

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
INSTITUTE OF DISTANCE LEARNING

EFFECTIVENESS AND EFFICIENCY OF INCOME TAX COLLECTION IN
BEREKUM DISTRICT TAX OFFICE

BY

AGBEDZANI YAYRA CONSTANT
(BACHELOR OF ARTS)

A Thesis Submitted to the Institute of Distance Learning, Kwame
Nkrumah University of Science and Technology, Kumasi, in Partial
Fulfillment of the Requirements for the Award of the Degree of

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS
ADMINISTRATION (CEMBA)

MAY, 2011.

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CERTIFICATION

I hereby declare that, this submission is my own work towards the award of Commonwealth Executive Masters in Business Administration (CEMBA) and that, to the best of my knowledge, it contains no material previously published by another person nor 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

I dedicate this work to my friend Comfort Nsokea for her untiring effort in preparing this work and my dear mother Salomey Agbedzani for witnessing this work.

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ABSTRACT

Tax collection has remained an issue of great concern to past and present governments of Ghana. The credit crunch that hit most developed countries in the year 2008 has reduced donor support to most developing countries. As a result, there is a great dependence on internally generated tax revenue for development.

It is therefore important that the Revenue Collecting Agencies be efficient and effective in carrying out their duties to raise the much needed Government Revenue. This study examined the reasons for the low level of tax collection as well as the challenges facing the Berekum District Domestic Tax Division in its quest to meet its revenue collection targets. The study also investigated the level of voluntary tax compliance in the Berekum Districts tax office.

Questionnaires were administered to two hundred (200) taxpaying public and seven (7) tax experts. The study found that tax compliance is low in the Berekum tax District. Low tax education, inadequate resources and low staff motivation were identified as key reasons for the low compliance. Also, tax efficiency and effectiveness has not been attained.

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At long last, the battle is over by the grace of almighty God, the creator of heavens and earth. To Him be glory honour and adoration for mentoring this thesis. I am deeply grateful to my supervisor, Mr. George Agbozo for his guidance, inspiration and encouragement throughout this thesis research and academic life. His encyclopedic knowledge, rigorous attitude towards research and incessant patience in mentoring me have greatly contributed to the completion of this thesis. I will always be indebted to him for the encouragement and his advice.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Tax Collection is the main source of Government revenue for any country in the world including Ghana. Taxes are compulsory payments for which no value or service has to be rendered in return. It is a financial charge or levy imposed on an individual or a legal entity by the state. According to Justice Wendell Holmes (1905) a famous American judge, “a tax is a price we pay for living in a civilized society”. Taxation is based on an arbitrary system of laws passed by Parliament and interpreted by the Judiciary, giving effect to what one must assume to be the democratic will of the citizens (Akoto, 2001). Early form of taxation in Ghana was indirect tax in the then Gold Coast. It was started in the form of custom duties in 1850. This was levied on imported goods at the rate of ½% ad valorem. This tax was introduced by the British after they had taken over the Danish Forts and trading posts to meet the cost of administering the colonies.

In April 1852, Chiefs were summoned into a meeting in Cape Coast constituting a Legislative Assembly with full powers to enact laws that deem it fit for the better governing of the territories giving rise to the first tax law in the then Gold Coast. Proceeds from tax collection were to be used in providing health facilities, education and other amenities for the people and

more importantly, the Chiefs would be paid stipends or allowances if they assisted in collecting the taxes.

However, this idea failed because the stipend promised the Chiefs were not fulfilled and the public services were not provided, making the public not to co-operate in the collection. The most serious attempt to re-introduce income tax into the Gold Coast was by Governor Sir Ranford Slater in September 1931. This became necessary because the then Government had a budget deficit of £400,000 and there was the worst economic depression at the time the world over.

Despite the awareness of the colonial administration that the people of the Gold Coast detested direct taxation and that its re-introduction would meet opposition, the Governor still wanted to go ahead due to severity of the economic situation. And as could be expected, there was vehement and unequivocal opposition to the governor's proposals. So the proposal was withdrawn.

By 1943, however, due to the effects of the Second World War, direct tax was proposed by Governor Sir Allan Burns. Despite there were still unofficial protest speeches from Legislative Council, it was clear that public opinion had undergone a change and that Income Tax Bill went through the various stages in the Council without much difficulty and became law on 22nd September, 1943. Income Tax Ordinance (No. 27) which was passed in 1943 became operative with effect from 1st April, 1944 (Legislative Council Debate Session, 1943).

Over the years, other taxes and duties were added to the Income Tax. Between 1943 and 1961, the existing taxes and duties were Mineral Duty, Betting Tax and Casino Revenue Tax. Other taxes introduced between 1961 and 1963 were Property Tax, Entertainment Duty, Airport Tax, Excess Profit Tax, Hotel Customers Tax and Standard Assessment. Pay As You Earn (PAYE) was introduced on 1st July 1961 (<http://www.irs.gov.gh>).

A tax organization, which collects the highest amount of taxes from the existing resources in the fastest possible time duration and with the lowest possible collection costs, can be regarded as an efficient organization. It is possible to come to an efficient tax system, only if we obtain a scientific attitude towards whatever comes under the category of taxation (Samiei, 1999).

In the tax office, assessment is done using measuring tools to arrive at fair tax to be paid by tax-paying public. How efficient and effective this tax assessment and collection is, is a matter of concern. District Managers and Public Relation Officers go on electronic and print media to explain factual issues regarding tax assessment and collection to the public. This is an attempt to educate the public to discourage egoistic comments, provide a holistic approach to tax, reduce administrative and tax compliance cost and provide better services to tax payers. It is also to promote efficient collection of tax revenue and equitable distribution of tax burden and ensure greater transparency and integrity, promote tax compliance and education, combat fraud and evasion and co-operate with law enforcement agencies (www.gra.gov.gh).

Tax efficiency involves using the least resources to achieve maximum tax collection output and attaining higher productivity in tax collection mechanism. This includes closing the tax collection quality gap in terms of competence, courtesy, communication, reliability, responsiveness, credibility of tax officials which all aid customer satisfaction measurement. The critical success factor of the tax division is its major tax payers (Voehl, 1992). These taxpaying institutions and individuals need to be treated with care, respect and dignity. They are therefore considered as strategic partners of the tax division. Tax payer satisfaction is the core business of tax efficiency. It is a set of momentary emotional responses affected by the gap between expected and perceived outcome by the concerned parties (Parasuraman & Zeithaml, 1985).

1.2 Statement of the Problem

To maximize the collection of the needed tax revenue for the government, it is very important that the revenue agencies are efficient and effective in their duties as they aimed at satisfying the taxpaying public.

The level of potential tax revenue is determined by the level of economic activity of an area (James & Alley, 2001). Domestic Tax Revenue Division is a target driven division of the Ghana Revenue Authority. As a result, each year, targets are set for the various divisions nationwide in order to ensure that the division maximizes revenue for the government through tax collection.

However the division, in many cases is unable to meet the targets set. This is as a result of the offices under the division's inability to meet their targets. A typical office that falls prey to this menace is Berekum Tax Office.

Tax collection performance in Berekum Tax Office has become a matter of concern since its inception to the full District Status in the Brong Ahafo Region of Ghana in 2003. Comparative analysis shows that the Berekum Tax Office has met only one target over the past six years (Berekum Tax District Office, 2010).

The growth in tax collection in this office does not correspond with the growth in economic activities in the Tax District. The actual tax collection has fallen greatly as compared to the potential tax (Berekum Tax District Office, 2010). This situation has created very wide tax gap in the tax collection performances in the District. In the light of the above developments, this study seeks to explore the effectiveness and efficiency in tax collection in the Berekum Tax District.

1.3 Objectives of the Study

The main objective of the study is to find out the effectiveness and efficiency of tax collection in the Berekum Tax District.

Specifically, the study attempt to:

1. Identify the reasons for voluntary tax compliance.

2. Determine the effects of voluntary tax compliance on collection performance.
3. Examine the reasons for low collection of taxes in the Berekum Tax District.
4. Assess challenges facing the district in collection of taxes.

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1.4 Research Questions

The study seeks to address the following research questions:

1. What reasons account for voluntary tax compliance?
2. How does voluntary tax compliance affect the revenue mobilization output of the Office?
3. What reasons account for the low collection of taxes in the Berekum Tax District?
4. What are the challenges facing the Office in the collection of taxes?

1.5 Justification of the Study

There is serious monitoring of tax revenue at the various Revenue Mobilization Agencies in the country. This study is expected to bring to the fore some of the reasons for the low collection of taxes as well as the challenges facing the Domestic Tax Division in its quest to meet its revenue collection targets.

Recommendations from the study will also assist the Revenue Collection Agencies to streamline their operations to ensure that they become more effective and efficient in revenue mobilization for the country.

Besides, findings from the study will add to the existing body of knowledge concerning tax collection. This will serve as a platform for further research into issues related to effectiveness and efficiency in tax collection.

1.6 Limitation of the Study

Due to financial, logistics and time constraint, the sample chosen for the study is small in relation to the entire population of the taxpaying public in Ghana. Thus the results obtained will not be used as representative of the entire taxpaying population. Such a generalization could be misleading as it may not present the facts as they pertain to the entire country and hence affect the reliability of the study.

1.7 Delimitations of the Study

The study was confined to the Berekum Tax District in the Brong Ahafo Region. The District covers five (5) administrative districts namely Berekum Municipal, Dormaa East, Dormaa West, Jaman North and Jaman South Districts respectively. Other Tax Districts in the region are not included in this study. The study will again focus on the Domestic Tax Division of the Ghana Revenue Authority. Other divisions such as the Customs Excise and Preventive Service (CEPS) and Value Added Tax (VAT) Office are not included in the study.

1.8 Research Methodology

Considering the fact that the study covers such a vast area, not all the respondents can be included in the study. It is thus significant to draw a sample from the population. Both the probability and non-probability methods were employed to select the sample for the study.

