are forced by law.

The Internal Revenue Act 2000 (Act 592) does not define tax but offers the following provision: Section 1(1) state that, a man who has a chargeable wage should pay, subject to this Act, for every year of appraisal salary charge as computed as per this Act. Areas 5 and 6 characterizes chargeable wage as the individual's aggregate assessable pay for the year of evaluation from any business, livelihood or speculation accumulating in, got from, brought into, or got in Ghana

amid any bases time of the individual consummation inside of the year of appraisal yet does exclude absolved pay.

Expenses are neither a deliberate installment by the native nor like a blessing. Maybe it is a maintained installment to the organization. On default of it, the national will be deserving of law. The inspiration driving assessments is to make welfare for the overall population by giving open administrations, security to properties, barrier costs, monetary framework et cetera. There are four main roles of tariff which are wage (assemble an aggregate of cash for government), redistribution (trade from rich to poor), repeating (forced on destructive things illustration tobacco, carbon), representation (obligation to general populace by the administration) (Abdallah, 2006). In the occasion of direct charges, the natives are all around more curious to consider their burdened pay. That is the reason they stretch the organization for the representation of its use. Charges are forced at assorted rate rates. These rate rates are controlled by contrasting and salary or usage level. It has three key sorts that are dynamic, backward and relative rates. The percentage of tax charged determines the nature of tax and this is determined by the type of tax implemented. For instance, with the progressive tax; the percentage of tax rate rises as income rises; alternatively, higher income attracts proportionately higher taxes compared to lower incomes. The regressive tax, payments as a percentage of income declines as incomes rise, in other words, the lower the income the higher the proportion of tax paid and vice versa. However, a tax is neutral if payment as a percentage of income is constant as income rises (Bird, 1992).

There are two noteworthy sorts of charges which are immediate and backhanded expenses. There are particular points of view about the importance of these two sorts. In essential words it can be depicts as: direct charges are those the heaviness of which is particularly brought about

by the citizen and rather than this if the heaviness of duties is traded to other or open, are called backhanded assessments. Backhanded assessments fuse custom obligation, deals expense, extract obligation, Value Added Tax(VAT), correspondence administration duty and so on.

2.2 Indirect Taxes

These are needed on persons in the longing that the charges will be moved or went ahead to others. Here the impact and occurrence are on various persons. They are called Indirect Taxes in light of the way that the controlling powers the Customs and Excise Service, which impose the charges on items, don't accumulate the expenses from the purchaser yet in a roundabout way through shippers, creators or diverse middle people. The moving or going on is effected epitomizing the whole paid in duties in the offering cost of the things depleted to the client (Abdallah, 2006). The payment and gathering of the taxes are simple and advantageous. As a rule, yield is elastic and evasion is truly difficult compared to direct taxes As a policy it can be used to restrict harmful consumption. They are regularly regressive and income may be uncertain where the interest for the taxed products is elastic. Indirect taxes are not always equitable and the incidence is not easy to determine (Abdallah, 2006).

Indirect taxes in Ghana fall into several groupings including: (1) Customs duties on goods imported from foreign countries; (2) Excise duties on home-created merchandise; (3) Value Added Tax on home-made merchandise; (4) Export duties on cocoa sold inside Ghana, and so forth. The custom duties on products imported from foreign nations incorporate Import Duties and Import VAT. Excise Duties include Vehicle Importation Tax, Special Tax, and the Health Insurance Levy. With the promulgation and publication of L.I. 1793, , the National Health Insurance Levy (NHIL) forced under section 86 of the National Health Insurance Act, 2003 (Act 650) became payable with effect from 1st August 2004. NHIL is charged at a single rate of 2.5% on every supply of goods and services made or provided in Ghana and every importation

of goods. There is also the export Development and Investment Fund Levy and ECOWAS Levy. This is an import levy of 0.5% each of the CIF value on all nonpetroleum products imported in commercial quantities. The sales tax is levied on commodities which in most cases, are liable to excise duties Bagchi, (1996). As excise duty and sale tax are required by the distinctive layers of government, it gets to be hard to focus wisely the effect of these levies on production, investment and the buyers. No endeavour to rationalize commodity tax system can succeed if the centre and the states demonstration autonomously without co-ordination among themselves. A firmly related issue is the taxation of inputs and capital merchandise, by the focal and state governments, through excise duty and sale tax respectively. The taxation of inputs and capital products add to cascading (tax on tax) and vertical incorporation of firms (Rao and Rao, 2005).

As indicated by Tanzi, (1996) the economic method of reasoning for forcing excises is altogether different from that of forcing general utilization taxes, for example, the VAT. While VATs should be wide based to grow pay with slightest bending, extract charges should be exceedingly particular, scarcely concentrating on two or three stock generally on grounds that their use includes negative externalities on society, for instance, tobacco, alcohol, petroleum things, and motor vehicles. Notwithstanding the way that the poor don't devour excisable stock, for instance, petroleum particularly, they may do accordingly in a roundabout way when they pay transport costs (Due, 1994). In any case, on account of unlucky deficiency of sufficient information in Ghana, it is unreasonable to take after the effects of extract assessment on destitute individuals. Ad valorem taxes oblige tax overseers to be talented, and to have strong information of bookkeeping (Bolnick and Haughton, 1998).

Irrespective of its numerous disadvantages, excise duties have several advantages. Customary excise taxes are truly easy to administer. This is on the grounds that taxpayer units are effortlessly identifiable and by and large work in the formal division, which makes it much less

demanding to gather income. Specific duties on extravagance items may be more suitable in coming to high-pay bunches than ineffectively upheld direct expenses on pay (Bolnick and Haughton, 1998). This is for the most part the case in most creating countries, where substitute stock for the exhausted items are conveyed in the casual segment, which escape tariff, and are used unreasonably by destitute individuals (Due, 1994).

2.2.1 Value Added Tax

Value Added Tax (VAT) was first introduced in Ghana on 1st March, 1995 by VAT Act of 1994 (Act 486) as part of the Tax Reform Programme which began in 1993. It was however repealed by government on 14th June, 1995 in response to a general public outcry, including demonstrations, against a steady increase in the prices of goods (including food items) which was blamed mainly on the introduction of VAT. VAT was reintroduced in 1998 with the passage of the Value Added Tax Act, 1998 (Act 546). VAT replaced the sales tax in order to improve revenue administration. Deals tariff on private creation was compelled to the collecting division, which put a lopsided taxation rate on their operations. Thusly it was prescribed that rather than relying upon a framework which assesses a couple sorts of shopper spending yet not others, it is perfect to supplant them with a general use impose that falls more evenhandedly on an a great deal more broad extent of purchaser spending in the nearby economy, in light of the way that low wage people pay unreasonably high expenses under the present arrangement. The VAT has given a critical alternative assessment source, especially because of its light pay base. A late IMF study has assumed that the VAT can be an average way to deal with extend charge incomes and modernize the general expense framework (Ebrill et al., 2002).

Investigations of the effect of the VAT in developing nations are still few, yet developing proof that the VAT is not a particularly regressive tax. Case in point, studies in Cote d'Ivoire, Guinea, Madagascar, and Tanzania all demonstrate that the poor pay not exactly their offer of aggregate VAT revenues, when measured against their offer of utilization. Thus the VAT has ended up being more dynamic than the trade taxes it regularly supplanted (Ebrill, 2002). Regarding straightforwardness, the VAT can encourage generous improvements in general tax administration, especially the foundation of more coordinated tax administrative systems and the advancement of present day techniques in view of wilful consistence. In numerous nations, activities occurring in the informal sector of the economy for the most part escape the direct tax system. On the other hand, an indirect tax, for example, the VAT can be utilized to tax undetectable citizens, for example, non-reporting plumbers and other home repair undertakings that purchase supplies from enlisted taxpayers (Bird and Gendron, 2006).

A few examiners propose that in the vicinity of a considerable informal sector, a tax like the VAT that falls on the formal segment obstructs monetary development and improvement. For sure, a recent study reasons that expanding utilization taxes most likely encourages the extension of the concealed economy if the work power of the production in that part is greater than in the formal segment. The right approach to execute VAT is through self-evaluation. This has brought about the disintegration of the base of the VAT through concessions at numerous levels and through general managerial shortcoming (Bird, 2005). A uniform VAT is prone to be regressive in light of the fact that it will fundamentally expand the price of numerous merchandise key to poor people, despite the fact that the poor will devour generally little measures of such items and a significant part of the advantage of extraordinary exclusions or low rates may go to the non-poor (Bird and Gendron, 2006). Notwithstanding these reactions

of the VAT, the VAT is still the best type of general utilization tax for developing nations, for example, Ghana.

2.3 Tax Incidence

„Tax incidence“ is a term used to define and ascertain the point where a tax is levied and collected by the tax administration (Yalama and Gumus, 2013). The incidence of a tax is the monetary weight and this is on the individual who at last pays the tax (Coricelli, 2010). The term consequently shows the "final resting place" of the tax. On account of direct tax, „tax incidence“ does not have any importance as the tax is levied directly on and collected from the tax payer. The key concept is that the tax incidence or tax burden does not depend on where the revenue is collected, but on the price elasticity of demand and price elasticity of supply. In the case of indirect taxes, tax is assessed, levied and collected from a person who later on passes the tax so paid as a part of the sale price of the commodity to the consumer or final user of the commodity.

In the context of tax on sale and purchase of commodities, tax incidence may be the first point, or the last point or multi point (Adediran et al., 2012). In the first point tax incidence, tax is assessed, levied and collected on the first sale of a commodity, usually by a manufacturer or an importer. Advantages of first point tax incidence are ease in assessment and collection of tax, least chance of tax evasion and small number of tax payers. Disadvantages are that value additions in subsequent production or distribution chain transactions are not taxed, in other words tax is levied and collected on the wholesale price of the commodity and not on the price the end user or final consumer has to pay for the commodity.

In the last point tax incidence, tax is assessed, levied and collected on the last sale of a commodity to a consumer or user, usually a retailer (Adediran et al., 2012). Advantages are that tax is assessed and collected on full value of the commodity as it reaches the end user or final consumer. Disadvantages are that the number of tax payers are very large and evasion of tax can be high.

In the multipoint tax incidence, tax is assessed, levied and collected each time a commodity is traded. In other words a commodity is taxed when sold by a manufacturer or by an importer. The commodity is again taxed as it changes hands during the commercial transactions till it reaches the final consumer or end user. Its advantages are that tax revenues increase. Disadvantages are that, the tax results into cascading effect on the economy.

There is a considerable list of studies in the literature of tax incidence analyses with empirical estimates extending far back for over half a century. Four studies that have vividly described the extent to which the tax system succeeds in transferring resources to the poor in African countries are: Uganda (Chen et al., 2001), Madagascar (Younger, 1996), Ghana (Younger, 1996). Sahn and Younger (1998) carried out studies in seven countries; South Africa, Tanzania, Cote d'Ivoire, Guinea including the other countries mentioned. The result of these studies indicated that the tax systems are quite progressive.

Different studies on tax incidence attempted in Latin America likewise create the same over all conclusion of progressivity or mellow progressivity of the tax systems, as on account of Guatemala (Bahl et al., 1996) and Mexico (Martinez-Vazquez, 2001). A few others checked on in Shah and Whalley (1991) likewise discovered an extensively progressive general incidence pattern with an exemption of Wasylenko (1986) who discovered an inverted Ushaped incidence

design (where income is redistributed from the middle income gatherings to the poor and the rich) in Jamaica. In developed nations particularly somewhere around 1950s and 80s, Atkinson and Stiglitz (1980) survey consequences of comparable studies with the incidence of taxation being roughly proportioned over an extensive variety of income. In OECD nations, Messere (1997) demonstrates by and large relative or gently dynamic example where governments had constantly made moves to principle proportionality or mellow progressivity of the whole tax system. Notwithstanding, as reported in Bird and De Wulf (1973), the discoveries on general progressive tax incidence throughout the most recent two decades stand out from those found in earlier studies. Of the 24 tax incidence studies some level of progressivity in the tax system. In this way, it might be that the move toward progressivity in later times has been because of progress in tax strategies or reforms (Atemnkeng et al., 2004).

2.4 Tax Administration in Ghana

Ghana has a for the most part long history of duty organization. The primary traditions law was instituted under common standard in 1855 and later supplanted in 1876 by a traditions law in light of the U.K. Traditions Consolidated Act, 1876. Wage assessment was displayed in Ghana under the Income Tax Ordinance in 1943. The two guideline income organizations before the VAT organizations were the CEPS and the IRS. In light of the slips in the managerial system, it was proposed to set up a third administration with the development of VAT in 1995 to combine local assessment organization in the nation. Regardless, Ghana has encountered assistant changes in the expense regulatory framework after some time. Until 1986, both the CEPS and the IRS framed piece of the common administration. In 1985, two laws, the Customs, Excise and Preventive Law (PNDC Law 144) and the Internal Revenue Service Law (PNDC Law 143), were gone to permit full operational and deficient money related self-governance to

these organizations (9). Note that the procurements of these laws, which set up the IRS and the CEPS as Services of the Republic, are kept up by the Constitution of the Fourth Republic (10). Plus, two convenient steps were taken in Ghana in 1985 to fortify pay organization in the country. These were the establishment of the National Revenue Secretariat (NRS) and the arrangement of the two huge income associations, the Customs, Excise and Preventive Service (CEPS) and the Internal Revenue Service (IRS), as self-overseeing foundations outside the common administration.