The probability method was used to select respondents from the taxpaying public for the study. The three offices in the tax district: Berekum main office, Dormaa and Sampa sub-offices form strata in stratified sampling with each office forming a stratum for sampling.

In terms of the non-probability method, the purposive sampling method was used to select staff of the Domestic Tax Division in the three offices within the Berekum Tax District. Data was collected from both primary and secondary sources for this work.

1.9 Organization of the Study

The study is organized in to five chapters. The first chapter comprises nine sub-topics, namely the background of the study, the statement of the problem as well as the research question, objectives, justification of the study, limitation and delimitations, research methodology and organization of the study.

Literature related to the study is reviewed in the second chapter. The chapter shows the nature of knowledge generated in respect of the topic. Issues discussed include tax administration in Ghana, taxation in different countries, effective and efficient tax system, tax laws and enforcement strategies, challenges to effective tax collection, effects of tax relief on collection performance, tax administrative procedure, tax payer satisfaction, effective factors in the efficiency of tax system, efficiency factors of tax organization, McKinsey 7s model, taxpayer motivation, Hertzberg's hygiene-motivator theory, tax payer satisfaction, effective factors in the financial power of individuals and the society to pay taxes, and effective factors in the ability of the government in tax collection.

In chapter three the methodological issues in respect of the study are presented. The target population, the sample size and sampling technique, the research instruments and data collection procedures are outlined. Analysis of data and discussion of the results is done in chapter four. In chapter five, the summary, conclusions and recommendations of the study are presented.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of existing literature related to the research problem. For the purpose of the review, the chapter is divided into the following sub-headings: tax administration in Ghana; tax avoidance and evasion, taxation in different countries; effective and efficient tax system; tax laws and enforcement strategies; challenges to effective tax collection, effects of tax relief on collection performance, tax administrative procedure, tax payer satisfaction, effective factors in the efficiency of tax system, efficiency factors of tax organization, Mckinsey 7s Model, employee motivation, Hertzberg's hygiene motivation theory, effective factors in the financial power of individuals and effective factors in the ability of the government in tax collection.

2.2 Tax Administration in Ghana

The institution responsible for tax collection in Ghana was Income Tax Department in the Income Tax ordinance (No. 27) of 1943. With the introduction of the other taxes and duties between 1961 and 1963, the name was changed to Central Revenue Department with effect from 1st July 1963. This has undergone re-organization in 1986 and by virtue of the enactment of P.N.D.C law 143 of 1986, the name was again changed to Internal Revenue Service (Internal Revenue Service, Act 2000). Today the name is Domestic Tax Revenue Division of Ghana Revenue Authority upon passing the Ghana Revenue Authority Act 2009 (Act 791). Ghana

Revenue Authority thus replaces the Ghana Revenue Agencies in the Administration of Taxes and Customs Duties in the country. (GRA News, 2010)

The main objective of the Domestic Tax Revenue Division is to collect direct taxes for the state. Taxes administered includes Pay As You Earn (PAYE), Personal Income Tax, Corporate Tax and Miscellaneous Taxes including Stamp Duty, Capital Gains Tax, Gift Tax, Rent Tax, Dividends Tax, Mineral Royalties, among others. Corporate Tax is paid by companies and personal Income Tax is paid by self-employed persons who are required to pay Income Tax at graduated rates in four equal installments. The current tax rate took effect from June 2010. Pay As You Earn (PAYE) is withholdings from salaries of employees in order to satisfy their Income Tax responsibilities. The Pay As You Earn is computed with the rates as shown in Table 2.1.

Table 2.1: Annual Tax Rates - Effective June 2010

Chargeable Income Gh¢	Rate (%)	Tax Gh¢	Cumulative Chargeable Income	Cumulative Tax Gh¢
First 1,008	Free	Nil	1,008	Nil
Next 240	5	12	1,248	12
Next 270	10	72	1,968	84
Next 14,232	17.5	2,490.60	16,200	2,574.60
Exceeding 16,200 – 25%				

Source: GRA News, 2010

Table 2.2 Monthly Tax Rate – Effective June, 2010

Chargeable Income Gh¢	Rate (%)	Tax Gh¢	Cumulative Chargeable Income	Cumulative Tax Gh¢
First 84	Nil	Nil	84	Nil
Next 20	5	1	104	1
Next 60	10	6	164	7
Next 1,186	17.5	207.55	1,350	214.55
Exceeding 1350-25%				

Source: GRA News, 2010

In addition, the Division Collects taxes from certain identifiable groups. The Division entered into agreements with the Executive members of such groupings and Associations and collect taxes at rates negotiated with the executive members on daily, weekly and monthly basis. Such groupings include Ghana Private Roads and Transport Union, Beauticians and Hairdressers Association, Dressmakers Association and Ghana Union of Trade Association.

Ghana Revenue Authority has three main divisions. These include Custom Division, Domestic Tax Revenue Division and Support Services Division. However, for the purpose of this research, Domestic Tax Revenue Division is the main focus.

The vision of the Domestic Tax Revenue Division is to be the world class revenue administration, recognized for professionalism, integrity and excellence. The mission is to mobilize revenue for national development in a transparent, fair, effective and efficient manner, through professional and friendly client services, promotion of voluntary compliance, application of modern technology, effective border protection, and a well trained, disciplined and highly motivated staff. Core values include integrity and fairness in our service delivery, teamwork, innovation and professionalism being the hallmark (GRA News, 2010). This philosophy is operationalised into the strategy of the service. This organization believes in masculinity thereby preference is given to achievement, assertiveness, importance of work and tax collection performance results. Performance is measured based on target achievement.

The structure of the authority includes the Commissioner General as the overall head; the three major divisions are each headed by a commissioner (see Appendix 3). Structure is pyramidal and designed to be a world class Revenue Administration Agency. According to Drucker (1979), good organizational structure does not by itself produce good performance but a poor organizational structure makes good performance impossible no matter how good the individual managers may be. This excellent structure does not have the desired impact on the operations of Berekum Tax Office thus confirming Drucker (1979).

2.3 Tax Administrative Procedures

A return on income is filled with the tax division within (4) four months after the end of the person's accounting year. The return should include a separate statement of income and expenditure and statement of assets and liabilities for each business undertaken carried on within that business by that person. An employer should by the end of March 31st every year submit a return on all employees who were in his employment the previous year.

The commissioner may require specific persons to submit self assessed provisional tax liability for the year. Such self-assessed tax estimates may later on be revised but is the tax payer who has to justify why there is the need to revise the estimates. Provisional assessments are due on the last day of every quarter of the year for persons or businesses whose accounting year begins on the January 1st. Withholding taxes are due on the 15th day after the month in which the deductions were made.

2.4 Tax Laws and Enforcement Strategies

In the Domestic Tax Division, efficient application of the tax laws has a direct impact on the tax collection performance. The following penalties and in some cases criminal liability apply for the under listed offences (see Table 2.5). Penalties have been prescribed for offences committed by authorized and unauthorized persons and entities. Under the fines (penalty units) Act 2000 (Act 572) as amended by LI 1813, a penalty unit is equal to GH¢ 12.00

Table 2.3 Offences and Penalties

Offences	Penalties
1.Failure to keep books of accounts	1.5% of the amount of tax payable
2.Failure to furnish a return	2. Individual pay €1.00 and company pays €2.00 for each day of default.
3. Failure to pay tax on due date	3. Where the default is not more than 3month, 10% of tax payable but 3 or more months is 20%
4. Understating estimated tax payable by installment	4. 30% where estimate is less than 90% of chargeable income.
5. Making false or misleading statements	5. Double or three times of the amount of underpayment of the tax may result.
6. Aiding and abetting	6. Three times of the amount of the underpayment.
7. Failure to comply with the Act	7. Where resulting underpayment is more than 500.00, 50-300 penalty units may be applied.
8. Failure to withhold tax	8. Personal liability to pay the commissioner the tax due but not withheld.

Source: Collection Manual, IRS: 1996

Whether these penalties are rightly applied by the tax office is the matter of concern to this research. It must be emphasized that the offences and their penalties alone may not work without proper employee enforcement strategies including staff motivation.

2.5 Tax Avoidance and Evasion

Tax Avoidance is the legal utilization of the tax regime to one's own advantage, in order to reduce the amount of tax that is payable by means that are within the law. In contrast, tax evasion is the general term for efforts not to pay taxes by illegal means. The term tax mitigation is a synonym for tax avoidance. Its original use was by tax advisors as an alternative to the term tax avoidance. Some of those attempting not to pay tax believe that they have discovered interpretations of the law that shows that they are not subject to tax: these individuals and groups are sometimes called tax protesters.

Unsuccessful tax protestors have been attempting openly to evade tax while successful ones avoid tax. Tax resistance is the declared refusal to pay a tax for conscientious reasons (because the resisters do not want to support the government or some of its activities). Tax resisters typically do not apply to tax (as tax protestors do) and they are more concerned with not paying for particular government policies that they opposed. (<http://web.singnet.com>)

Tax evasion on the other hand is the general term for effort by individual firms, trust and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misinterpreting or concealing the true state of their affairs to the tax authorities to reduce their tax liability, and includes; in particular, dishonest tax reporting such as declaring less income, profits or gains than actually earned (<http://web.singnet.com>). All these activities impact negatively on tax collection performance thereby creating problems in tax administration.

2.6 Tax Administration Improvements

Effectiveness and efficiency in tax administration is very important and it involves simplification wherever feasible, but it sometimes requires more complex procedures in order to secure even enforcement. The aim of this is to eliminate unnecessary burden on the taxpayer and the tax officials and to secure a more equitable and effective application of the tax laws. Thereby, the morale and cooperation of the taxpayer as well as the tax official will be improved and better revenue structure obtained. An increase in resource devoted to tax administration should also be contemplated. There is a need for the use of presumptive rules in assessing tax on certain hard-to-tax groups in order to generate the needed tax revenue (Richard & Oliver, 1975 p241).