The Finance and Administration Departments of the IRS and the CEPS have accepted control over the administrative, secretarial, and accounting parts that used to be performed for their sake by common administration foundations (Jenkins and Terkper, 1992). The upgraded conditions of administration for staff of the income organizations have ensured that the IRS and the CEPS have the ability to name qualified staff, for instance bookkeepers, legitimate guides, and managers, to perform these capacities. Both associations have designated a specialist secretary who goes about as secretary to the board. The Solicitor Secretary's Unit has additional commitment with respect to each and every lawful issues that may influence the establishments (Jenkins and Terkper, 1992). Decentralization is viewed as critical by the administrations of both the IRS and the CEPS. The income capacity is sorted out on a local and an area premise and is going by competent powers of the income organizations. The locales are responsible for all examination, gathering, and implementation exercises performed at the region workplaces. On the other hand, the Field Audit capacities are accumulated at the Head Office as a consequence of the trouble of pulling in enough expert staff to work the country over. At long last, a sensible level of authoritative and monetary decentralization is permitted at both the area and provincial levels.

Ghana Revenue Authority Act, 2009 Act 791. This is the act to form the Ghana Revenue Authority to supplant the Internal Revenue Service, the Customs, Excise and Preventive Service and the Value Added Taxes and to provide for related purposes. The Act was passed by the President and Parliament on 31st. December, 2009.

2.4.1 Objectives of the Authority

The objectives of the Authority are to:

1. Giving an all encompassing approach to tax and customs administration.
2. Decrease administrative and tax compliance cost and give better service to taxpayer.
3. Advance effective collection of revenue and equitable sharing of tax burden and ensure more transparency and integrity.
4. Guarantee more prominent accountability to Government for the professional management of tax administration.
5. Enhance information linkage and distribution of information among the Divisions of the Authority.
6. Give an one-stop service for taxpayers for the filing of returns and payment of taxes.
7. Give normal tax procedures that empower taxpayers to be governed by a single set of rules.
8. Accommodate alternative matters identified with the improvement of revenue administration. (GRA Act, 2009)

2.4.2 Functions of the Authority

To accomplish the objects, the Authority shall:

1. Survey and collect tax, interest and penalties on tax due to the Republic with ideal efficiency.
2. Pay the money collected into the Consolidated Fund unless generally gave by this Act and different Acts.
3. Advance tax compliance and tax education.

4. Battle tax fraud and evasion and co-operate to that impact with other competent law enforcement agencies and revenue agencies in different nations.
5. Advise District Assemblies on the appraisal and accumulation of their income.
6. Make available and publish reports and statistics related to its revenue accumulation.
7. Make proposal to the Minister on revenue collection strategy.
8. Perform whatever other function in connection to revenue as directed by Minister or assigned to it under some other enactment.(GRA Act, 2009)

2.4.3 Barriers to Efficient Tax Administration

While charge laws force responsibilities on citizens to add to government salaries, the genuine measure of incomes spilling under the control of any legislature depends on the suitability of its expense organization (Bird, 2003). Inadequacies in income aggregations lead to deficient expense accumulations. Not simply do creating countries face an overwhelming battle in bringing individuals and organizations into the levy prepare however governments face lacking organization staff with low capacities, irregular measure of unlucky deficiency of instruction among citizens, nonattendance of logistics and nonappearance of dependable information (Kangave, 2005).

An important requirement is the nonattendance of adequate assets to oversee and encourage the operation of expense powers. Assets to control an expense can be generally isolated into two characterizations: Human Resource and physical assets. Human Resource is the quantity of expense authorities as well as the nature of assessment authorities.

Physical assets cover a more broad measurement, going from office structures and office gear to vehicles and correspondence system. These are the assets required by the HR in order to

guarantee staying with the expense laws. Due to money related requirements, various expense authorities don't have bookkeeping ideas that are vital to examining returns and this is increased by unlucky deficiency of agreeable preparing offices and open entryways. A large portion of the readiness are general in nature (Tanzi and Zee, 2000).

Unlucky deficiency of current innovation, especially PCs, to encourage the tariff procedure is another hindrance to viable expense organization. Starting in the no so distant past, the assessment organizations expected to rely on upon physically entering citizen's information into the records books, and keeping a voluminous measure of expense data in print.

The other issue is the lifted measure of unlucky deficiency of training in the Municipality. As demonstrated by the statistics GSS, (2010), 51.5% of the grown-up populace in the locale is proficient. The predominance of absence of education unavoidably impacts charge organization, in light of the way that citizens are not ready to document returns or record their pay sources and uses. Subsequently assess powers are for the most part not ready to gather fitting duties from such people (Bird, 2003).

2.5 Tax Evasion

Charge evasion all things considered insinuates illegal practices to escape from levy. To this end, assessable pay, advantages subject to charge or other assessable exercises are camouflaged, the entirety and/or the wellspring of salary are contorted, or duty reducing variables, for instance, findings, exclusions or credits are deliberately misrepresented (Alm & Vazquez, 2001; Chiumya, 2006). Charge evasion can happen as an isolated occurrence within exercises that are – in alternate points of view – legitimate. Then again impose evasion happens

in the casual economy where the whole development happens in a casual manner – this infers the business is evading duty installments and also not enrolled as formal endeavour by any stretch of the creative.

2.6 Factors Influencing Indirect Tax Evasion

There are distinctive clarifications behind duty evasion. In order to make techniques and instruments for fighting assessment evasion, it is fundamental to first develop a far reaching cognizance of the particular reasons essential these issues. These reasons can be recorded in two classes. The five star contains components that antagonistically impact citizens' consistence with expense order. These variables can be subsumed either adding to a low enthusiasm to pay assessments (low duty certainty) or to high costs to agree to expense laws. The inferior contains clarifications behind the low limit of assessment organization and fiscal courts to maintain charge liabilities. These variables can be sketched out as happening on account of deficiencies in the organization and gathering of expenses and also weak limit in assessing and checking duty installments which keep the probability to perceive and arraign violators.

2.6.1 Low level of (voluntary) Tax Compliance

The factors considered under this category include low taxpayers morale, and high compliance cost. The factors constituting low morale also include low nature of the administration consequently for duties, charge framework and view of decency, low straightforwardness and responsibility of open establishments, abnormal state of debasement and absence of tenet of law and powerless monetary purview.

2.6.1.1 Low Tax Morale

Citizens' capacity to pay charges changes by and large over the world. It can't be seen as essentially depending upon the tariff rate. Perhaps, exact exploration shows that citizens all through the world pay a greater number of assessments than can be cleared up by even the most paramount conceivable levels of analyzing, disciplines and danger shirking (Alm et al., 1992, 2007). These a lot of assessment consistence result from the expense soul of society that develops self-prerequisite of duty pleasantness. Expense resolution is, then again, hard to set up. Especially countries without a significant built up "society" and inclination for paying taxies believe that it is difficult to develop duty soul. This "willingness to pay" of the citizen is influenced by the going with variables.

2.6.2 Weak Enforcement of Tax Laws

While the previous segment analyzed the hotspots for low consider consistence and high administrative costs of expense consistence, the present fragment swings to challenges in the approval of assessment laws. There exist a couple of circumstances that control charge organizations from performing their abilities fittingly along these lines extending the probability of duty avoidance. Mishaps in duty gathering frameworks and furthermore weak breaking points of expense organizations to perceive and charge violators are both parts that add to a low authorization of assessment institution.

2.6.2.1 Insufficiencies in Tax Collection

Concerning assessment gathering, various creating countries face difficulties with respect to fundamental premises for a well-living up to expectations charge organization, especially with respect to distinguishing and managing those subjects and firms that are committed to expense installments. Notwithstanding the way that there has been progression, assessment

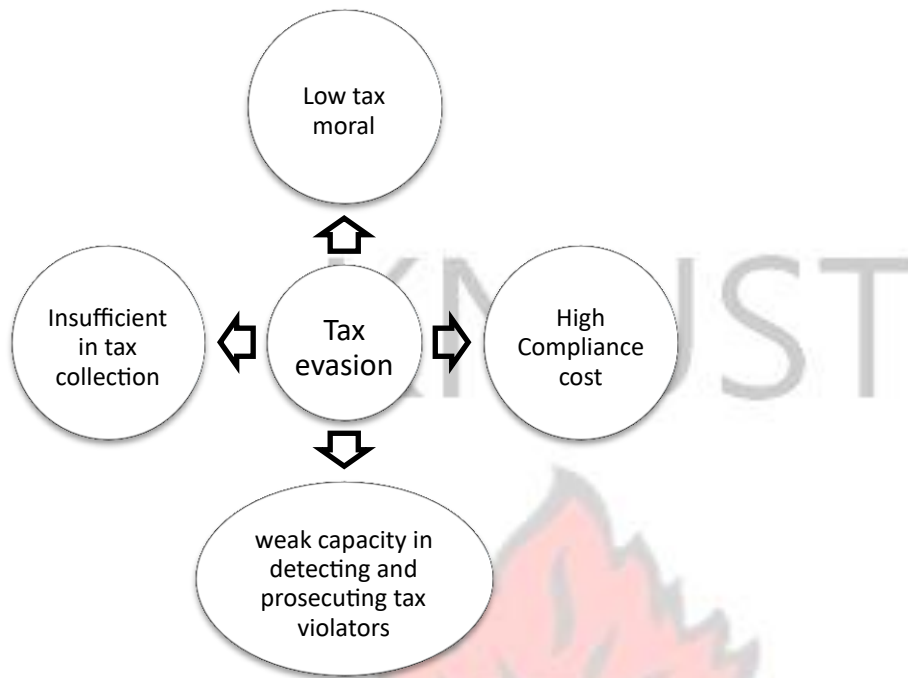
organizations' capacity to present and bolster illustration well-living up to expectations duty registers still stance genuine inconveniences in various creating countries. Issues of inadequate breaking point may in like manner happen on account of the various levelled set up of the expense organization and its relationship to the Ministry of Finance. At the point when all is said and done, there are two procedures for the authoritative set up of duty organization. The main decision is the place the Ministry of Finance itself expect the duty organization limit and workplaces within the Ministry of Finance accumulate charges. The second decision is a semi-self-governing pay power where charge organization is moved out the Ministry of Finance into an alternate component. Routinely, assess organization and gathering by Ministry of Finance were seen as inefficient and encountering degradation and high consistence costs (Fjeldstad/Moore, 2009). Thusly the arrangement of semi-selfgoverning wage forces has been looked for after in various creating countries generally as an element of broad duty organization changes. Moreover, unclear commitments concerning the aggregation and organization of specific sorts of expenses by assorted establishments can incite inefficiencies and duty incidents and oblige a reworking of the assessment organization. Normally, an authoritative approach as demonstrated by the elements of duty associations is seen as more profitable than one after differing assessment and wage sorts.

Likewise, one needs to oversee as an essential worry that assessment organization and duty strategy are intertwined circles. Charge arrangement clearly impacts the costs and the association of the duty organization. Additionally, the points of confinement of duty organization affect the way impose approach is completed. Thusly, both districts of duty arrangement and additionally impose organization must be investigated when laying out viable assessment changes. Something else, the right meeting expectations of the general structure is impacted. Thusly, the expense framework should be conformed to the authoritative and legitimate essentials of the particular country (Dischinger& Riedel, 2010).

Qualified, all around readied and inspired duty powers are basic for the social event of duties and the execution of expense association bodies when all is said in done. Remembering the finished objective to inspire charge powers to work as per the enthusiasm of government and to reduce their weakness to debasement, thought must be given to pay and diverse inspirations.

Finally, assess laws in various countries, especially in creating countries, changes rapidly, thusly conveying unreliability and low straightforwardness of the duty code. Consequently, tangled expense sanctioning and advancing changes of the duty code confound charge supervisors and natives alike. This produces satisfactory open entryway for duty avoidance (Mo, 2003). Also, it realizes charge avoidance which is not think, yet rather happens in light of nonappearance of data and absence of mindfulness. In stunning cases, charge avoidance and evasion even get the opportunity to be unavoidable when the assessment structure ends up being too much astounding and/or clashing to take after. The reasons recorded above don't happen in separation and some are commonly upholding. Regularly, assess avoidance and evasion are by-after effects of lacking political, financial and social administration in a country. Especially in these circumstances – which are not untypical for some creating countries – any 'way out procedure' a long way from avoidance and shirking ought to be in perspective of a critical examination of the current situation and the sorts of expense shirking and avoidance used overwhelming.

Figure 2.1: Facilitating factors for Tax Evasion



Source: Mo (2003:34)

2.7 Modes of Tax Evasion in Ghana:

There are assorted routines for expense flight approaches that are used by private individuals or associations with the motivation to minimize or circumvent their duty commitment. The fragment hopes to give a wide graph on the most pervasive instruments that are obliging salary planning endeavours in creating countries.