A society's willingness to be taxed will depend on a large extent its belief about what the tax revenue is being used for. Increased tax effort may be difficult when government expenditure patterns do not give rise to substantial acceleration of national income and when tax sacrifices as well as developmental gains are not equitably distributed among the population. It is therefore clear that tax effectiveness and efficiency is an administrative issue.

According to Richard & Oliver (1975 p241), tax compliance may also be affected seriously where administrative deficiencies make evasion and avoidance simple to achieve. This is particular in Berekum district where the avoidance is common. Similar problem that affects the willingness to be taxed is within the control of the tax function and integrity of the tax collection system.

Table 2.4: Tax Collection Performance in Berekum District Tax Office (2005-2010)

Year 1	Collection 2	Target 3	Deviation 4	% Deviation 5	Growth in Tax 6
2005	515,243.96	702,125.45	(186,881.49)	(26.61)	
2006	621,711.30	700,000.00	(78,288.70)	(11.18)	20.66
2007	698,675.82	770,918.75	(72,242.93)	(9.37)	12.38
2008	891,721.32	839,439.21	52,282.11	6.23	27.63
2009	1,092,491.27	1,124,937.12	(32,445.85)	(2.88)	22.51
2010	1,290,988.47	1,410,420.00	(119,431.53)	(8.47)	18.16
Total	5,110,832.14	5,547,840.53	437,008.39	(7.88)	

Source: Statistics Unit, Berekum District Tax Office.

Admittedly, this trend falls out of the current requirement by the Ministry of Finance and Economic Planning where revenue agencies are expected to meet or even exceed their targets.

2.7 Effects of Tax Relief on Collection Performance

Reliefs are benefits one enjoys as a result of tax payment. The assessable income of a person for any year of assessment shall accordingly be reduced as follows:

Table 2.5 Tax Relief

(I)	An individual with a dependant spouse or unmarried person with at least two dependants children	2011 GH¢ 35.00
(II)	Disabled	25% of income

(III)	Aged 60 or more (income from employment or business)	Lesser of 35 or total income is exempt.
(IV)	Dependent child or ward education (up to three children)	GH¢30.00
(V)	Age dependants (over 60 years) up to a maximum of two dependants (per dependant)	GH¢25.00
(VI)	Professional, technical or vocational training cost.	GH¢100.00

Source: Pricewaterhouse Coopers, 2008.

This list is not exhaustible as several reliefs such as: relief from double taxation, branch profit tax, contribution to retirement benefits which attracts 5% of salary tax exempt, the employer's contribution of 12.5% on behalf of the employee is tax exempt, retirement savings, non cash benefits received from employment except where specifically are taxable, reimbursements of medical and dental cost of health insurance expenses where the benefit is valuable to all employees, pension or lump sum payment upon retirement, interest and dividend paid or credited to a person who invested in a capital venture financing company, double tax treaties among others (Pricewaterhouse Coopers, 2008). All these may go a long way to affect tax effectiveness.

2.8 Efficient and Effective Tax System

According to Mullins (2005), efficiency is doing things right and relating them to input and what a manager does. To be efficient, one must therefore attend to the input requirements of the

job to clarification of objective, planning, direction and control. It is making the most economic use of resources. Efficiency in Domestic Tax Division relates the travel cost, allowances to staff and other administrative cost, cost of application of tax laws such as garnishment and prosecution and staff performance as a result of tax collection. Measuring efficiency is percentage resources actually used over the resources that were planned to be used. Measuring productivity relates to process output to input. Measuring quality involves customer satisfaction, implementing objectives and determining whether designs, systems and solutions to problems are meeting requirements.

Management is about ensuring the effective use of resources by exercising management skills to produce results to which value can be added to satisfy customer needs. In order to be effective, management must give attention to output of the job to perform in terms of such factors as obtaining best possible results in the important attainment of the aims and objectives of the organization. Effectiveness must be related to some purpose, objective or task to the performance of the process of management and the execution of work. A criterion for assessing the effectiveness is in terms of measuring the result. Also important is how this result is achieved and the effect on the people and the organization. This may influence effectiveness in the longer term.

Management effectiveness results from a combination of personal attributes and dimensions of the job in meeting the demands of the situation and satisfying the requirements of the organization. Personality which is extraversion or introversion, agreeableness,

conscientiousness, emotional stability or instability, openness or close-mindedness is powerful determinants of manager's effectiveness (Friedman & Rosenman, 1988).

Stewart (1985) suggests that effectiveness is more important than efficiency because one must be doing the right kind of work, only then does it matter whether the work is done efficiently. However, it must be noted that managers who want to improve should review both their efficiency and effectiveness. Effectiveness is measured by Actual Output divided by Expected output multiplied by one hundred.

The effectiveness of the Berekum Tax office is measured on annual bases as shown in the table at the next page. Below hundred (100) in the table implies ineffectiveness.

Table 2.6: Tax Effectiveness in Berekum Tax District Office (2005-2010)

Year	Collection	Target	Tax Effectiveness (%)
2005	515,243.96	702,125.45	73.38
2006	621,711.3	700,000	88.82
2007	698,675.82	770,918.75	90.63
2008	891,721.32	839,439.21	106.23
2009	1,092,491.27	1,124,937.12	97.12
2010	1,290,988.47	1,410,420.00	91.53

Total	5,110,832.14	5,547,840.53	92.12
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Source: Statistics Unit, Berekum Tax Office.

The criteria set for all tax offices in the country are that, collection must attain 100 % or more effectiveness. The above therefore reflects the performance of Berekum Tax Office for the period under investigations. The table above revealed effectiveness for only the year 2008.

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2.9 Effective Factors in the Efficiency of Tax System

The Ghana Revenue Authority is in charge of collection of taxes in Ghana. To have an efficient Authority, we need to investigate the efficiency factors of the Revenue Authority and to determine their level of effectiveness. This study focuses on several factors, which may be effective in the efficiency of tax system. These include information technology, tax law, administrative formalities, private and public sector services, encouragements, tax fraud and education.

A tax organization, which collects the highest amount of taxes from the existing resources in the fastest possible time duration and with the lowest possible collection costs, can be regarded as an efficient organization. It is possible to come to an efficient tax system, only if we obtain a scientific attitude towards whatever comes under the category of taxation. If we want to have a macro-structural point of view towards theoretical issues in taxation, the best way is to carry out scientific and academic studies, collect data from tax officers or, in other words,

those in charge of collecting taxes and taxpayers (Samiei, 1999). In a reformed system, the tax rates should be appropriate and rational, the exemptions should be lower in amount, the tax collection organization should be more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense. The tax system in developing countries imposes high expenses on the society. Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources are some of the features of such systems (Farzbod, 2000).

Thus, one can claim that in Ghana, the existing tax sources are not utilized in an appropriate manner. The process of tax collection is a long and slow one and accordingly the cost of tax collection is high. In order to create a highly efficient organization, it is necessary to carry out inclusive scientific studies and researches (Nikchehreh, 2002).

2.10 Efficiency Factors of Tax Organizations

Today, the tax ratio and tax effort are considered as the main indicators for the measurement of the efficiency of tax system (Taghavinezhadian, 1990). Tax efficiency is most often called as the tax effort. The main indices which are used in the analysis of the success or failure of the tax system include:

- a. The ratio of the collected taxes to the allocated tax equals the amount of taxes estimated in Budget Act and ratified by the Parliament. One of the ratios used in analyzing the success of tax system is the ratio of the collected taxes to the ratified tax; if this ratio equals

one, it would indicate that the tax system has been able to collect the taxes estimated in the national budget; in case the ratio is less than one, it would be the indicator of the failure of tax system in achieving the ratified budget; and in case this ratio is higher than one, it would indicate whether the budget estimation has not been based on real facts or the taxes have been collected in higher amount than what people can afford (Masgrio and Masgrio, 1993).

b. The relative index equals the percentage of changes in the collected tax compared to that of the previous year. This index is relatively more applicable than the previous one. If this ratio is lower than one, the efficiency of the tax system decreased compared to that of the last year; in case it equals one, the efficiency of the tax system did not change compared to that of the last year; in case it is higher than one, the efficiency of the tax system has been increased compared to the last year. This index is not accurate enough to determine the level of efficiency, because it does not deal with the potential decrease or increase of income in the society.

c. The relative tax index and tax effort. The tax ratio equals the amount of taxes collected to the gross national product. The tax capacity includes the amount of taxes that the economy of a certain society may afford. Since tax capacity is directly related to the gross national product, so, tax ratio indicates the level of utilization of tax capacity. The efficiency of tax system with tax effort shows to what extent the tax system has been able to use the existing capacity, therefore, tax system should do its best to achieve the objective, and hence tax efficiency is based on tax effort. In case the index of tax attempt is lower than one, the tax system would be inefficient; and in case the ratio equals one, the tax system would be efficient

(Taghavinezhadian, 1990, p168). One of the aspects of an efficient tax system is that increase in its tax revenues should be higher and faster than the increase in gross national product. Indeed, this system should be able to appropriately respond to the increase of gross national product.

2.11 Effective Factors in the Financial Power of Individuals and the Society to Pay Taxes

The effective factors in the power of the individuals and the society for payment of taxes are determined by two sets of factors: structural and volitional.

The main structural factors that are effective on the ability of the individuals in payment of taxes include the level of per capita income of the economic texture of the society and the significance of the various kinds of economic activities as well as the macroeconomic policies adopted by the governments.

The effective volitional factors, which influence the ability of the individuals and the society in payment of the taxes include:

The level of development of a culture of tax payment in the society; the position that public opinion holds about the tax system; the attitude of the citizens towards the government that may be influenced by the quality of public services and the way of allocation of the tax revenues. In general, the expansion of the culture of tax payment in the society in a way that people assume the payment of taxes as their duty, and have a proper understanding of the responsibilities and duties of the government in receiving a percentage of national products

and expending it on providing the requirements of the people, would effectively influence the payment of taxes.

2.12 Effective Factors in the Ability of the Government in Tax Collection

These include enactment of appropriate tax laws; the accessibility of tax bases; tax rates; the number of tax sources; and the executive expenditures of tax collection. The ability of the government in tax collection depends not only on structural factors, but also on official factors. In many developing countries, the low level of tax revenues is due to the fact that the tax laws are not carried out properly and perfectly, and this, in turn, results from the inefficiency of the official system and the executive methods of allocation and collection systems (Nikchehreh, 2002).

2.13 Effectiveness Factors of Tax Organisation: The McKinsey 7s Model Approach

A number of theories / models have been applied to review studies of tax in terms of effectiveness and efficiency. The Burke-Litwin Change Model, McKinsey 7s Model, the Congruence Model, the Change Curve, Impact Analysis and Lewin's Change Management Model are among the many theories applied to evaluate tax effectiveness. In the context of this study, the McKinsey 7s model is applied.

The McKinsey 7S Framework is a management model developed by well-known business consultants Robert H. Waterman, Jr. and Tom Peters in the 1980s on organization effectiveness. This was a strategic vision for groups, to include businesses, business units, and teams. The 7S are structure, strategy, systems, skills, style, staff and shared values. This model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment and performance in the tax collection process.

The way the model is presented in figure one below depicts the interdependency of the elements and indicates how a change in one affects all the others.

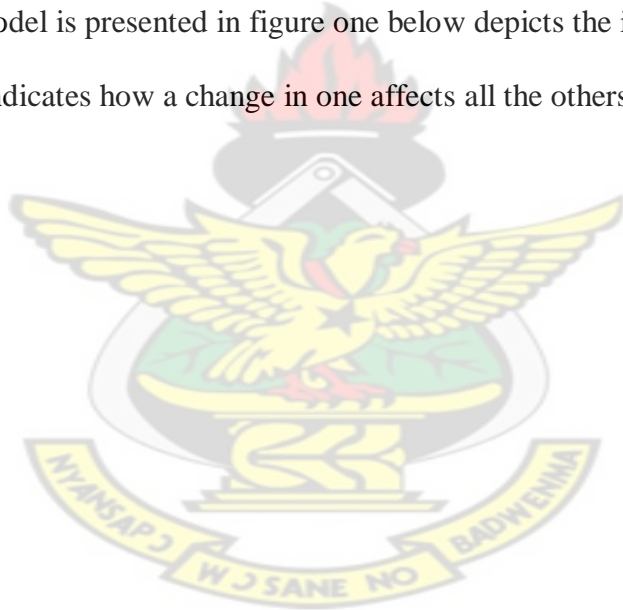


Fig. 2. 1 McKinsey 7s Model



Source: Peters (1980)

The elements in the model are explained as follows:

- **Strategy:** the plan devised to maintain and build competitive advantage and to achieve maximum target. Strategy also means those actions that an institution plans in response to or anticipation of changes in its external environment-its customers, its competitors. Strategy is the way a company aims to improve its position by providing better value to the customer, and by achieving targets and service dominance. As the company's chosen route to competitive success, strategy is obviously a central concern in many businesses situations-especially in highly competitive industries where the game is won or lost on share points. We find too many examples of large, prestigious companies around the world that are replete with strategy and cannot execute any. Alfred D. Chandler, Jr,(1980). In Domestic Tax Revenue division, the application of tax laws through the use of collection manual is considered to be the best strategy. However, whether this strategy is effectively applied is a matter of concern. The aim

of this research may agree with the work of Alfred Chandler (1980) where execution of the strategy becomes an issue of great concern in the context of Berekum Tax Office.

- **Structure:** this indicates the way the organization is structured and who reports to whom. The basic theory underlying structure is simple. Structure divides tasks and then provides coordination. It trades off specialization and integration. It decentralizes and then recentralizes.

The old structural division was between production and sales. The chart showing this was called a functional organization. Certain principles of organization, such as one-man/ one-boss, limited span of control, grouping of like activities, and commensurate authority and responsibility, seemed universal truths. The bureaucratic structure of the tax office (appendix C) makes it difficult for quick decisions to be taken thereby losing brilliant ideas and tax collection avenues. This may induce for flat structure where decision can quickly be taken for better performance.

- **Systems:** the daily activities and procedures that staff members engage in to get the job done. Observations so far revealed that the systems of the tax office are not there and those available are questionable in their application. The administrative systems where vital documents that can bring in tax are piled up, internet access is difficult, claims are not being paid and even those paid are not on time cannot be regarded as efficient system. These problems may affect the cohesion in the model as postulated by McKinsey.

- **Shared Values:** called 'super ordinate goals' when the model was first developed, these are the core values of the company that are evidenced in the corporate culture and the general work ethic. The core values of the authority are integrity, fairness, teamwork, innovation and professionalism. Whether these values are working in the office under investigation is a great concern.

- **Style:** the style of leadership adopted. The leadership style adopted in any organization has direct impact on performance. Friedman & Rosenman defined two types of leadership, type A and B. Type A leaders tend to strive on hard work, but are more vulnerable to stress related diseases. They have high need of achievement, impatient, aversion to idleness, aggressive, restless and urgency about time. Type B leaders do not feel the sense of urgency like type A rather can relax without guilt. It is argued that type A managers are more efficient.
- **Staff:** the employees and their general capabilities. The capabilities of staff depend on several factors such as qualification, experience, and motivation among others. Absence of any of these may lead to underperformance.
- **Skills:** the actual skills and competencies of the employees working for an organisation are also vital for efficient and effective performance.

The shape of the diagram is significant. It has no starting point or implied hierarchy. A priori, it isn't obvious which of the seven factors will be the driving force in changing a particular organization at a particular point in time. In some cases, the critical variable might be strategy. In others, it could be systems or structure.

The 7S model can be used in a wide variety of situations. With respect to tax effectiveness and efficiency, the model can be used to:

- Improve the performance of the tax office.
- Examine the likely effects of future changes within the tax organisation.
- Align departments and processes to improve collection.
- Determine how best to adopt and implement the best strategy to achieve maximum collection.

The McKinsey 7Ss model is one that can be applied to almost any organizational or team effectiveness. If something within an organization or team isn't working, chances are there is inconsistency between some of the elements identified by this classic model. Once these inconsistencies are revealed, one can work to align the internal elements to make sure they are all contributing to the shared goals and values.

The process of analyzing where one is right now in terms of these elements is worthwhile in itself. But by taking this analysis to the next level and determining the ultimate state for each of the factors can really move the organization or team forward.

2.14 Employee Motivation

Employee motivation is paramount to the success of any organization. It is the willingness to exert high levels of effort towards organizational goals, condition by the effort's ability to satisfy some individual needs. It is the cognitive decision-making process, through which goal

oriented behaviour is initiated, energized, directed and maintained (Buchanan&Huczynski, 2004)

A relevant motivation theory which deals with staff as identified in the McKinsey 7s model to the effectiveness of tax organization is Hertzberg two factor theory.

2.15 Hertzberg's Hygiene-Motivator Theory

Herzberg (1968) identified two main factors that influence satisfaction and dissatisfaction on the job, namely motivators and hygiene factors. The theory is based on the assumption that dissatisfaction leads to the avoidance of work while satisfaction leads to attraction to the work. Herzberg et al maintain that when an individual has a feeling of self-worth and recognition, feeling of achievements of his objectives and when the individual finds the nature of the work or the content of the work to be consistent with his values, he gets job satisfaction. Moreover, the individual gets job satisfaction when he feels that some responsibility has been put in his hands and finally when he feels that he is making progress on the job. Hence motivators are conditions that lead to job satisfaction and better performance.

A person feels dissatisfied with his job, according to Herzberg (1968), if the policies of the organization are not consistent with the values and expectations. Moreover, when the salary is disappointing in a poor interpersonal setting, when worker supervision relationships are also generally poor, and when working conditions are also poor, the person will be dissatisfied with the job. Hygiene factors are the primary causes of unhappiness on the job. They are extrinsic to

the job - they do not relate directly to a person's work - its real nature. These are parts of a job environment (surroundings), its context and not its content.

Whenever an employer fails to provide these factors adequately to his employees, job dissatisfaction will be experienced. On the other hand, when they are adequately provided, they will not necessarily act as motivators rather they only lead employees to experience job satisfaction.

Herzberg (1968) in the two factor theory could show the job satisfaction of the individual when he obtains outcomes which are consistent with his expectation. In contrast, they maintained that dissatisfaction occurs when expectations are not met. In addition, when one's work values meet with agreeable work conditions, satisfaction results. Finally, dissatisfaction occurs when a person perceives that what he receives relative to what others receive is unfair.

2.16 Tax Payer Satisfaction

Satisfaction is what the customer says it is. Satisfaction is a set of momentary emotional responses that are affected by just about everything that can be listed. In the tax division, tax payer satisfaction is paramount to successful tax mobilization. It is the gap between the expected and the perceived outcome (Berry, Zeithaml, & Parasuraman, 1985). It involves access or ease with which the service can be obtained. It refers to things such as hours of operation, method of contact and waiting time. Competence involves a high level of skills and knowledge in providing the service. This is done in the tax division by providing basic professional course in taxation. Courtesy, friendliness and politeness to tax paying populace is

the key. Staff has to be willing and ready to provide the necessary service and right service at the right time.

Security is freedom from danger, risk, doubt, physical safety among others. A key element hence is confidentiality of tax payers' information and understanding the customers' expectation and feelings about the services provided through communication and tax payer education (Crocker, 2003).