There are particular systems for dodging duty responsibilities that mishandle national assessment laws. These fuse bending and non-statement of individual wage or corporate benefits to avoid direct salary tariff or assessment responsibilities occurring in view of offers of products and administrations. In this setting, holding seaward budgetary records to camouflage assessable salary from duty convincing voices in the country of living arrangement grants charge evaders to benefit from low or zero duties abroad, manhandling bank mystery and poor money related regulation abroad. The resulting expense income adversity for creating

countries is liberal: According to gauges reported by Global Financial Integrity (GFI), creating countries have lost \$858.6 billion-\$1.06 trillion in unlawful monetary surges in 2006 (Baker, 2005).

Misclassification of wares and convey of stock as another wellspring of duty avoidance originates from the misclassification of items subject to unmistakable VAT rates with the motivation to decrease charge liabilities or expand claims for expense rebates. Related to salary setbacks originating from expense avoidance activities is the sneaking of stock crosswise over fringes as a strategy for sidestepping not just VAT liabilities and in addition distinctive sorts of backhanded charges, for instance, traditions and extract obligations. In another illustration, subjects pay off duty powers to refrain from paying assessments. Creating countries that experience the evil impacts of inefficiencies in the association and requirement of assessments are exhibited to paying off activities by associations as showed because of Bangladesh where sugar shippers avoided 90 % of extract charges in a joint exertion with degenerate duty powers (TJN, 2003).

With everything considered, observe that the above portrayed systems for duty avoidance are not absolutely disconnected yet rather may in like manner happen as a result of one another. For example, unlawful monetary related streams that are composed to seaward records may occur as a result of continues that are acknowledged through criminal activities, for instance, the sneaking of items or bogus control of VAT records or pay off.

In the most clear case, missing exchange extortion fuses under-falsifying so as to report of offers records and records allowing the fraudster to assemble charges without dispatching them to the assessment power. Hence, misrepresenting buys and fashioning receipts to extend the

measure of VAT rebates are systems joined especially by new associations where corresponding levels of offers are not expected expeditiously (Keen and Smith, 2007).

2.8 Measures to Curb Indirect Tax Evasion

There is a far reaching blended sack of reasons and variables adding to a condition where charge avoidance happens on a broad scale. Charge avoidance may rise up out of low assessment certainty, high consistence expenses or may realize the course of firms' tries to open up benefits by lessening their duty liabilities. If, for case, as far as possible is low, change procedures should either not be unnecessarily objective arranged or be joined by wide point of confinement progression exercises. If, on the other hand, as far as possible is high, clear change methodologies will most likely be successful. Still, such a method would be unequal as in more unpredictable and more aggressive changes could starting now be begun.

2.8.1 Taxpayer Education and Taxpayer Service

The impact of learning on suitability practices has been reviewed in diverse looks into. Information as one of the variables in consistence is related to the residents' ability to understand assessment laws, and their capacity to come. The piece of discovering that distinguishes to consistence is the general perception about tariff regulations and data identifying with the opportunity to dodge charge (Kasipillai, Norhani, and Noor, 2003). Taxation knowledge is important to expand public mindfulness particularly in territories concerning taxation laws, the roll of tax in national improvement, and particularly to clarify how and where the money gathered is spent by the government (Mohd, 2010). Attitude towards tax consistence can be enhanced through the upgrade of taxation knowledge. At the point when a citizen has an inspirational state of mind towards tax, this will diminish his or her slant to evade tax payment (Eriksen and Fallan, 1996). Self-Assessment System (SAS) obliges citizens

to understand all the laws and regulations that administer taxation. This is essential on the grounds that citizens will need to compute themselves the amount of tax they have to pay and make the payment (Kasipillai, 2003). Taxpayers will promptly acknowledge any new framework introduced, similar to the SAS, in the event that they have sufficient knowledge to comprehend the framework. Accordingly, education programmes sorted out by the tax authority or other government funded training foundations are expected to upgrade citizens' capacity to comprehend Self-Assessment System and to expand their trust in satisfying their obligations as citizens (Mohani, 2001).

More education is directly connected to a probability of compliance. Educated citizens may be mindful of resistance opportunities, yet their conceivably better comprehension of the tax system and their more elevated amount of good improvement advances a more ideal taxpayer disposition and along these lines more prominent agreeability (Chan et. al. 2000). Chan et al. (2000) additionally proposed that those with an advanced education level are more inclined to have a high level of moral development and higher level attitudes toward compliance and in this manner will have a tendency to agree more. One of the measures to build willful agreeability is by guaranteeing that citizens have a certain level of qualifications, capacity and certainty to practice their tax obligation (Mohani, 2001). Citizens who have gone to a tax course would be required to have better tax information and tax agreeability mentality in comparison with citizens who have never gone to a tax course (Mohd, 2010). Hite and Hasseldine (2001) highlighted that tax authority need to emphasize teaching tax courses on account of effect of education on compliance.

2.8.2 Addressing Weak Enforcement at the National Level

Charge organization changes are a crucial bit of any convincing technique to strengthen implementation at the national level. Measures around there join unmistakable philosophies of

hierarchical change such like the arrangement of semi-self-governing wage powers, setting-up of Large Taxpayer Units(LTU) and furthermore limit advancement, for instance, trainings and courses on picked subjects, case particular courses in the zone of perceiving illegitimate benefit moving activities or assessment extortion, also modifying of the pay timetable to offer satisfactory helps remembering the finished objective to attract and initiate able staff and to minimize the risk of corruptive behavior.

Changes implying the association of the organization are a sensible stride to enhance law authorization. Often, the hierarchical setup of the assessment association is a reason behind the degree and normality of inefficiencies. Along these lines, open association changes should go for disentangling the authoritative assortment of expense associations and its working structure. For example, countries could endeavour to decrease the amount of powers overseeing duty issues and bring together the social occasion of assessment earnings to one single force. Between and inside particular forces, abilities ought to be partitioned and differing workplaces inside of the establishments ought to be instructed explicitly. Especially in regards to exchanging data inside of the foundation, rearrangements of the administrative association may be a significant duty.

Methods to strengthen charge organization should in like manner focus on decreasing administrative costs inside the assessment association. Hence exhibiting exceptional taxpayers identification numbers are seen as a supportive instrument as they energize crosschecking of information between particular sorts of expenses, for instance, VAT and pay charge. Besides, checking and assessing of duty installments and expense unfulfilled obligations are less requesting if an exceptional citizen distinguishing proof number exist. Thus, the arrangement of a large taxpayers unit (LTU) considers specialization of assessment analysts and in this way

fabricates capability. In addition, LTUs help charge association concentrate each and every open ability to those associations that contribute noteworthy means residential incomes.

The occasions of Ghana frameworks that the establishment of LTUs is particularly suitable to target limited authoritative limit in creating countries. Then again, in any case these purposes of interest, one needs to hold up under at the highest point of the need rundown that the making of LTUs may back off strategy of organizing all locals into the duty framework as time goes on. Counting little and moderate measured undertakings furthermore regular persons into the expense structure is critical to get society included in broad daylight money and to fortify a state's credibility and obligation. If occupants pay charges they are more stressed over how the governing body spends their cash. Exhausting little citizens prompts a fundamental checking of both the administration and other greater citizens by individuals all in all, along these lines strengthening shared obligation.

Complex and often changing expense laws cause perplexity and shakiness among assessment powers and residents. Tending to insufficiencies in the duty system is in this way apparently as discriminating as strategy orientated change exercises that overhaul the convenience and straightforwardness of the levy methodology. Particularly little and medium size enterprises (SME) with simply confined definitive cut-off points and private family units don't simply encounter the evil impacts of the bureaucratic weight of confused expense methods moreover from the many-sided quality nature of the assessment system itself. Reducing so as to disentangle the (corporate) pay duty structure the quantity of assessment sections and high statutory expense rates cuts down the levy rate and may support resolute consistence (Global Financial Integrity, 2008). A complete change of the evaluation law may be more reasonable

than enhancing the structure directed, along these lines gambling a complex money related law as is customary in various (creating) countries today.

For sure, the Tanzanian Revenue Authority successfully realized a modernized tax administration system (iTAX) which revamps charge consistence and adds to enhanced viability of duty amassing and also looking into strategies (GTZ, 2010). Charge blackmail and avoidance are moreover an eventual outcome of a delicate lawful. Tending to wage shortfalls needs to keep running as one with administrative changes fortifying the standard of law. This consolidates lacking control and prosecution of violators which must be taken care of when recognized assessment lawbreakers face stricter disciplines that are sufficiently executed by courts. As demonstrated by Fishlow and Friedman (1994), higher disciplines go about as a block and help to upgrade charge pleasantness. To achieve this target governments need to sustain the principle of law and make cut-off points of examination powers. Plus, examiners and likewise courts and judges should get more noticeable sponsorship from administrators in order to complement the hugeness of this issue.

2.8.3 Fines and Penalties

Fines and penalties rates may substitute one another because of their multiplicative linkages as long as neither of them is situated to zero (Kirchler et al 2007). Higher fines just make evading taxes more risky for citizens and ought to discourage them from evasion. Empirically, the obstacle impact of fines could not generally be bolstered. The watched impacts were weaker than anticipated and a few studies even recommend that an increment of punishments can have undesirable impact and result in more tax avoidance (Kirchler et al, (2007). Alm et al., (1992) backings the proof that fines do influence tax agreeability however the effect was practically zero. Friedland et al., (1978) compliance was unequivocally influenced by the amount of fines than by audit probabilities. A few studies however discovered no backing for the preventing

impacts of fines since it was powerless (Andreoni, 1998). Some of the discoveries proposes that a policy taking into account discouragement is compelling just in blend with continuous Audits (Kirchler et al., 2007).

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview of Methodology

This chapter explained the research methodology adopted. The chapter explained the research design, the population and the sample and sampling technique of the study. The chapter then layouts the explanation behind the selection of the various research methods. It likewise gives an outline of the data collection methods utilized for the study, and in addition the means used to analyse the data. The last section of the chapter talks about the validity and reliability issues that improve the quality standard of the research.

3.2 Research Design

The current study employs descriptive design and inferential analytical tools. Descriptive studies also known as statistical research, portrays data and characteristics about the population or phenomenon being studied (Howick, 2009). Be that as it may, it does not answer questions about how, when and why the characteristics happened, which is done under analytic research. This method is appropriate because the current study seeks to measure respondents' perception of indirect tax evasion in the Offinso Municipality. In this sense, the study tries to give a precise description of respondents' observations of phenomena (tax evasion). Other element of descriptive study employed was the case study approach. The study was limited to the taxpayers, intermediaries and revenue agencies in the Offinso Municipality. Data for the study were principally collated using a triangulation method. Well designed semi-structured questionnaires and interview guide were employed in the data collection.

3.3 Population of the Study

The target population of the current study included all taxpayers, revenue agency personnel and indirect tax collection intermediaries of the Offinso Municipality. During the period of the

study, the Offinso Municipality had CEPS personnel of 37 and 28 VAT Service personnel. However, target population of the tax payers and the intermediaries cannot be defined.

3.4 Sample Size and Sampling Techniques

The sample size for the present survey was one-hundred and ninety-five (195); and constituted sixty (60) revenue agency personnel, one-hundred and twenty taxpayers (120) and fifteen (15) indirect tax collection intermediaries in the Offinso Municipality. The appropriateness of this sample size of the revenue agency personnel is supported by the De Vaus (2002) sample size proportion formula approach which has been utilized to compute the fitting sample size as demonstrated as follows:

$$n = \frac{N}{1 + N(\frac{z}{2})^2} = \frac{37}{1 + 37(0.05)^2} = 1.0925 = 34 \text{ Personnel of CEPS}$$

$$n = \frac{N}{1 + N(\frac{z}{2})^2} = \frac{28}{1 + 28(0.05)^2} = 1.07 = 26 \text{ Personnel of VAT Service}$$

n = Sample size

N = Population

$\frac{z}{2}$ = Error term

The analyst uses the multi-stage sampling procedure in the accumulation of the required data. A multistage sampling procedure is proper in trying to keep away the utilization of all sample units in all chose clusters (Saunders et al., 2009). Moreover, multistage sampling avoids unnecessary and maybe high cost connected with traditional cluster sampling. In the first stage, the sample size of the study was first stratified into three noteworthy strata including taxpayers, indirect tax collection intermediaries and revenue agencies. In the second stage, the 120 taxpayers and the 15 indirect tax collection intermediaries were sampled through a convenient

sampling procedure. However, the revenue agencies (VAT and CEPS personnel) were sampled using simple random sampling by balloting procedure.

3.5 Data Collection

The data utilized for the study were principally primary data. Cross-sectional data were gathered through a field survey of 120 taxpayers, 28 personnel of VAT services, 37 personnel of CEPS and 15 indirect tax collection intermediaries in the Offinso Municipality.

Information was collected on the respondent's perception of indirect tax evasion; the source of indirect taxes, administration of indirect taxes, the factors influencing indirect tax evasion; and the remedies for controlling indirect tax evasion. The data was principally obtained with the guide of a questionnaire and interview.

3.5.1 Questionnaire

The study essentially reckoned on a semi-structured questionnaire for gathering data. Three separate questionnaires were designed for the three principal groups of respondents. The questionnaires were developed and built on both closed and open-ended questions. These forms of questionnaire were especially utilized in the sense of capturing the objectives 3 and 4 of the study. The questionnaires were self-administered with the respondents.