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The measurement of the administrative cost associated with tax system vis-a-vis the collection performance. Tax effectiveness can be considered as ability of the tax agency to collect tax at the lowest cost. This cost includes administrative cost, compliance cost and dead weight lost.

2.17 Comparison of Taxation in Different Countries

Developing countries differ from industrial countries in revenue composition in well known financial indices. Non-oil developing countries records lower indices in terms of taxes on income and profits, social security contributions, domestic taxes on goods and services and taxes on international trade transaction (Prest, 2007 p21).

Economic investigation into the determinants of the yield from different taxes in different countries has been made on various occasions. The level of tax revenue administration differs

from country to country and even more widen between the developed and the developing nations. Taxes which can be levied or levied at a high level of sophistication in industrial countries may not be an option in developing countries with low standards of administration. Examples of unstable revenue can be found in most developing countries including Caribbean and Bangladesh where the tax is most widened.

Some of the technical devices used in the Western countries and notably that of collection of tax at source, are only of limited application even if available at all in developing countries. Also opportunities for evasion are naturally easy in African territories where Income tax defaulters even regard prison as rather a good resting place. In developing countries, for which Ghana is not an exception, income tax authorities have relied much more on just a few tax payers and the co-operation of the taxpayer than is usually admitted. For example the Berekum Tax Office has relied on A.B.T.S Company Limited to the extent such that it dictates its own pace of payment. This is because the company's inability to comply leads to negative deviation of the office.

It must be noted that no income tax system can be expected to work effectively unless there is a situation of mutual respect between taxpayers and tax officials as emphasized in the context of Latin American (Hart, 1970).

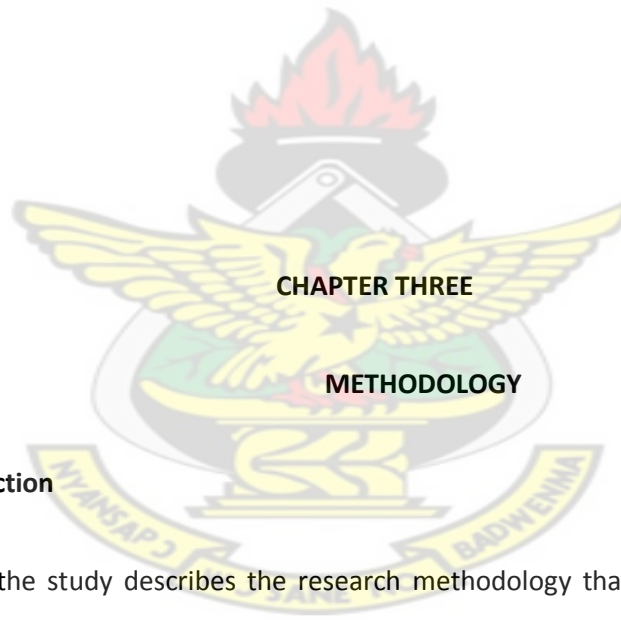
There is no doubt that in many less developed territories, the administration of income tax even at the rates currently prevailing has left a great deal to be desired. In the Berekum Tax

District, there is a great outcry about the higher tax rates. This led to underestimation of incomes of those who could. Those who could not, cry the more. Determination to persecute offenders and willingness to expose them could very frequently make an immense amount of difference to the efficiency with which income tax affairs are conducted. It is not so much a matter of introducing new penalties for non-payment but enforcing them (Bird et al, 1983).

The critical importance of insisting on prompt tax collection especially in an inflationary context is also insufficiently recognized. But all too often the manifold pressure to turn blind eye on tax delinquents is too strong for weak or inexperienced administrators. It must be noted that such pressures and for that matter all difficulties of collecting income taxes would be far greater if the income tax system were recast. The low income tax yields in developing countries are due to choice of rates, allowances and deductions and the difficulties of tax collection.

The conversion of income tax into a mass tax was not something which happened easily and smoothly in UK and U.S.A. It was a shock and stimulus of wartime conditions to bring about a change. Unless and until the inhabitants of developing countries and their political representatives can be made to feel the need as UK and USA, the possibility of any sudden change in this prospect is not great.

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CHAPTER THREE

METHODOLOGY

3.1 Introduction

This section of the study describes the research methodology that was employed to collect relevant data for the study. It deals with the research design, the population, sample size and sampling procedure, research instruments, data collection procedure and data analysis.

3.2 Research Design

The study employed descriptive survey. Creswell (2003) defines descriptive survey as a method of collecting data for the purpose of testing hypothesis or answering research questions

concerning the current status of the subjects under study. In the opinion of Cohen and Marion (1999) descriptive survey is a design used to gather data at a particular point in time with the intention of describing the nature of existing conditions or identifying standards against which existing conditions can be compared or determining the relationship that exist between events. Thus, a descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. This is done through the use of strategies and procedures to describe, clarify and interpret existing variables that constitute a phenomenon.

Descriptive survey is associated with some disadvantages. Setert and Hofnung (1997) maintained that there is the difficulty of ensuring that the questions to be answered in descriptive survey are clear and not misleading. This is so because survey reports can vary significantly because of the exact wording of questions. Newman (2003) also claims that the method may produce unreliable results because questions asked eat into private matters that people may not be willing to talk about.

The above disadvantages notwithstanding, the descriptive survey is found to be most appropriate for the study. This is largely due to the fact that the design is considered to be relatively easy to conduct because data are fairly easy to obtain and interpret by the use of simple descriptive statistics (Blaike 2000; Sarantakos, 2006). The present study will adopt the descriptive design because it has the advantage of producing a good amount of responses from a wide range of managers, collectors, assessors and the taxpaying public in the Berekum Tax District on issues concerning effectiveness and efficiency in tax collection.

3.3 Sources of Data

Data for the study was collected from both primary and secondary sources. The administration of questionnaires forms the basis for primary data. Data collected from this source was centred on the background characteristics of respondents, identification of reasons for voluntary tax compliance, reasons for low collection of taxes, challenges involved in the collection of taxes and the ways of ensuring that tax collection in the Berekum Tax District is made effective and efficient.

In the case of secondary sources, information from published and unpublished sources including journals, textbooks, periodicals, government publications, the internet as well as reports and official documents from the Ghana Revenue Authority were used to support the primary data.

3.4 Target Population

The target population of a study constitutes the group of persons, objects or institutions that defines the objects of the investigation (Patton, 2002). Staff and the registered taxpaying public in the Berekum Tax District constitute the population for the study. Both the company and self employed taxes amounting to 858 constitute the population of registered tax payers for this research. The population of the staff of the district is twenty-one (21). The Berekum

Tax District covers five (5) administrative districts namely Berekum Municipal, Dormaa East, Dormaa West, Jaman North and Jaman South Districts respectively.

The District Office of the Domestic tax Division is located in Berekum, with two other sub-offices in Dormaa and Sampa respectively. The sub-office in Dormaa is responsible for the Dormaa East and West Districts, while the one in Sampa takes care of the Jaman North and South Districts. The Berekum office is responsible for the Berekum Municipality and also exercises oversight responsibilities on the two sub-offices in Dormaa and Sampa.

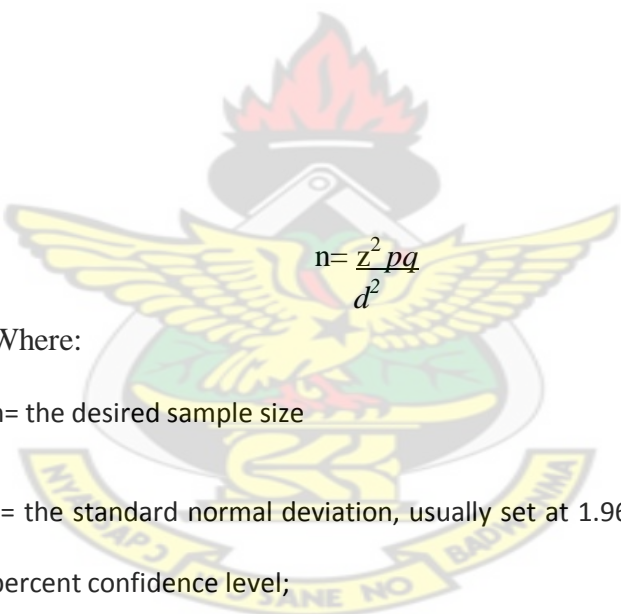
3.5 Sampling Method

Considering the fact that the study covers such a vast area, not all the respondents can be included in the study. It is thus significant to draw a sample from the population. Both the probability and non-probability methods were employed to select the sample for the study.

In terms of the non-probability method, the purposive sampling method was used to select staff of the Domestic Tax Division in the three offices within the Berekum Tax District. Thus, in the Dormaa and Sampa sub-offices, four (4) officers, the sub-office head and the collector in each sub-office were selected for the study. In the Berekum Office, three officers were selected namely, the District Manager, Assessor and Collector. This brings the total number of staff selected for the study to seven (7). The purposive sampling method is used because it is

deemed the appropriate means of getting respondents who are knowledgeable and well abreast with the subject matter of interest (Sarantakos, 2006).

The probability method was used to select respondents from the taxpaying public for the study. The three offices in the district form strata in stratified sampling with each office forming a stratum. In order to get a sample size from the taxpaying population, the Fisher, Laing, Stoeckel and Townsend (1998) formula for determining sample size is employed to select from a population of 858 tax payers at the end of December, 2010. This formula is given as:


$$n = \frac{z^2 pq}{d^2}$$

Where:

n= the desired sample size

z= the standard normal deviation, usually set at 1.96 which corresponds to 95 percent confidence level;

p= the proportion of the target population that have desired characteristics; (effectiveness and efficiency)

q= 1.0-p; and

d= the degree of accuracy desired, this is usually set at 0.05

Assuming the percentage of taxpaying public who pay their taxes (p) is 84.5% which is equivalent to 0.845, with the z statistic being 1.96 and the degree of accuracy set at 0.05, then the sample size (n) for the three offices were as follows:

$$n = \frac{(1.96)^2 (0.845) (0.155)}{0.05^2}$$

$$n=200$$

The calculated sample size (n) of 200 members of the taxpaying public was selected for the study. In addition, the seven staff from the various offices were added to the taxpaying public which brings the total sample for the study to 207.