The questionnaire for the taxpayers and the intermediaries was partitioned into four parts: (A) the first section had to do with the respondent's demographic attributes, such as age, sex, educational level, marital status and nature of employment, (B) the second part of the questionnaire gives things to measure taxpayers perception of tax evasion and the factors influencing indirect tax evasion, (C) the third section provided items to determine the modes

or acts of indirect tax evasion, and (D) the fourth section provided items to determine the useful measures to reduce indirect tax evasion.

In a similar vein, the questionnaire for the personnel of the revenue agencies (CEPS and VAT Services) was divided into four parts: part one discusses the socio demographic information of the revenue agency personnel; the second section determines the tax evasion and the factors influencing tax evasion in the municipality; the third section discusses the modes or ways of indirect tax evasion; and the last section discusses the measures to reduce tax evasion in the Municipality. Some of the items or explanations were measured through a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

3.5.2 Interview

In this section of the study, the sources of indirect tax and tax administration in the Offinso Municipality were investigated using semi-structured interviews. The key informants were two (2) tax collection officials, each from CEPS and VAT Services. In the semi-structured interview technique, the interviewer has a list of predetermined inquiries to be asked of the respondents. The predetermined questions just guide the discussion while at the same time giving the open door for the interviewer to investigate particular themes or responses further (Tuomi and Sarajarvi 2002). Then again, the list of questions guarantee that the same fundamental lines of inquiry are led with every interviewee (Patton, 2002).

During the discussions with the respondents, the interviewer can adjust the questions in trying to find unexpected information. The interview permits the analyst to figure out what is in another person's mind and what his or her point of view on the studied phenomenon is (Patton, 2002). These two variables were the primary reasons behind for choosing the interview method,

particularly the semi-structured interview, as a supplementary data collection instrument. The method is utilized as part of this section to get an understanding of the tax administration and the major sources of indirect taxes in the Offinso Municipality.

3.5.3 Data Collection Procedure

The analyst started the administration of questionnaires by sending a prior notice to the staff of the CEPS and VAT Service and the indirect tax collection intermediaries to inform them of the study in the Offinso Municipality on the 1st of June, 2015. As per the response got on the fifth of June, 2015, two weeks were allowed for the administration of the questionnaire to all the sampled staff and intermediaries selected for the study. The administration of the questionnaires was not to take over fifteen minutes with every respondent. Along these lines, to spare time and decrease the level of inconvenience to the revenue agencies, the researcher hired the administrations of two well-trained enumerators to help in the administration of the questionnaires. Between 6th June, 2015 and 8th June, 2015; the first batch of the questionnaires were administered to the 34 sampled personnel's of CEPS. In the ensuing days of 9th June 2015 to 11th June 2015, the second batch of questionnaires was also administered to the 26 sampled personnel of VAT Services, 120 sampled taxpayers and the 15 intermediaries. However, it should be emphasized that, out of the total questionnaires of 195 distributed, 185 were successfully administered constituting 118 from taxpayers, 14 from the intermediaries and 53 from the revenue agency officers. This therefore gave a response rate of 94.9%.

3.6 Data Analysis

The objectives of this research were broken down descriptively and inferentially. The descriptive analysis conducted included the use of tabular analysis (percentages and frequencies), and mean for talking about the key variables involved in the study. The objective 1 and 2 of the study were

analysed using content analysis since the data was obtained through interview with tax collection officials. A binary regression analysis was also conducted to determine the factors influencing indirect tax evasion. The binary regression analysis was conducted using the STATA 13; whereas the rest of the analysis were conducted using the Statistical Software Programme for Social Sciences (SPSS). The objectives 3 and 4 of the study however were analysed with the aid of the Relative Importance Index (RII). Relative Importance Index (RII) method was used to determine the relative importance of each of the factors. The five-point scale ranged from 1(Strongly Disagree) to 5 (Strongly

Agree) was adopted and transformed to relative importance indices (RII) for each as follows:

$$RII = \frac{\sum W}{A * N}$$

Where

RII = Relative Importance Index

W = is the weighting given to each factor by respondents ranging from (1 to 5)

A = highest weight (that is 5 in this case)

N = Total no. of respondents

The RII value had a range from 0 to 1 (0 not inclusive), higher the value of RII, more important was the factor or its influence on tax evasion.

The RII was used to rank the different factors influencing tax evasion. These rankings made it possible to cross-compare the relative importance of the factors as perceived by the Taxpayers, the Revenue Collection Agents and the Intermediaries.

3.7 Validity and Reliability

Heffner (2004) clarified that, validity alludes to the degree in which measuring device is really measuring what we intended it to measure. Accomplishing great validity required the consideration in the research design and sample choice (Fellows and Liu, 1997). To improve

the validity of the constructs of this study, a pilot study was done. In addition, the questionnaire was amended to evaluate the procedure of questions and the method of analyzing the outcomes.

Reliability of an instrument is the level of consistency with which it measures the ascribe it should be measuring (Polit and Hunger, 1999). Therefore, the reliability of the real develops of the study was tested utilizing the Cronbach Alpha coefficient method which produced an alpha value of 0.855. Since Cronbach Alpha coefficient of 0.700 or more is regarded as reliable, the constructs of the study can therefore be deemed as measuring the attributes of the study.

3.8 Ethical Consideration

A written consent was obtained from the heads of CEPS and VAT Services at the Offinso Municipality, educating them of the reason and outline of the survey. Moreover, the analyst uncovered to the respondents that the study is basically planned to satisfy an academic requirement and not for whatever other reason. Respondents did not identify themselves in the questionnaires and confidentiality was observed.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESULT

4.0 INTRODUCTION

This section introduces and examines the after effect of the study trying to address the specific targets of the study. The real zones the chapter examined incorporate respondent's background, the awareness of taxpayers about indirect taxes and their perceived benefits, awareness of indirect tax evasion, indirect tax evasion as a major problem, problems encountered by taxpayers in the payment of indirect taxes, the modes or acts of indirect tax evasion, the factors

influencing indirect tax evasion, and the measures to reduce the level of indirect tax evasion in Ghana, the Offinso municipality inclusive.

4.1 Socio Demographic Characteristics of Respondents

This segment of the research describes the socio demographic characteristics of the studied respondents. The socio demographic information of the revenue agency officers, the taxpayers and the intermediaries are discussed in this section. The major demographic information discussed included gender, age, highest level of education, sector of occupation, working experience with the revenue agencies and the type of revenue agency of the respondents. The result of the demographic information of the study in the Offinso Municipality is exhibited in Table 4.1.

Table 4.1: Socio Demographic Information

Socio demographics		Taxpayers		Revenue Agencies		Intermediaries	
		Freq.	Percent	Freq.	Percent	Freq.	Percent
Gender							
	Male	38	32.2	42	79.2	9	64.3
	Female	80	67.8	11	20.8	5	35.7
Age of respondent							
	18-28yrs	7	5.9	7	13.2	2	14.3
	29-39yrs	74	62.7	36	67.9	9	64.3
	40-50yrs	30	25.5	10	18.9	2	14.3
	51yrs+	7	5.9	0	0.0	1	7.1
Highest educational level							
	No formal education	69	58.5	0	0.0	0	0.0
	Basic	38	32.2	0	0.0	2	14.3
	Secondary	7	5.9	16	30.2	4	28.6

	Tertiary	4	3.4	37	69.8	8	57.1
Sector of occupation							
	Service	15	12.7	-	-	1	7.1
	Agro-based	23	19.5	-	-	1	7.1
	Retailing	74	62.7	-	-	9	64.3
	Manufacturing	6	5.1	-	-	3	21.5
Working experience with revenue agencies							
	1-3yrs	-	-	6	11.3		
	4-6yrs	-	-	33	62.3		
	7-10yrs	-	-	8	15.1		
	11yrs+	-	-	6	11.3		
Revenue agencies							
	Personnel of CEPS	-	-	30	56.6		
	Personnel of VAT service	-	-	23	43.4		

Source: Field Survey, 2015

The outcome of table (4.1) demonstrated that the dominant part (67.8%) of the studied taxpayers were females whereas 32.2% were males. With regard to the surveyed revenue agency officers, 79.2% were males and 20.8% were females. The intermediaries consist of 64.3% males taking the majority as against 35.7% females. With regard to age of the respondents, 62.7% of the surveyed taxpayers were within the age category of 29 and 39 years, 67.9% of the revenue agency officers were within the age category of 29 and 39 years and also the intermediaries having 64.3% in the same category. This therefore implies that the majority of the surveyed taxpayers, the revenue agency officers and the intermediaries are within the Ghanaian economic and working age class of 20 to 40 years.

The outcome of the table (4.1) demonstrated that the dominant part (58.5%) of the surveyed taxpayers have no formal education, whereas the majority (69.8%) of the revenue agency officers have a higher educational level of tertiary. Also with regard to the intermediaries 57.1% have a higher educational level of tertiary. Evidently, the revenue agency officers and the intermediaries surveyed were relatively formally educated than the taxpayers. Considering the sector of occupation of the surveyed taxpayers, 62.7% were from the retailing sector, 12.7% were from the service sector, 19.5% were from the agro-based sector and 5.1% were from the manufacturing sector. The surveyed GRA intermediaries showed that 64.3% were from the retailing sector, 21.5% from the manufacturing sector, 7.1% from both the service and the agro-based sector. The outcome of the table (4.1) demonstrates that the dominant part (62.3%) of the studied income collection officers have four to six years of working experience with the revenue agencies in Ghana.

4.2 Source of Indirect Taxes

The interview with the tax officials in the Offinso Municipality uncovered that the major indirect taxes collected in the Municipality include Excise Duty, VAT and the National Health Insurance Levy. The major source of these indirect taxes include hotels, traditional cooking centres, sales of food stuffs, retailers, wholesalers, agro-based businesses, manufacturers, and service sectors like hair dressers, barbering shops and many others.

The interviewed officials further demonstrated that though the incomes generated from these sources of indirect taxes is persistently increasing, the collected revenues rarely meets the anticipated yearly revenues. The deficiencies of the indirect tax revenues generated from these sources are halfway ascribed to the lapses in the tax administrative process of the Offinso Municipality.

4.3 Tax Administration Process of the CEPS and VAT Services

The interviewed tax officials of the CEPS and the VAT Services uncovered that the tax administration process of CEPS and the VAT Services in the Offinso Municipality begins with the recognition of the taxpayers and the various intermediaries. The identified business units or taxpayers or the intermediaries are registered by the Tax Payers Service (TPS). The activities and size of the business units are then assessed, evaluated and grouped in light of the type of business and size of business. Taking into account the size and kind of business, the SMEs are assigned tax rates. The smaller business units that dominate in the Offinso Municipality like traditional cooking centres, barbering shops, hair dressing shops, retailing shops and many other SMEs are charged tax stamp that is paid quarterly. However, the larger sized businesses are charged indirect taxes based on their income.

Furthermore, evaders of taxes are fished out and assigned to the department of Controlling Enforcement and Debt Management (CEDM) for prosecution and education on taxes. The controlling enforcement is responsible for prosecuting tax evasion and the debt management educates the taxpayers and the intermediaries on taxes.

Regardless of the revenues produced through this mechanism, the interviewed tax collection officials still see the system to be loaded of lapses. The lapses in the tax administrative process that encourages indirect tax evasion include the manual registration process, the absence of computerized system in finding taxpayers and intermediaries, inadequate tax officials, and the absence of computerized monitoring system to detect tax evasion.

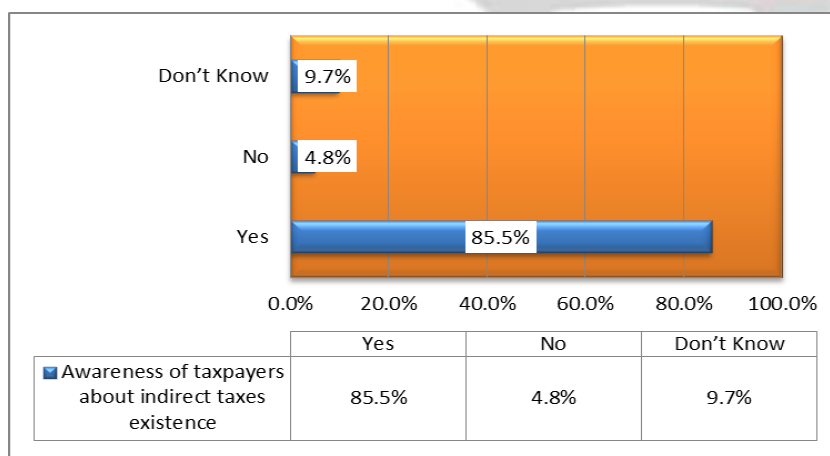
The tax collection agency is attempting to increase the level of education stretched out to the taxpayers and the intermediaries on the need to pay indirect taxes, call for more tax collection

officials and prosecute offenders to serve as deterrent to others. Then again, these measures are yet to achieve the reasons for their initiation and introduction in the municipality. The interviewees in this way recommended the necessity for the intensification of these methods and also ensure a computerized mechanism in registration, location of taxpayers and intermediaries, and the total collection process.