As at December 2010, data from the Berekum District Tax Office puts the total number of taxpaying public in the Berekum tax District at 858. This includes 465 from Berekum, 258 from Dormaa and 135 from Sampa. The sample size of 200 taxpaying public is then distributed proportionately among the three offices in the Berekum Tax District in the table that follows:

Table 3. 1: Sample size of taxpaying public

Office	Taxpaying population	Sample size
Berekum	465	108

Dormaa	258	60
Sampa	135	32
<hr/>		
Total	858	200
<hr/>		

Source: Berekum District Tax Office, 2011

In each of the Office selected, the lottery method of the simple random sampling technique was used to select the number of respondents to participate in the study. A sampling frame was formed listing all the units of the population which constitute the tax payers. Care was taken to avoid any defect that may occur in designing the frame such as inadequate, inaccurate and incomplete frame. The population of each office was numbered in an order from one (1) to its population size which were three digits numbers for each office. Each sampling unit represented by a number has an equal chance of being selected. These numbers were drawn one after the other without replacement forming the overall sample represented in the table above.

3.6 Data Collection Instruments

Questionnaires were used to collect data for the study. Prior to designing the instrument, a thorough literature search was conducted to determine and categorize concepts and variables used in similar past studies. These were modified to suit the goal of the present study. Two separate questionnaires were prepared, one for the staff and the other for the taxpaying public.

The instruments comprised a mix of open-ended, close ended and Likert scale questions. With respect to questions that require a 'yes' or 'no' response, the instrument provided an opportunity for respondents to explain the response they chose. The questionnaire elicit responses on issues regarding respondents' background characteristics, reasons for low collection of taxes, challenges involved in the collection of taxes and the ways of ensuring that tax collection in the Berekum Tax District is made effective and efficient.

Questionnaire pre-test was done to indicate its effectiveness. This was to check whether the replies provided the type of information needed or whether there are some elements of ambiguity. The researcher personally interviewed each individual tax payers recording the various responses. Part of the questionnaire is unstructured so that the respondents expressed their views on issues of taxation. This method of personally interviewing the respondent was selected for accuracy and reliability of data being capture with adequate supervision and control. Field and central editing was done checking the legibility, completeness and consistency of the data. This editing was preceded by coding which is assigning a numerical

score or other character symbol to answers so that the responses can be recorded into a limited number of classes. Finally, data entry was done.

3.7 Data Analysis

Data collected from the field was analysed using descriptive statistics. The Statistical Package for Social Sciences (SPSS) Version 16.0 Software was employed to process and analyse the instruments. Frequencies, percentages, proportions, charts and diagrams were used to present the results.



CHAPTER FOUR

FINDINGS AND DISCUSSION

4.0 Introduction

The focus of this chapter is on the analysis of the data collected from the field of study according to the responses given by the respondents. In all, 207 questionnaires were administered. Among which 200 were sent to registered tax payers selected at random and 7 to the staff of Domestic Tax Revenue of the three offices namely Berekum, Dormaa and Sampa. These seven questionnaires administered to tax experts were analyzed separately since their questions were different. In addition, secondary data was collected from the three offices to determine the level of voluntary compliance of the district. In this section, efforts were made to give meaning to the data collected from the field. To do this, the responses were grouped into discrete variables like age, sex, location, type of business activity among others. The data was analyzed using statistical tools like charts, graphs, percentages, among others with the Microsoft office, Microsoft Excel and Statistical Package for Social Sciences (SPSS) version 16.0 software.

4.1 Distribution of Respondents

The responses are distributed based on the various characteristics.

4.1.1 Sex of Respondents:

Variables of male and female were used to obtain responses on sex of respondents.

Table 4.1 Sex of Respondents

Gender	Frequency	Percent
Male	129	64.50
Female	71	35.50
Total	200	100.00

Source: Field Survey Data 2011

With respect to the sex of the respondents, 129 males out of the 200 respondents constituting 64.5% responded to the questionnaire in this research. The female counterparts constitute 35.5%. The male counterparts therefore dominate the business environment and this confirms the difficulty in tax collection.

4.1.2 Age of Respondents:

Table 4.2: Age Distribution of Respondents

Age (in years)	Frequency	Percent
20-29	25	12.5
30-39	62	31.0
40-49	78	39.0
50-59	25	12.5
60+	10	5.0
Total	200	100

Source : Field Survey Data 2011

Table 4.2 showed that 12.5% of the respondents fall between the age group of 20-29 years while 31% fall between ages of 30-39% years. The highest business acumen group falls between the ages of 40-49 years representing 39% which is 78 responses. 12.5% and 5% represent the age group of 50-59 years and above 60 years respectively.

According to this research, majority or the modal class of ages of business is between 40-49 years. Most of the businesses suffer management problems when their true owners pass away. In Ghana, taking the survival age to be 60 years, it means that the true owners of these businesses will be no more in the next 10 years to come. This may further cause a stress on the tax collection performance unless new businesses spring up.

The graph below gives pictorial view of age composition.

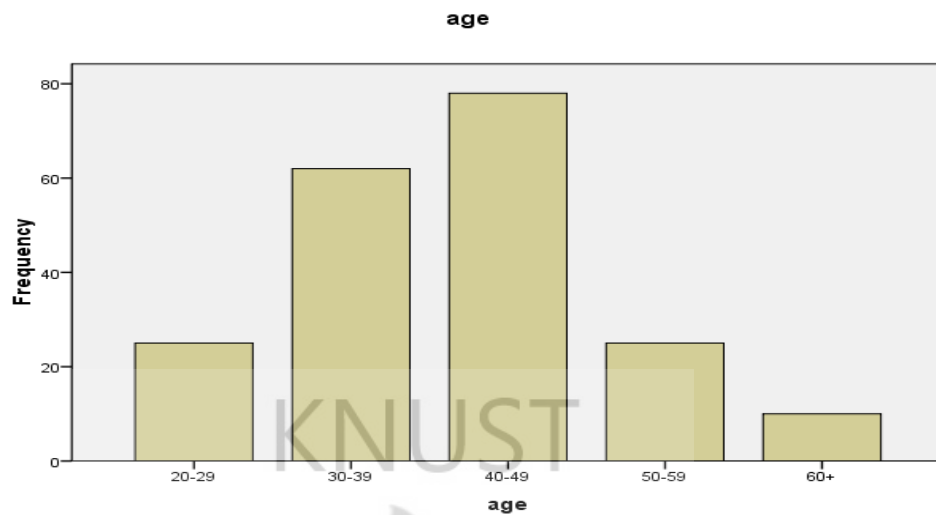


Fig 4.1: Age of Respondents

Source: Field Survey Data 2011

4.1.3 Level of Education

The incidence of tax is impacted by the level of information available to both the collector and the payer. Again education influences ones understanding of the role of tax in the economic development of any country. To this end, the study sought information on the level of education of respondents. The results are presented in Table 4.3.

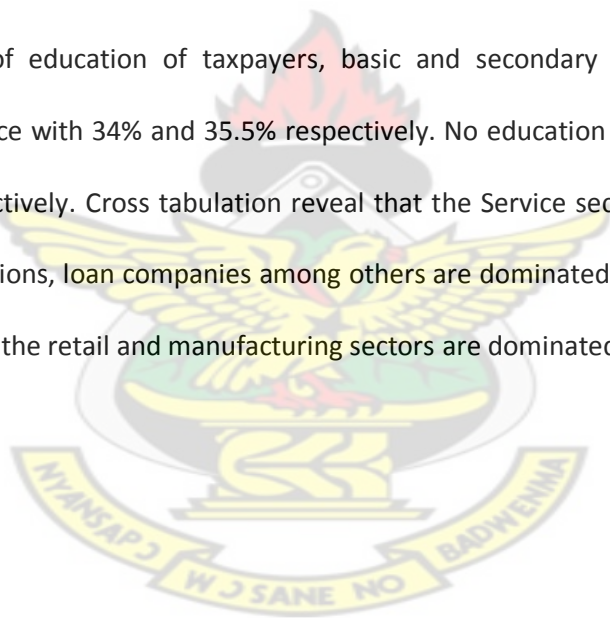
Table 4.3: Level of Education

Level of Education	Frequency	Percent
No formal education	10	5.00
Basic/MSLC	68	34.00
Secondary/voc/tech	71	35.50
Tertiary	51	25.50
Total	200	100.00

Source: Field Survey Data 2011

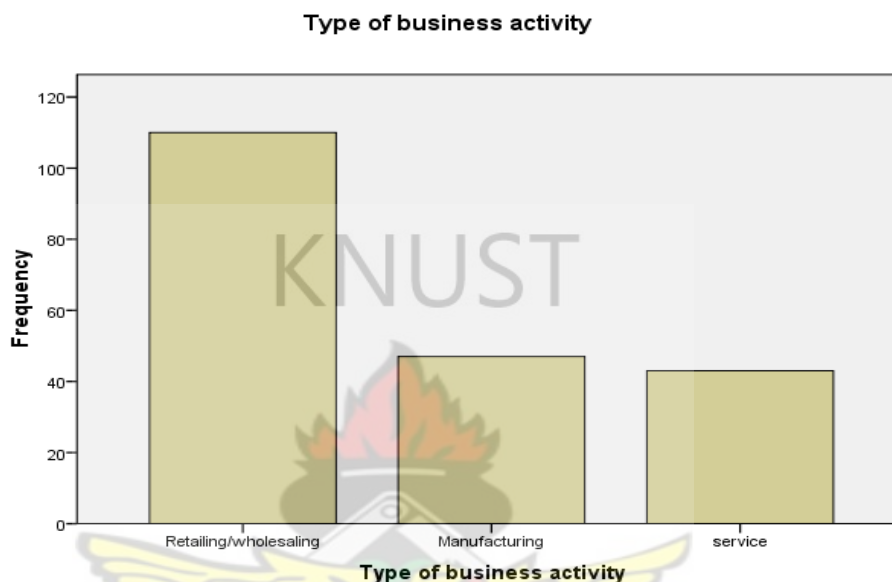
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With the level of education of taxpayers, basic and secondary educations dominate the taxpaying populace with 34% and 35.5% respectively. No education and tertiary constitute 5% and 25.5% respectively. Cross tabulation reveal that the Service sector ownership of business such as radio stations, loan companies among others are dominated by those from the tertiary institutions while the retail and manufacturing sectors are dominated by basic and second cycle institutions.