4.4 Awareness of Taxpayers about Indirect Taxes

The awareness of taxpayers about indirect taxes in the Offinso municipality is inspected in this segment of the survey. The outcome is displayed in Figure 4.1.

Figure 4.1: Awareness of Taxpayers about Indirect Taxes Existence



Source: Field Survey, 2015

The outcome of figure (4.1) demonstrated that the dominant part (85.5%) of the studied taxpayers are aware of one form or more indirect taxes in Ghana, whereas 4.8% have no knowledge about indirect taxes. However, 9.7% of the respondents had no knowledge of the question asked.

4.4.1 Type of Indirect Taxes Taxpayers know

This section of the study examines the various indirect taxes taxpayers are aware of in the Offinso municipality. Some of the major indirect taxes examine are custom duties, excise duties, export duties and VAT. The outcome of the section is exhibited in Table 4.2.

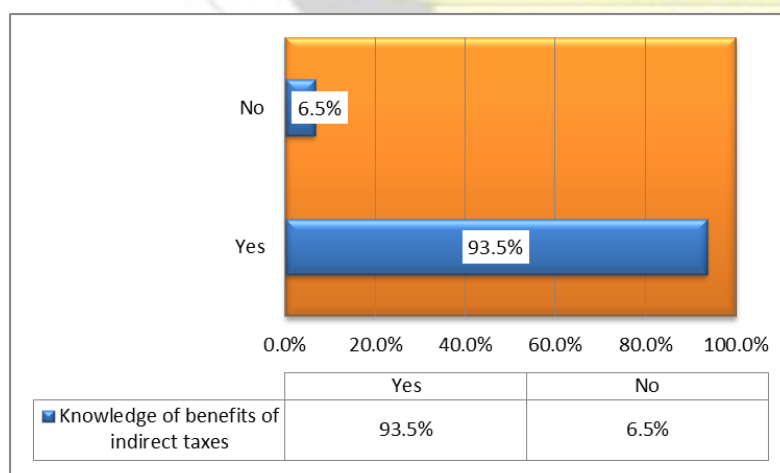
Table 4.2: Types of Indirect Taxes Taxpayers Know

Types of indirect taxes	Frequency	Percent
Customs duties on goods imported from foreign countries	11	9.7
Excise duties on home-produced goods	21	17.8
Value Added Tax on home-made goods	6	4.8
Export duties on cocoa sold within Ghana	15	12.9
All of the indirect taxes	65	54.8
Total	118	100.0

Source: Field Survey, 2015

The after effect of table (4.2)) demonstrated that the dominant part (54.8%) of the studied taxpayers were aware of all the considered indirect taxes including custom duties on goods imported from foreign nations, excise duties on home-produced goods, value added tax on home-made goods and export duties on cocoa sold within Ghana. However, 17.7% and 12.9% were aware of only excise duties and export duties respectively. The respondents are relatively predominantly unaware of custom duties on goods imported from foreign countries and VAT.

Figure 4.2: Knowledge of Benefits of Indirect Taxes



Source: Field Survey, 2015

The Figure 4.2 assesses the knowledge of taxpayers about the benefits of indirect taxes to Ghana and the general citizenry. The outcome of the figure (4.2)) demonstrated that the dominant part (93.5%) of the taxpayers have knowledge of some of the benefits of the payment of indirect taxes, whereas 6.5% do not.

4.4.2 Taxpayers Perceived Benefits of Indirect

The perceived benefits of indirect taxes to the general populace are identified in this section of the study. The Table 4.3 ranks the perceived benefits of indirect taxes using the Relative Importance Index (RII). The table therefore presents the responses, the weight, the RII and by extension the ranks of the perceived benefits of indirect taxes. The RII statistical analysis considers only factors with RII values of 0.700 or more as significantly important.

Table 4.3: Perceived Benefits of Indirect Taxes

Benefits	Responses					Weight	RII	
	1	2	3	4	5		RII	Rank
Revenue generation	0	0	11	47	60	521	0.883	1 st
Development of infrastructure	0	0	27	35	56	501	0.849	2 nd
Creation of jobs	1	4	32	28	53	482	0.817	3 rd
Redistribution of wealth in the nation	4	8	32	23	51	463	0.785	4 th
Provision of subsidies	8	10	35	22	43	436	0.740	5 th

Source: Field Survey, 2015

Taking into account the ranking outcome of table (4.3), the important perceived benefits of indirect taxes by the studied taxpayers were: (1) revenue generation (RII = 0.883); (2) development of infrastructure (RII = 0.849); (3) creation of jobs (RII = 0.817); (4) redistribution

of wealth in the nation (RII = 0.785); and provision of subsidies (RII = 0.740). The definitions of taxation underline the fundamental reason of taxation, that is, to raise income to settle the cost of services provided by the government (Dalton, 1920). In support of these findings, other purposes of taxation reported by the existing literature are to reduce inequalities arising from the distribution of wealth and provision of subsidies (Abdallah, 2006).

4.5 Indirect Tax Evasion

This section of the study examines indirect tax evasion in the Offinso municipality by seeking for the opinion of taxpayers. To achieve this, the section initially examines the respondent's awareness of indirect tax evasion in the municipality. The responses of the 118 taxpayers are presented in Table 4.4 using tabular analysis.

Table 4.4: Awareness of Indirect Tax Evasion

	Yes	No	Don't Know
Aware of indirect tax evasion	67(56.8)	27(22.9)	24(20.3)
Ever evaded indirect taxes	10(8.5)	66(55.9)	42(35.6)
Ask for invoices when patronizing goods and services	23(19.4)	91(77.4)	4(3.2)
Know that indirect tax evasion is criminal offence	106(89.8)	8(6.8)	4(3.4)

Source: Field Survey, 2015

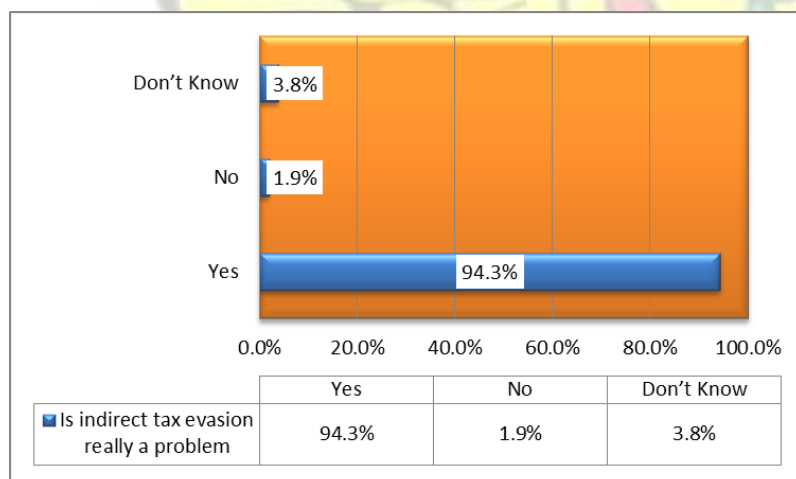
The outcome of table (4.4) demonstrated that the larger part (56.8%) of the studied taxpayers are aware of indirect tax evasion in the Offinso municipality. However, only 8.5% indicated that they have evaded indirect taxes before whereas the majority (55.9%) indicated otherwise. However, 35.6% indicated that they have no knowledge of the asked question. The majority (77.4%) of the surveyed taxpayers barely ask for invoices when patronizing goods and services whereas 19.4% do otherwise. This therefore presents an avenue for misrepresentation of account figures to tax collection agencies. The predominant failure of Ghanaians to ask for invoices culminates into trade mispricing through faked invoices (GFI, 2010).

The surveyed taxpayers(89.8%) know that indirect tax evasion is criminal offence in Ghana whereas 6.8% do not. It is therefore evident that though the taxpayers in the Offinso municipality are predominantly aware of indirect tax evasion barely perceives themselves to be engaged in such activities since that majority know that indirect tax evasion is criminal offence under the laws of Ghana.

4.5.1 Indirect Tax Evasion as a Problem

This area of the study looks for the assessment of the staff of the revenue collection agencies in the municipality with regards to indirect tax evasion been a major problem, the extent of indirect tax evasion and the potential of the nature of tax laws increasing people’s desire to evade taxes. The outcome of the study is exhibited by Figures 4.3, 4.4 and 4.5.

Figure 4.3: Is Indirect Tax Evasion a Real Problem

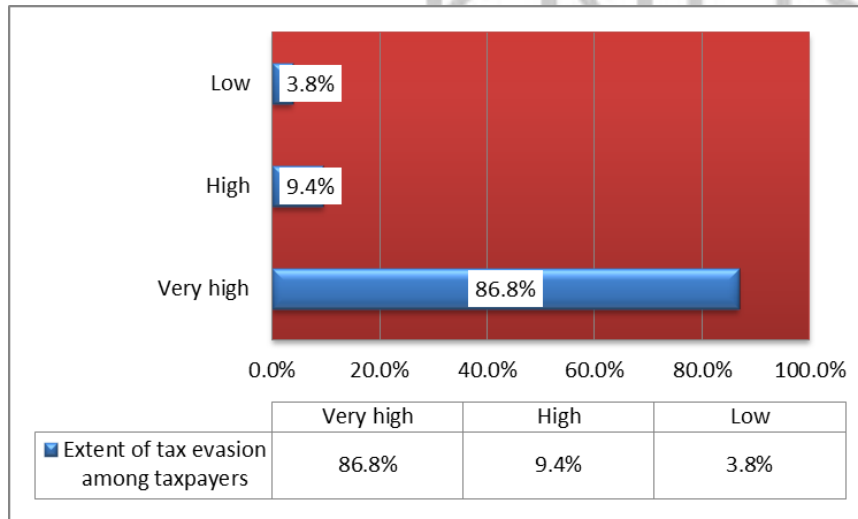


Source: Field Survey, 2015

The outcome of figure (4.3) demonstrated that the larger part (94.3%) of the 53 tax collection agency staff surveyed perceive indirect tax evasion as a real problem in the Offinso municipality. However, 1.9% of the respondents perceived indirect tax evasion as not a major

problem whereas 3.8% of the respondents have no idea. The current result is therefore in line with many of the studies in Ghana and Africa that deem indirect tax evasion as major problem impeding revenue collection and infrastructural development.

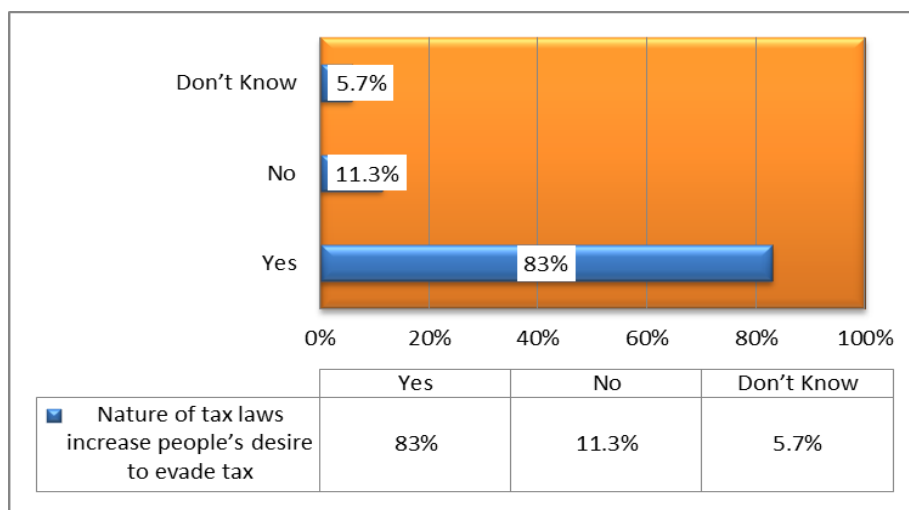
Figure 4.4: Extent of Indirect Tax Evasion in Ghana



Source: Field Survey, 2015

The outcome of figure (4.4) demonstrated that the larger part (86.8%) of the studied revenue agency officers perceive indirect tax evasion in the Offinso municipality and Ghana as very high. However, 9.4% and 3.8% of the tax collection agency officers perceive the problem of tax evasion as high and low respectively in the municipality. This therefore implies that the general perception of the tax collection agency in the Offinso Municipality is that tax evasion is very high among taxpayers.

Figure 4.5: Nature of Tax Laws Increases People's Desire To Evade Tax



Source: Field Survey, 2015

The outcome of table (4.5) demonstrates that the tax collection agents studied believe that the nature of the tax laws of Ghana increases people's desire to evade taxes whereas 11.3% believes otherwise. The incidence of tax rates of consumable goods and many others often serve as a deterrent of purchases by consumers due to the reduction of their purchasing capacity. In support of this finding, Mo (2003) reported that complex tax legislation and progressing changes of the tax code befuddle tax administrators and citizens alike and hence presents open door for tax evasion. However, 5.7% had no idea about how the nature of tax laws of Ghana could possibly increase people's desire to evade tax.

4.6 Problems Encountered in the Payment of Indirect Taxes

This section of the study examines the problems encountered in the payment of indirect taxes by taxpayers. The section further proceeds to rank the various challenges of the taxpayers in paying indirect taxes. To accomplish this target, respondents were given with a rundown of 6 constraints typically reported in the writing as frustrating taxpayers in tax compliance. The assignment of each respondent was to show their level of agreement to the factors as problem

encountered in the payment of indirect taxes in the Offinso municipality. The table (4.5) showcases the mean ranks and by augmentation, the ranks of the problems as declared by the 118 taxpayers in the Offinso municipality. The outcome of table (4.5) was obtained using SPSS 17.

Table 4.5: Problems Encountered In Indirect Tax Payment

Problems of indirect tax payment	Mean Rank	Rank
Tax payment process is too bureaucratic	5.31	1 st
Cost of registering enterprise is too high	4.56	2 nd
Tax Registration Process is time consuming	4.12	3 rd
Difficulty in keeping records	3.12	4 th
Difficulty in calculating taxes	2.81	5 th
Others	1.18	6 th

Source: Field Survey, 2015

The outcome of table (4.5) demonstrated that the larger part of the studied taxpayers regard the bureaucratic process of tax payment as the most pressing obstacle to their compliance to tax obligations as this factor produced the highest mean rank of 5.31. In support of this finding, the Global Financial Integrity (2008) reported that SMEs experience the ill effect of the bureaucratic burden of complex tax procedures.

The second and third ranked problems encountered by the taxpayers in the payment of indirect taxes were the high cost of registration and the time consuming nature of the registration process with mean ranks of 4.56 and 4.12 respectively. The fourth and fifth ranked challenges of the taxpayers in complying with the tax obligations are difficulty in keeping records and difficulty in calculating taxes with mean ranks of 3.12 and 2.81 respectively.

4.7 Mode or Acts of Indirect Tax Evasion

This section of the study assessed the mode or acts of indirect tax evasions in the Offinso municipality. To achieve this objective, the various acts identified in literature have been

weighted and ranked based on the responses of the respondents by the utilization of the Relative Importance Index (RII) statistical instrument and the outcome exhibited by Table

4.6. A variable needs a RII value of 0.700 or more to be viewed as vital.

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Table 4.6: Acts of Indirect Tax Evasion

Modes of tax evasion	Taxpayers			Revenue Agencies			GRA Intermediaries		
	Weight	RII	Rank	Weight	RII	Rank	Weight	RII	Rank
Misreporting of income or corporate profits	478	0.810	4 th	234	0.884	2 nd	55	0.768	5 th
Non-declaration of incomes or corporate profits	466	0.789	5 th	249	0.938	1 st	54	0.774	4 th
Trade mispricing through faked invoices	450	0.763	6 th	209	0.787	6 th	53	0.754	6 th
Bribing of tax officers	516	0.875	1 st	215	0.811	5 th	62	0.887	1 st
Inefficient and unqualified accountant	479	0.812	3 rd	188	0.708	9 th	61	0.865	2 nd
Unprofessional tax collectors	497	0.843	2 nd	191	0.721	8 th	56	0.798	3 rd
Misclassification of commodities	420	0.712	8 th	218	0.821	4 th	52	0.743	7 th
Smuggling of goods and commodities	444	0.753	7 th	222	0.837	3 rd	51	0.732	8 th
Fraudulent manipulation of VAT records	416	0.706	9 th	202	0.762	7 th	50	0.710	9 th

Source: Field Survey, 2015

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The outcome of the table (4.6) demonstrates that the major eight acts or modes of indirect tax evasion in the Offinso municipality as perceived by taxpayers were: (1) bribing of tax officers (RII = 0.810); (2) unprofessional tax collectors in the municipal (RII = 0.843); (3) inefficient and unqualified account (RII = 0.812); (4) misreporting of income or corporate profits (RII = 810); (5) non-declaration of incomes or corporate profits (RII = 0.789); (6) trade mispricing through faked invoices (RII = 0.763); (7) smuggling of goods and commodities (RII = 0.753); and (8) the misclassification of commodities (RII = 0.712). Though fraudulent manipulation of VAT records is ranked last, its RII value of 0.706, greater the threshold of 0.700 implies that it is also a major mode of tax evasion in the municipality.

The outcome of the table (4.6) further shows that the major eight acts or modes of indirect tax evasion in the Offinso municipality as perceived by the 53 surveyed revenue collection agents were: (1) Non-declaration of incomes or corporate profits (RII = 938); (2) Misreporting of income or corporate profits (RII = 0.884); (3) Smuggling of goods and commodities (RII = 0.837), (4) Misclassification of commodities (RII = 0.821); (5) Bribing of tax officers (RII = 0.811); (6) Trade mispricing through faked invoices (RII = 0.787); (7) Fraudulent manipulation of VAT records (RII = 0.762); and (8) Unprofessional tax collectors (RII = 0.721). Though inefficient and unqualified accountants is ranked last, its RII value of 0.708, greater the threshold of 0.700 implies that it is also a major mode of tax evasion in the municipality.

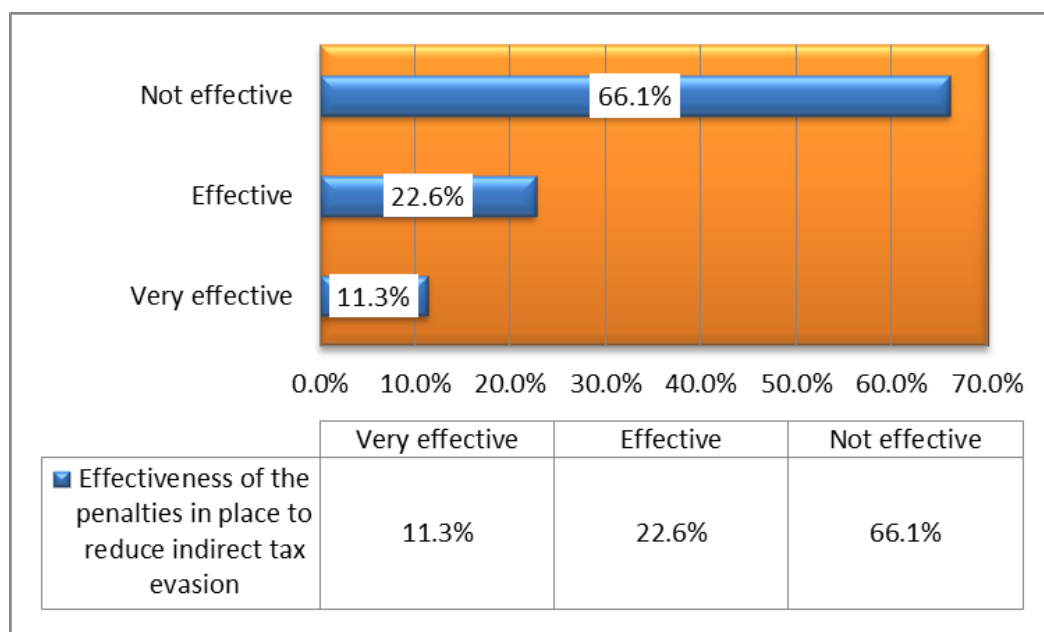
The result of table (4.6) shows that the major eight modes of indirect tax evasion in the Offinso Municipality as perceived by the GRA Intermediaries include: (1) Bribing of tax officers (RII = 0.887), (2) Inefficient and unqualified accountant (RII = 0.865); (3)

Unprofessional tax collectors (RII = 0.798); (4) Non-declaration of incomes or corporate profits (RII = 0.774); (5) Misreporting of income or corporate profits (RII = 0.768); (6) Trade mispricing through faked invoices (RII = 0.754); (7) Misclassification of commodities (RII = 0.743); and (8) Smuggling of goods and commodities (RII = 0.732). Evidently, the surveyed GRA Intermediaries attribute the greater modes or acts of the indirect tax evasions in the Offinso Municipality to Tax Officials in the Municipality.

Evidently, from the result of table (4.6) the revenue agencies loads the major modes of indirect taxes evasion to the acts of taxpayers such as non-declaration of incomes or corporate profits, misreporting of revenue or corporate profits, smuggling of goods and commodities, and misclassification of commodities; whereas the taxpayers and the GRA Intermediaries also loads the major causes of indirect tax evasion to the acts of the revenue agency officers such as bribing of tax officers, unprofessional tax collectors and inefficient and unqualified accountant.

4.7.1 Penalties In Place For Indirect Tax Evasion

Generally, the revenue agents, taxpayers and the intermediaries believed there is the existence of penalties for evaders of indirect taxes. The effectiveness of the penalties in place for indirect tax evasion in the Offinso Municipality is surveyed in this part of the research. The outcome of the segment is displayed graphically as indicated in Figure 4.6.

Figure 4.6: Effectiveness of Tax Penalties

Source: Field Survey, 2015

The outcome of figure (4.6) demonstrates that out of the total surveyed 53 revenue collection officers, the majority (66.1%) perceive the penalties in place for curbing indirect tax evasion as ineffective, whereas 22.6% deem it as effective. However, 11.3% regard the penalties in place as very effective in terms of curbing the problem of indirect tax evasion in the Offinso municipality. This therefore implies that the revenue collection officers believe that the penalties in place are not punitive enough to deter indirect tax evaders.

4.8 Factors Influencing Indirect Tax Evasion

The various factors influencing indirect tax evasion in the Offinso municipality are identified in this section of the study. The Table 4.7 ranks the factors influencing indirect tax evasion using the Relative Importance Index (RII). The table therefore presents the responses, the weight, the RII and by extension the ranks of the perceived factors influencing indirect tax evasion. The RII statistical analysis considers only factors with RII values of 0.700 or more as significantly important.

Table 4.7: Factors Influencing Indirect Tax Evasion

Factors	Taxpayers			Revenue agencies			GRA Intermediaries		
	Weight	RII	Rank	Weight	RII	Rank	Weight	RII	Rank
High tax rate contribute to tax evasion	530	0.898	1	365	0.784	10	62	0.886	2
Bureaucratic nature of tax procedures	509	0.863	3	363	0.781	11	61	0.871	3
Difficulties in locating tax offices and payers	338	0.573	15	246	0.528	16	48	0.685	14
Corrupt tax officials	497	0.843	5	359	0.772	12	63	0.900	1
Low tax morale of taxpayers	379	0.642	14	319	0.687	15	49	0.700	13
Low quality of the services in return for taxes	496	0.841	6	371	0.798	9	55	0.786	8
Perception of the fairness and equity of the tax system	494	0.838	7	372	0.801	8	57	0.814	7
Low transparency and accountability of public institutions	484	0.821	8	374	0.804	7	53	0.757	9
High level of corruption	479	0.812	9	335	0.721	13	52	0.743	10
Lack of rule of law and weak fiscal jurisdiction	504	0.854	4	377	0.810	6	60	0.857	4
High compliance cost	512	0.867	2	402	0.864	4	59	0.843	5
Weak enforcement of tax laws	450	0.763	11	378	0.812	5	58	0.828	6
Insufficiencies in tax collection	425	0.721	12	329	0.708	14	51	0.729	11
Poor training of tax officials	419	0.710	13	406	0.873	3	50	0.714	12
Poor motivation of tax officials	248	0.421	16	423	0.910	2	46	0.657	15
Weak capacity in detecting and prosecuting tax evasion	461	0.782	10	429	0.923	1	43	0.614	16

Source: Field Survey, 2015

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The outcome of the table (4.7) demonstrated that the ten factors perceived by the surveyed taxpayers to influence indirect tax evasion in the Offinso municipal assembly were: (1) High tax rate contribute to tax evasion (RII = 0.898); (2) High compliance cost (RII = 0.867); (3) Bureaucratic nature of tax procedures (RII = 0.863); (4) Lack of rule of law and weak fiscal jurisdiction (RII = 0.854); (5) Corrupt tax officials (RII = 0.843); (6) Low quality of the services in return for taxes (RII = 0.841); (7) Perception of the fairness and equity of the tax system (RII = 0.838); (8) Low transparency and accountability of public institutions (RII = 0.821); (9) High level of corruption (RII = 0.812); and (10) Weak capacity in detecting and prosecuting tax evasion (RII = 0.782). In support of this finding, a few studies recommend that high tax rates promote the growth of tax evasion. The instinct is that high tax rates build the tax burden and, consequently, bring down the disposable income of the citizen (Allingham and Sandmo, 1972; Chipeta, 2002).

Be that as it may, the ten factors perceived by the surveyed officers of the revenue agencies to influence indirect tax evasion in the Offinso municipality were ranked as: (1) Weak capacity in detecting and prosecuting tax evasion (RII = 0.923); (2) Poor motivation of tax officials (RII = 0.910); (3) Poor training of tax officials (RII = 0.873); (4) High compliance cost (RII = 0.864); (5) Weak enforcement of tax laws (RII = 0.812); (6) Lack of rule of law and weak fiscal jurisdiction (RII = 0.810); (7) Low transparency and accountability of public institutions (RII = 0.804); (8) Perception of the fairness and equity of the tax system (RII = 0.801); (9) Low quality of the services in return for taxes (RII = 0.798); and (10) High tax rate contribute to tax evasion (RII = 0.784). In support of this finding, Fishlow and Friedman (1994) reported that the absence of adequate capacities in tax organizations diminish the likelihood of discovery that again impacts the choice of a citizen in the matter of whether evade or not.