4.1.4 Business Activity

Fig. 4.2: Type of Business Activity



Source: Field Survey Data 2011

The Business activity in the area of study is dominated by retail and wholesale trade constituting 55% of the respondents. This has confirm the tax collection reports in Berekum, where wholesale and retail businesses accounts for over 50% of collection on monthly bases (statistics unit, Berekum Tax Office, 2011). 23.5% of the business belong to manufacturing sector while 21.5% represents the service sector. Records showed in the secondary data revealed that service sector is dominated by the rural banks and radio stations in the area. Manufacturing is in the area of pure water, printing press and timber among others.

4.1.5 Duration of Business

It must be noted that most of the businesses that fall into this research are below 10 years old accounting for 91% of response. All these business are in the wholesale and retail trade. It is few businesses in the services sector comprising rural banks and private schools that are above ten years of age.

It has also been discovered that, majority (61%) of the tax payers are married having household size of less than five .This brings into mind their level of affluence in society.

4.1.6 Voluntary Compliance

Voluntary compliance is the ability of the taxpayer to pay tax without any enforcement measure. Tax compliance is the degree to which the tax payers comply with the law. It is the willingness of individual and taxable entities to act in accordance with the spirit as well as the tax law and administration without the application of enforcement activity (James and Alley 2001). 100% compliance makes the tax gab to be zero.

In order to determine the voluntary compliance of tax in Berekum Tax Office, the receipts written in the office are compared to those written by the field staff. It is assumed that those receipts written on field have some element of force while those written by the cashier in the office are those who pay voluntarily. For the purpose of this study, two months administrative

records were perused. Receipts for the months of June 2010 and January 2011 were used as the base to determine the level of voluntary compliance. This is supported by the primary data collected from the tax payers.

Analysis from the questionnaire revealed that 32 responses (16%) pay tax at the office, 100 responses (50%) pay tax on field while 61 responses representing 30.5% of the respondents pay tax at both field and the office for various reasons. The reasons for paying tax on field include long distance to the tax office, high taxes and bad attitude of the tax officers. More than 40 percent of the respondents identified lack of tax education as a reason for low compliance while 40% identified lack of monitoring and higher tax rates leading to low collection. It must be noted that tax education is vital for determining the level of voluntary compliance.

Table 4.4 Compliance Level for Berekum District, June 2010

Office	No. of tax payers	No. paying voluntarily	Voluntary Compliance%
Berekum	465	149	32.04
Dormaa	258	170	65.89
Sampa	135	16	11.85
Total	858	335	39.04

Source: Statistics Unit, Berekum Office

From the table above, 465 taxpayers pay tax in Berekum main office. Out of this, 149 paid at the office accounting for 32.04% level of voluntary compliance. This means that the effort of the office in pursuing tax was 67.96%.

For Dormaa Office, the total numbers of tax payers were 258 for June 2010. Out of this 170 paid voluntarily accounting for 65.89%. This means that the extra effort by the office to achieve that level of collection was 34.11%. For Sampa office of 135 taxpayers in the month of June 2010, only 16 paid at the office accounting for 11.85% voluntary compliance. This means that, the office needs extra effort of 88.15% in order to make the performance that they have made.

For the district, there were 858 tax payers for the month of June, 2010. Out of this, 335 taxpayers paid at the office indicating 39.04%. This means the district needs to make an extra effort of 60.96% in order to make the total revenue of Gh106, 943.05

Administrative records for the month of January 2011 were also selected. This is to identify the level of payment of tax for the beginning of the year and at the same time at the beginning of the quarter. It is assumed that, at the beginning of the quarter, voluntary compliance increases as a result of quarterly payment of Vehicle Income Tax (V.I.T). Vehicle Income Tax is a tax paid by the commercial drivers at the beginning of each quarter. This tax can be paid at any tax office nationwide. As a result, these drivers are considered as floating tax payers as they are not registered with any tax office. This has therefore increased the number of tax payers in the month of January, 2011. The total number of taxpayers has been increased from 465 to 1579 for Berekum main office. This remarkable increase has been seen in the Dormaa and Sampa sub-offices as well as outlined in table 4.5. The police who offer external support from the enforcement on Vehicle Income Tax ensure proper check on the roads making increased compliance. This is still considered voluntary compliance since the enforcement is not directly

from the staff of the Authority. The Table on the next page for the month of January 2011 has confirmed this assertion.

Table 4.5 Compliance Level for Berekum District Office, January, 2011.

Offices	Total No of Taxpayers	No. Paying Voluntary	Voluntary Compliance (%)
Berekum	1,579	944	59.78
Dormaa	746	544	72.92
Sampa	658	184	27.96
Total	2,983	1,672	56.05

Source: Accounts Unit, Berekum Tax Office

Table 4.5 reveal increased compliance with corresponding voluntary compliance component. Voluntary compliance has increased for each office. It has increased from 32.04% to 59.78% for Berekum main office, 65.89% to 72.92% in Dormaa Ahenkro sub- office and 11.85% to 27.96% for Sampa Office .Also the total district compliance has increased with corresponding voluntary compliance from 39.04% to 56.05%. This has also translated into increased collection from 106,943.05 cedis in June 2010 to 124,944.68 cedis in January, 2011. Dormaa Ahenkro has topped the three offices in the district in voluntary compliance in both within the quarter and the beginning of the quarter. This implies the education should be more intense in the other two offices. The increased compliance for Dormaa Office may be due to incentives from office impress as indicated in the Hertzberg's Hygiene-Motivator Theory in the literature.

This comparison is revealed in the Grouped Bar Graph below.

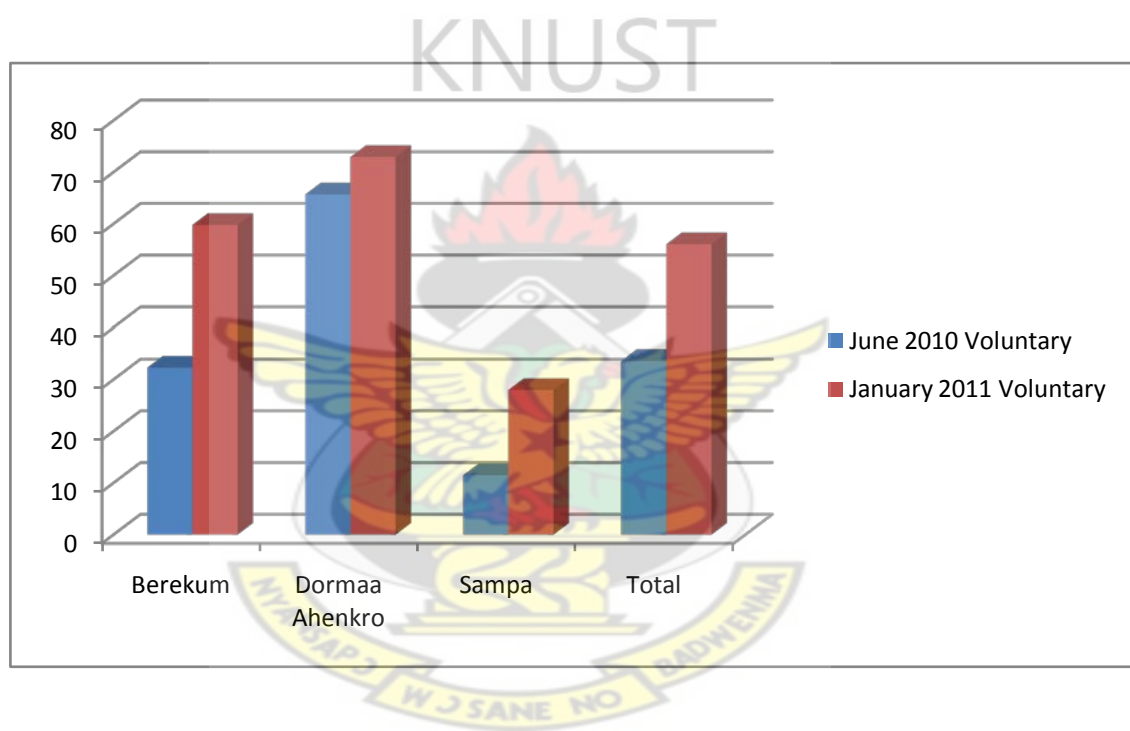


Fig. 4.3 Voluntary Compliance for June 2010 and January 2011

Source: Berekum Tax Office, 2011

Lack of tax education, improper monitoring and sometimes bad attitudes of the field staff and high tax rate have been identified as the causes of low voluntary compliance. This has confirmed the six factors of tax efficiency (Samieie, 1999) in the literature.