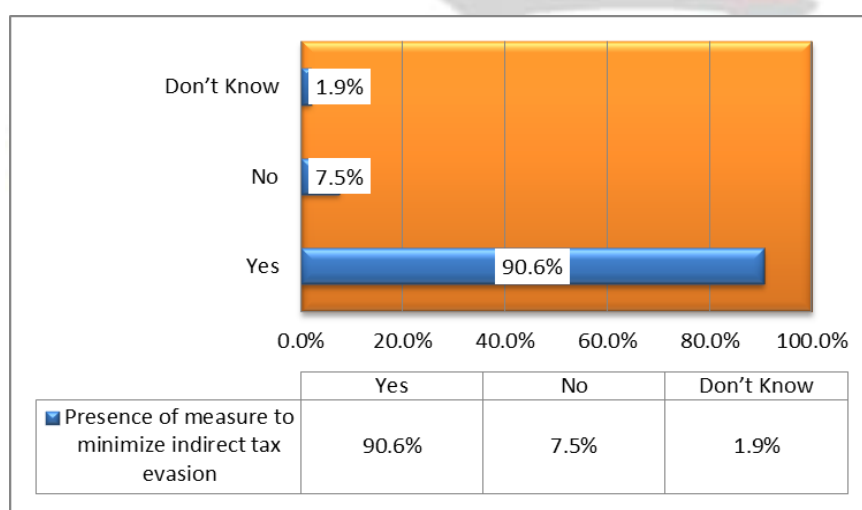
The result of table (4.7) shows that, with the surveyed GRA intermediaries, the key causes or factors influencing indirect tax evasion in the Offinso Municipality in their order of ranking include: (1) Corrupt tax officials (RII = 0.900); (2) High tax rate contribute to tax evasion (RII = 0.886); (3) Bureaucratic nature of tax procedures (RII = 0.871); (4) Lack of rule of law and weak fiscal jurisdiction (RII = 0.857); (5) High compliance cost (RII = 0.843); (6) Weak enforcement of tax laws (RII = 0.828); (7) Perception of the fairness and equity of the tax system (RII = 0.814); (8) Low quality of the services in return for taxes (RII = 0.786); (9) Low transparency and accountability of public institutions (RII = 0.757); (10) High level of corruption (RII = 0.743); (11) Insufficiencies in tax collection (RII = 0.729); (12) Poor training of tax officials (RII = 0.714); and (13) Low tax morale of taxpayers (RII = 0.700).

Evident from the result of table (4.7), the taxpayers predominantly attributed the causes of indirect tax evasion in the Offinso Municipality to high tax rates, high compliance cost and the bureaucratic nature of the tax collection process; the Revenue Collection Officers also attributed the greater causes of indirect tax evasion to weak capacity in detecting and prosecuting tax evasion offenders, poor motivation of tax officials and poor training of tax officials; and the GRA intermediaries on the other hand attributed the major causes of indirect tax evasion to corrupt tax officials, high tax rate, and bureaucratic nature of tax procedures. Both the Taxpayers and the GRA Intermediaries attributes the tax evasion to tax officials and the high incidence of taxes, whereas the collection agents attribute it to the inadequacies in the tax collection system and their ill-equipped capacity in handling tax evasion.

4.9 Measures To Reduce Indirect Tax Evasion

This section of the study identifies and ranks the potential measures to reduce indirect tax evasion in the Offinso municipality. It initially identifies the presence of measures in the Offinso municipality to reduce or minimize indirect tax evasion and the result is presented graphically by Figure 4.7. The Table 4.8 identifies the measures to reduce indirect tax evasion using the Relative Importance Index (RII) analytical tool that shows the importance the respondent attaches to each measure by calculating the weight, the RII and by extension the rank of each measure.

Figure 4.7: Presence Of Measure To Minimize Indirect Tax Evasion



Source: Field Survey, 2015

The outcome of the figure (4.7) demonstrates that out of the aggregate revenue collection agency officers (53) surveyed, 90.6% indicated that there are measures in the Offinso municipality to reduce indirect tax evasion whereas 7.5% indicated otherwise. However, 1.9% of the respondents also indicated that they „don’t know“ whether there is or no measures in the municipality to reduce indirect tax evasion.

Table 4.8: Measures to Reduce Indirect Tax Evasion

Measures to reduce indirect tax evasion	Responses					RII		
	1	2	3	4	5	Weight	RII	Rank
Taxpayer's education	0	0	3	7	43	252	0.951	1 st
Training of tax collecting officers	1	2	6	8	36	235	0.887	2 nd
Introducing ICT in the collection process to reduce administrative cost	1	2	4	12	34	235	0.887	3 rd
Adequate Motivation of tax officers	1	4	4	8	36	233	0.879	4 th
Setting-up of Large Taxpayer Units	0	3	8	10	32	230	0.868	5 th
Proper monitoring mechanism should be put in place	2	4	6	8	33	225	0.849	6 th
The tax administrative procedures should be made simpler	1	3	8	11	30	225	0.849	7 th
Tax incentives to prompt tax payment	2	3	8	9	31	223	0.842	8 th
Strengthen the judicial system	2	4	9	11	27	216	0.815	9 th
The tax policy should be flexible	7	5	6	8	27	202	0.762	10 th
Heavy fines and penalties for offenders	8	2	8	12	23	199	0.751	11 th

Source: Field Survey, 2015

Based on the outcome of table (4.8), it can be revealed that the eight major perceived measures by the revenue agency officers to reduce indirect tax evasion are ranked as: (1)

Taxpayer's education (RII = 0.951); (2) Training of tax collecting officers (RII = 0.887); (3) Introducing ICT in the collection process to reduce administrative cost (RII = 0.887); (4) Adequate Motivation of tax officers (RII = 0.879); (5) Setting-up of Large Taxpayer Units (RII = 0.868); (6) Proper monitoring mechanism should be put in place (RII = 0.849); (7) The tax administrative procedures should be made simpler (RII = 0.849); and (8) Tax incentives to prompt tax payment (RII = 0.842). In support of this finding, Kasipillai et al.

(2003) reported that tax payer's education could improve their knowledge and comprehension of the tax system and the need to pay taxes.

Though lowly ranked other measures such as strengthening of the judicial system, ensuring flexibility in the tax policy of Ghana and heavy fines and penalties for offenders are also deemed important in the quest to reduce indirect tax evasion in Ghana, the Offinso municipality inclusive.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary Of Findings

The research looked to explore the incidence of indirect tax evasion in the Offinso Municipality through the accomplishment of a few destinations including: (1) identifying the sources of indirect tax in the Offinso Municipality; (2) assessing the indirect tax administration in the Offinso Municipality; (3) identifying the existence of indirect tax evasion in the Offinso Municipality; and (4) assessing the causes of indirect tax evasion in the Offinso Municipality.

5.1.1 Source Of Indirect Taxes

The major indirect taxes collected in the Offinso Municipality include Excise Duty, VAT and the National Health Insurance Levy. The major source of these indirect taxes include hotels, traditional cooking centres, sales of food stuffs, retailers, wholesalers, agro-based businesses, manufacturers, and service sectors like hair dressers, barbering shops and many others.

5.1.2 Tax Administration Process Of The CEPS and VAT Services

The tax administration process of CEPS and the VAT Services in the Offinso Municipality begins with the identification of the taxpayers and the various intermediaries. The identified business units or taxpayers or the intermediaries are registered by the Tax Payers Service (TPS). The activities and size of the business units are then evaluated and assessed and grouped based on the type of business and size of the business. Based on the size and type of business, the SMEs are assigned tax rates. The smaller business units that dominate in the Offinso Municipality like traditional cooking centres, barbering shops, hair dressing shops, retailing shops and many others are charged tax stamp that is paid quarterly. However, the larger sized businesses are charged indirect taxes based on their incomes.

5.1.3 Modes Or Acts Of Indirect Tax Evasion

Some of the major acts or modes of indirect tax evasion revealed by all the parties involved (taxpayers, intermediaries and the revenue collection agencies) were misreporting of income or corporate profits, non-declaration of incomes or corporate profits, trade mispricing through faked invoices, bribing of tax officers, inefficient and unqualified accountant, unprofessional tax collectors, misclassification of commodities, smuggling of goods and commodities, and fraudulent manipulation of VAT records. These indirect tax evasion acts or modes persist partly because of the ineffectiveness of the tax penalties and fines.

5.1.4 Factors Causing Indirect Tax Evasion

Factors such as high tax rate, bureaucratic nature of tax process, low tax morale of taxpayers, low quality of the services in return for taxes, perception of the fairness and equity of the tax system, low transparency and accountability of public institutions, high level of corruption, lack of rule of law and weak fiscal jurisdiction, and high compliance cost were all found to positively influence tax evasion.

5.1.5 Measures Or Ways To Curb Indirect Tax Evasion

There are measures in the municipality to minimize indirect tax evasion. Some of the significant or important measures recommended by the tax collection agencies to reduce tax evasion were taxpayer's education, training of tax collecting officers, introducing ICT in the collection process to reduce administrative cost, adequate motivation of tax officers, setting up of large taxpayer units, proper monitoring mechanism should be put in place, simplify tax administrative procedures, tax incentives to prompt tax payment, government to build a database to collect information on location and transactional activities of organisations, educate the masses on the

need for taxes, strengthen the judicial system, the tax policy should be flexible and boost Information Communication Technology (ICT) growth at the borders, ports, harbours to control and contain evaders of taxes,

5.2 Conclusion

The taxpayers and the intermediaries perceive to be aware and know indirect taxes and so barely evade taxes. However, the revenue agencies in the Offinso Municipality perceive indirect tax evasion in the area as a major problem. The level of indirect tax evasion is perceived by the revenue agencies as very high in the Offinso Municipality. This phenomenon is partly attributed to the loose nature of the tax system and loads of administrative lapses. Furthermore, the taxpayers encounter several challenges in the payment of indirect taxes including the bureaucratic nature of the payment process, high cost registration of enterprise, high level of time consumption in the registration process and the difficulty in keeping records which all culminates into high level of evasion. Other factors perceived to contribute to the high level of tax evasion among the taxpayers in the Offinso Municipality were high tax rate, bureaucratic nature of tax process, low tax morale of taxpayers, low quality of the services in return for taxes, perception of the fairness and equity of the tax system, low transparency and accountability of public institutions, high level of corruption, lack of rule of law and weak fiscal jurisdiction, and high compliance cost. These factors influence the tax evasion of taxpayers positively.

Owing to these loads of challenges and factors, the taxpayers are predominantly involved in acts or modes of indirect tax evasion including misreporting of income or corporate profits, non-declaration of incomes or corporate profits, trade mispricing through faked invoices, bribing of tax officers, inefficient and unqualified accountant, unprofessional tax collectors,

misclassification of commodities, smuggling of goods and commodities, and fraudulent manipulation of VAT records which all seem to influence the low level of revenue mobilization by revenue agencies in the municipality.

To minimize the existing high level of tax evasion in the Offinso Municipality, the revenue collection agencies recommends several measures including taxpayer's education, training of tax collecting officers, introducing ICT in the collection process to reduce administrative cost, provision of adequate motivation of tax officers, setting-up of large taxpayer units, proper monitoring mechanism should be put in place, the tax administrative procedures should be made simpler and many others. Based on these findings, the study proposes several managerial and policy measures to the reduction of tax evasion in the Offinso Municipality and Ghana as a whole.

5.3 Recommendations

Taking into account the numerous findings of the survey, the study makes several imperative managerial and policy recommendations to ensure successful tax administration in Ghana and also ensure greater realization of revenues from tax collection.

5.3.1 Adoption of Effective and Efficient Computerized System

Generally, the tax administration process is perceived complex, time consuming and costly by taxpayers and the intermediaries. Therefore, the Ghana Revenue Authority can reduce the inconvenience and obstacles in the registration and collection process to enhance compliance among taxpayers. This can be achieved through an adoption of an effective and efficient computerized system in the registration and filing of return process. This system could reduce administrative cost, enhance administrative efficiency, reduce waiting time, reduce GRA

visitation, simple assessment of taxpayers, prevent duplication of data and also prevent double payment by taxpayers. All these potential improvements that could be achieved through the adoption of ICT in the tax administrative and collection process would culminate into increases in the amount realised annually from tax revenues. The adoption of an effective computerized system can successfully be achieved through the financial support of the Government of Ghana since GRA currently lacks the financial acumen to adopt such a system effectively.

With a computerized system, a database can be built to collect information on the location and transactional activities of organisations and taxpayers. This could make the process of monitoring businesses and other taxpayers easier.

5.3.2 General Public Education On Tax Compliance

The general public should be educated on the need for tax compliance. They should be educated on the need and the benefits of tax compliance to the nation and the individual.

Such education on taxes could be carried on the national television daily. The Ghana Revenue Authority could also liaise with the numerous radio stations in the country to provide air time for tax education and the need for tax compliance by the general populace. This form of education can improve the image of GRA and reduce the negative general perception of the public about tax officials and the Ghana Tax System. It could also help taxpayers to understand that government cannot do any development without their taxes.

5.3.3 Organisation Of Monthly Seminars On Taxes

The SMEs have low level of knowledge and understanding of the tax regulations. SME managers have low level of proficiency in taxes and tax planning. There is therefore the need of organisation of tax educational programmes for managers of small businesses. The Ghana

Revenue Authority could monthly organize seminars and workshops for SME managers on tax computation and many others. Furthermore, such education can also be carried out through ICT adoption. With ICT adoption, the GRA can educate the SME managers on tax computation and planning through phone messages.

5.3.4 Provision Of Training Programmes For Tax Collection Officials

The Ghana Revenue Authority and other revenue collection agencies in the country should provide adequate training programmes for tax collection officials and other personnel so as to enhance effective collection and administration. Such training programmes can be sourced externally or internally. The organisation can bring experts in tax administration from other countries to provide training programmes for GRAs staff to enhance their administrative proficiency in taxes. Otherwise, GRA can also sponsor some of its personnel to attend such tax administrative programmes abroad, who would in turn educate the other personnel of the institution through the organisation of workshops internally. Furthermore, it is imperative for GRA to employ more personnel to increase its capacity in reaching out to all potential taxpayers in the country.

5.3.5 Publication Of Tax Revenue and Expense

The Ghana Revenue Authority should at least make a quarterly or yearly publication of the total tax revenue collected to the general public alongside the manner in which the tax revenue were expended to the general public. By doing this the public would have confidence in the tax administration system in the country and also get to know how their monies which they pay through taxes were been spent. This would encourage the general public to voluntarily pay their taxes with limited supervision and monitoring.

5.4 Suggested Areas For Further Studies

To start with, the study is restricted in scope since it was geographically concentrated in the Offinso Municipality. The study principally concentrated on taxpayer, revenue collection agencies and the intermediaries in the Offinso Municipality. Therefore, future research may collect data from other districts in the Ashanti Region as well as other regions in Ghana in order to have a more comprehensive study of the topic across the country.

The researcher hopes that this study would encourage further empirical research on the study.



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APPENDICES

APPENDIX A

QUESTIONNAIRE FOR TAXPAYERS

Dear Respondent,

Please read this short survey about the investigation into the Incidence of Indirect Tax Evasion in the Offinso Municipality. Read each question carefully before responding, and then circle or tick the appropriate answer in the designated space. Please answer to the best of your ability.

You are rest assured that the study is for only academic purposes; all and every information provided will therefore be treated with the needed confidentiality. Thank you for your help.

A. Bio-data

1. Gender

Male ☐ Female ☐

2. Age

18-28yrs ☐ 29-39yrs ☐ 40-50yrs ☐ 51yrs+ ☐

3. Highest educational level

No formal education ☐ Basic ☐ Secondary ☐ Post-Secondary ☐ Tertiary ☐

4. Sector of occupation:

Service ☐ Agro-Based industry ☐ Manufacturing ☐

Others (please specify).....

B. Indirect Tax Evasion and the Factors Influencing Indirect Tax Evasion

5.(a) Are you aware of the existence of indirect taxes in Ghana?

Yes ☐ No ☐ I do not know ☐

5.(b) If YES, what types of indirect taxes are you aware of? Customs

duties on goods imported from foreign countries ☐

Excise duties on home-produced goods ☐

Value Added Tax on home-made goods ☐

Export duties on cocoa sold within Ghana ☐

All of the above

Others (Please specify).....

6.(a) Do you know any benefits of paying indirect tax?

Yes ☐ No ☐

6.(b) If YES, please, indicate your level of agreement to the underlisted as major benefits of the payment of indirect taxes to the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Benefits	1	2	3	4	5
For the development of infrastructure in the country					
Revenue generation					
Creation of jobs					
Redistribution of wealth in the nation					
To provide subsidies					

7. Please, indicate your level of agreement to the underlisted as major problems encountered in the payment of indirect taxes by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Problems	1	2	3	4	5
Bureaucratic procedures					
Tax Registration Process is time consuming					
Cost of registering enterprise is too high					

Difficulty in keeping records					
Difficulty in calculating					
Others (Please Specify)..					

8. Are you aware of indirect tax evasion in Ghana?

Yes ☐ No ☐ I do not know ☐

9. Ever evaded indirect tax before

Yes ☐ No ☐ I do not know ☐

10. Do you ask for invoices when patronizing goods and services?

Yes ☐ No ☐ I do not know ☐

11. Do you know that indirect tax evasion is a criminal offence punishable by law?

Yes ☐ No ☐ I do not know ☐

C. Mode of Indirect Tax Evasion or Acts of Indirect Tax Evasion

12. Please, indicate your level of agreement to the underlisted as major ways in which indirect taxes are evaded by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5strongly agree)

Modes of indirect tax evasion	1	2	3	4	5
Misreporting of income or corporate profits					
Non-declaration of incomes or corporate profits					
Trade mispricing through faked invoices					
Bribing of tax officers					
Inefficient and unqualified accountant					

Unprofessional tax collectors					
Misclassification of commodities					
Smuggling of goods and commodities					
Fraudulent manipulation of VAT records					

D. Factors Influencing Indirect Tax Evasion

13. Please, indicate your level of agreement to the underlisted as major factors influencing indirect tax evasion by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Factors	1	2	3	4	5
High tax rate contribute to tax evasion					
Bureaucratic nature of tax procedures					
Difficulties in locating tax offices and payers					
Corrupt tax officials					
Low tax morale of taxpayers					
Low quality of the services in return for taxes					
Perception of the fairness and equity of the tax system					
Low transparency and accountability of public institutions					
High level of corruption					
Lack of rule of law and weak fiscal jurisdiction					
High compliance cost					
Weak enforcement of tax laws					
Insufficiencies in tax collection					
Poor training of tax officials					
Poor motivation of tax officials					

Weak capacity in detecting and prosecuting tax evasion					
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E. Measures to Reduce Indirect Tax Evasion

14. What measures can be put in place to reduce or minimize indirect tax evasion in Ghana?

a.-----

b.-----

c.-----

d.-----



APPENDIX B
QUESTIONNAIRE FOR REVENUE AGENCY PERSONNEL

Dear Respondent,

Please read this short survey about the investigation into the Incidence of Indirect Tax Evasion in the Offinso Municipality. Read each question carefully before responding, and then circle or tick the appropriate answer in the designated space. Please answer to the best of your ability. You are rest assured that the study is for only academic purposes; all and every information provided will therefore be treated with the needed confidentiality. Thank you for your help.

A. Bio-data

1. Gender:

Male ☐ Female ☐

2. Highest Level of education:

Secondary ☐ Tertiary ☐

3. Age:

18-28yrs ☐ 29-39yrs ☐ 40-50yrs ☐ 50yrs & Above ☐

4. Working experience with revenue agencies in Ghana:

1-3yrs ☐ 4-6yrs ☐ 7-10yrs ☐ 11yrs+ ☐

B. Factors influencing indirect tax evasion

5. Is indirect tax evasion really a problem in Ghana?

Yes ☐ No ☐ I do not know ☐

6. To what extent do you think indirect tax is evaded in the country?

Very High ☐ High ☐ Low

7. Please, indicate your level of agreement to the underlisted as major factors influencing indirect tax evasion by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Factors	1	2	3	4	5
High tax rate contribute to tax evasion					
Bureaucratic nature of tax procedures					
Difficulties in locating tax offices and payers					
Corrupt tax officials					
Low tax morale of taxpayers					
Low quality of the services in return for taxes					
Perception of the fairness and equity of the tax system					
Low transparency and accountability of public institutions					
High level of corruption					
Lack of rule of law and weak fiscal jurisdiction					
High compliance cost					
Weak enforcement of tax laws					
Insufficiencies in tax collection					
Poor training of tax officials					
Poor motivation of tax officials					
Weak capacity in detecting and prosecuting tax evasion					

8.(a) Does the nature of the tax law increase people's desire to evade tax? Yes

☐ No ☐ I do not know ☐

8.(b) If YES, how does the law contribute to that?

.....

C. Modes or Ways of Indirect Tax Evasion

9. Please, indicate your level of agreement to the underlisted as major ways in which indirect taxes are evaded by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5strongly agree)

Modes of indirect tax evasion	1	2	3	4	5
Misreporting of income or corporate profits					
Non-declaration of incomes or corporate profits					
Trade mispricing through faked invoices					
Bribing of tax officers					
Inefficient and unqualified accountant					
Unprofessional tax collectors					
Misclassification of commodities					
Smuggling of goods and commodities					
Fraudulent manipulation of VAT records					

10. What are the penalties in place for indirect tax evasion?

- a.-----
- b.-----
- c.-----
- d.-----

11. How effective is the implementation of penalty on indirect tax evaders?

Very effective ☐ Effective ☐ Not effective ☐

D. Measures to reduce indirect tax evasion

- 12.(a) Are there measures in place to minimize indirect tax evasion? Yes

☐ No ☐ I do not know ☐

12.(b) If YES, Please, indicate your level of agreement to the underlisted as major measures to reduce indirect tax evasion by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Measures to reduce indirect tax evasion	1	2	3	4	5
Taxpayer's education					
Setting-up of Large Taxpayer Units					
Training of tax collecting officers					
The tax policy should be flexible					
Introducing ICT in the collection process to reduce administrative cost					
Proper monitoring mechanism should be put in place					
The tax administrative procedures should be made simpler					
Adequate Motivation of tax officers					
Tax incentives to prompt tax payment					
Heavy fines and penalties for offenders					
Strengthen the judicial system					

APPENDIX C

QUESTIONNAIRE FOR GRA INTERMEDIARIES

Dear Respondent,

Please read this short survey about the investigation into the Incidence of Indirect Tax Evasion in the Offinso Municipality. Read each question carefully before responding, and then circle or tick the appropriate answer in the designated space. Please answer to the best of your ability. You are rest assured that the study is for only academic purposes; all and every information provided will therefore be treated with the needed confidentiality. Thank you for your help.

A. Bio-data

1. Gender

Male ☐ Female ☐

2. Age

18-28yrs ☐ 29-39yrs ☐ 40-50yrs ☐ 51yrs+ ☐

3. Highest educational level

No formal education ☐ Basic ☐ Secondary ☐ Post-Secondary ☐ Tertiary

4. Sector of occupation:

Service ☐ Agro-Based industry ☐ Manufacturing ☐

Others (please specify).....

B. Mode of Indirect Tax Evasion or Acts of Indirect Tax Evasion

5. Please, indicate your level of agreement to the underlisted as major ways in which indirect taxes are evaded by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Modes of indirect tax evasion	1	2	3	4	5
Misreporting of income or corporate profits					
Non-declaration of incomes or corporate profits					
Trade mispricing through faked invoices					
Bribing of tax officers					
Inefficient and unqualified accountant					
Unprofessional tax collectors					
Misclassification of commodities					
Smuggling of goods and commodities					

Fraudulent manipulation of VAT records					
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C. Causes of Indirect Tax Evasion

6. Please, indicate your level of agreement to the underlisted as major factors influencing indirect tax evasion by the general public by choosing from a scale of 1 (strongly disagree) to 5 (strongly agree). (1-strongly disagree, 2-disagree, 3-fairly agree, 4-agree and 5-strongly agree)

Factors	1	2	3	4	5
High tax rate contribute to tax evasion					
Bureaucratic nature of tax procedures					
Difficulties in locating tax offices and payers					
Corrupt tax officials					
Low tax morale of taxpayers					
Low quality of the services in return for taxes					
Perception of the fairness and equity of the tax system					
Low transparency and accountability of public institutions					
High level of corruption					
Lack of rule of law and weak fiscal jurisdiction					
High compliance cost					
Weak enforcement of tax laws					
Insufficiencies in tax collection					
Poor training of tax officials					
Poor motivation of tax officials					
Weak capacity in detecting and prosecuting tax evasion					

D. Measures to Reduce Indirect Tax Evasion

7. What measures can be put in place to reduce or minimize indirect tax evasion in Ghana?

- a.-----
- b.-----
- c.-----
- d.-----

APPENDIX D

INTERVIEW GUIDE

TAX COLLECTION OFFICERS (CEPS & VAT Services)

Dear Respondent,

This interview guide has been designed to enable the student carry out a research on the topic: assessing the incidence of indirect tax evasion in Offinso Municipality. This interview guide is for academic purposes only and any information gathered will remain confidential. It is in partial fulfillment for the award of Masters in Business Administration from the Kwame Nkrumah University of Science and Technology, Kumasi.

A) Demographic Questions

1. Position of interviewee:
2. How long have you been working with the Ghana Revenue Authority?
3. What are your key duties and responsibilities?

B) Tax administration and sources of indirect taxes

1. What are the major types of indirect taxes collected in the Offinso Municipality?
2. What are the major sources of indirect taxes in the Offinso Municipality?
3. Which of the sources of indirect taxes are more reliable in terms of revenue generation?
4. What is the tax administrative procedure of the Offinso Municipality?
5. What are the lapses in the tax administrative process that encourages indirect tax evasion?
6. What measures are in place to reduce the level of indirect tax evasion in the Offinso Municipality?
7. How effective are the measures in place to reduce the level of the indirect tax evasion?
8. If ineffective, then suggest more effective measures to reduce the level of indirect tax evasion in the Offinso Municipality?