The opinion on how tax compliance can be improved has generated a lot of options that can help in the analysis of tax effectiveness and efficiency. The various opinions and their responses include: frequent visits of tax officials (40.50%), tax education (43.50%), tax exemptions (3.50%), reduction of tax rates (9.50%) and cordiality of tax officials (3.50%). Questionnaire on tax experts also revealed that tax evasion can be minimized if effective education can be conducted. More than 80% of the tax experts believe that training of the personnel and the taxpayers such as seminars are some of the effective factors in the efficiency of the tax system.

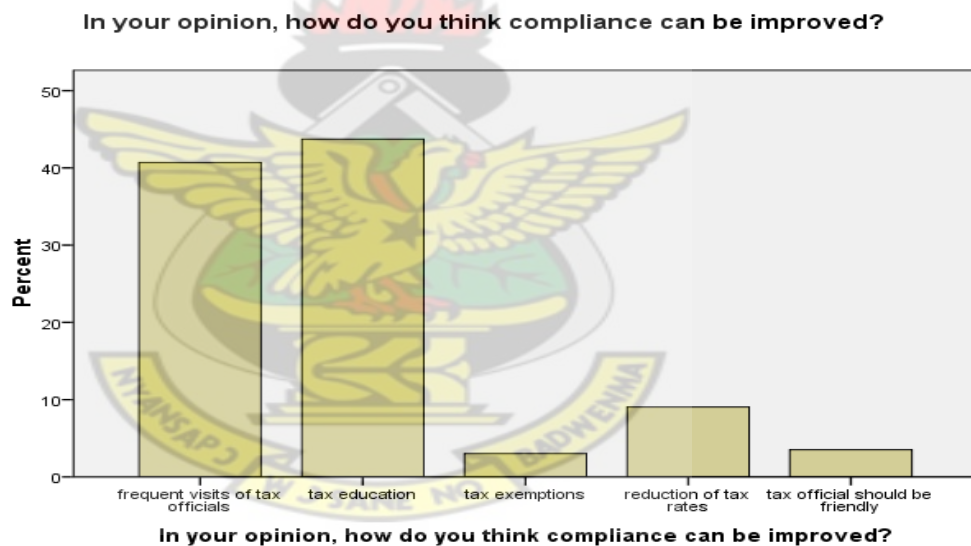


Fig. 4.4 Opinion on how Compliance can be Improved

Reasons for paying tax on field as captured in the questionnaire includes seasonal nature of business performance, some argue tax officers always come to their work so there is no need coming to the office, some said there is a long distance to the tax office while others said they do not get time to travel to the tax office. These responses can be seen in the figure at the previous page.

4.1.7 Reasons for Voluntary Tax Compliance

It is necessary to solicit the reasons why people pay tax voluntarily. This will give ideas as to how the tax office could position itself in order to meet tax payer expectations. The various reasons according to this research are presented in a table below:

Table 4.6 Reasons for Voluntary Tax Compliance

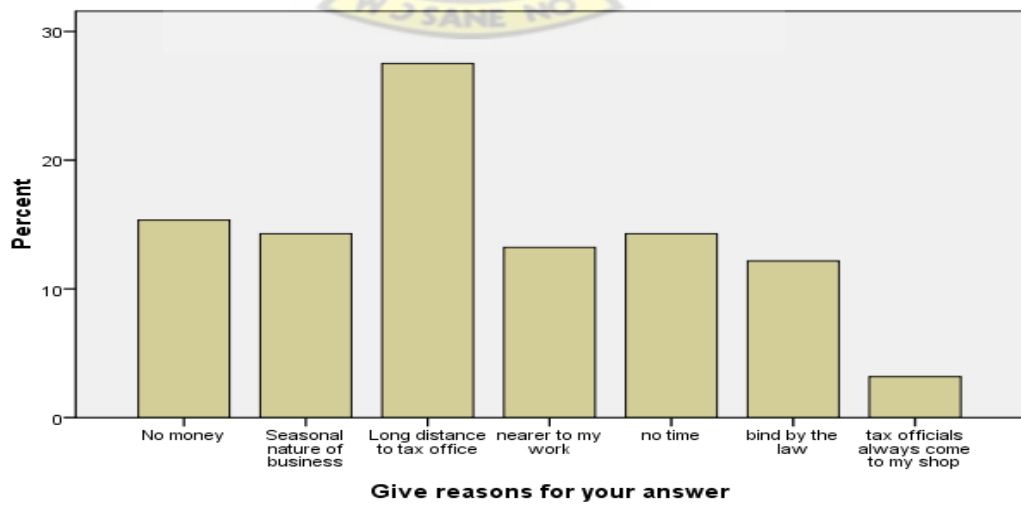
Reasons	Frequency	Percent
Bind by the law	116	58.0
Necessary for development	43	21.5
Beauty of the office	3	1.5
Missing Value	38	19.0
Total	200	100.0

Source: Field Survey Data 2011

Table 4.6 indicates that 58% of responses from the respondents indicate that they are bound by the law to pay tax. It is therefore revealed that these are those who are enlightened in academics from Senior High School and above. These responses again are identified with corporate bodies who know the legal implication of tax evasion than self employed businesses. Taxing these corporate bodies that have legal registration of their businesses is easier than that of smaller businesses.

The responses (21.0%) from respondents who pay tax for developmental purpose come mostly those from secondary level of education. It is again therefore identified that, respondents who decline to answer are those below the secondary level of education. It is therefore clear that formal education has a significant impact on the area of this research. It is therefore clear that education is beneficial not only to the individual but also to government and other areas of human endeavour.

Fig.4.5: Reasons for paying tax on field or office



From the pictorial representation above, it has been identified that long distance to the tax office is a factor to low compliance of tax in the district especially those at Jaman South District.

4.1.8 Reasons for Low Collection of Taxes.

The ten dimensions of customer satisfaction as outlined by Parasuraman (1985) as reviewed in the literature were considered. These include access, communication, competence on the part of tax officials, courtesy, credibility, reliability, responsiveness, security, tangibles and understanding which refers to the feelings and expectation of the tax payers. The attitude of tax officials, the length of time used to serve the tax payers and general services provided are summarized in a table at the next page.

Table 4.7 State of condition of tax payers

Condition	Attitude of tax officials	Length of time used to serve	General satisfaction
Very satisfied	111	148	11
Satisfied	46	14	56
Neutral	2	-	8
Not satisfied	41	38	21
Total	200	200	200

Source: Field Survey Data 2011

This table confirms the customer requirement of Dr. Noriaki Kano assertion on dissatisfaction, satisfaction and delighters. 115 responses represent delighters, 56 responses represent satisfiers and 21 responses represent those who are dissatisfied. The few bad attitudes from the staff of the authority may account for the 21 response signifying dissatisfaction. Reasons for satisfaction include cordiality of tax officials, their high expertise and comportment. Reasons for dissatisfaction include no or low tax education, higher tax rates and the level of force applied by the tax officials in collection enforcement.

More than 80% of the experts do not assume the present tax laws to be effective factors for the efficiency of the tax system. Even if there is most proper and appropriate laws, the efficiency would not be possible to achieve if these laws and regulations are not carried out properly. The studies reveal that simple, explicit, clear, and integrated laws can result in the promotion of the efficiency and satisfaction of the taxpayers.

More than 70% of tax experts do not consider the bureaucratic formalities as an efficient factor in the efficiency of the tax system. For a case to be dealt with it is necessary to follow the procedures such as allocation of the tax unit, recognition of the tax amount and the tax collection; however, the length of the stage of tax collection may sometimes prevent the tax system to reach its objectives.

More than 70% of tax payers believed that tax encouragements are among the effective factors, which influence the efficiency of the tax system. Using the facilities, tax relieves, and the exemptions that are specific to the good pay can be effective factors in the promotion of the efficiency of the tax system.

More than 85% of the tax experts believe that application of judicial punishments is an effective factor for the efficiency of the tax system. Lack of knowledge in appropriate regulations and tax laws in this regard is a factor hindering the system. Harsh measures against those people, who refrain from paying the taxes, can be among the significant factors, which can cause tax efficiency.

4.1.9 Challenges for Tax Collection

Responses from the tax experts identified inadequate resources as one of the key reasons for low tax collection. Other challenges include lack of automation which is hindering information flow, low staff size, frequent shortage of income tax forms, inadequate supply of vehicle income tax stickers and file jackets, insufficient impress for running the office among others. This was also confirmed by the Taxpaying public as Tax Officials could not visit them frequently. These challenges leads to reduction in potential tax collection as there are more untapped tax resources thereby creating a tax collection gap in the district and not meeting the criteria set by the Ministry of Finance. These may therefore affect negatively the elements of McKinsey 7s model which are strategy, structure, skills, staff, shared values and systems.

The strategy which is the plan devised to build and maintain competitive advantage is very weak in the tax district. In the tax division, application of tax laws through the use of collection manual is considered the best strategy which is less to write home about in Berekum tax office. The tax laws are not effectively applied. ABTS Co. Ltd could determine their own pace and time of tax payment without any difficulty. Penalties are not charged on late payments and tax

arrears are standing on the books. These inefficiencies make it difficult for targets to be achieved as the application of tax laws becomes a problem.

The structure of the Ghana Revenue Authority is too bureaucratic. This makes it difficult for quick decision to be taken and implemented in order to meet short term demand. This is seriously effecting revenue mobilization of the district as every decision has to be approved from the head office. Tasks are divided but co-ordination becomes a problem as subordinates feel victimized anytime corrective measures are taken. All these hinder effectiveness in collection.

The systems which are daily activities and ways of getting the work done is woefully inadequate in the tax district. The administrative system where accounts examined that can bring in tax revenue are piled up without printer, access to information is difficult, no internet access, claims are not being paid and even those paid are not on time, stationery are in inadequate supply, among others. All these cause imbalances in the model postulated by McKinsey.

The shared values also called supper ordinate goals of the authority includes; integrity and fairness in service delivery, teamwork, innovation and professionalism being the hallmarks. Fairness and integrity are strictly being observed by the tax division but the teamwork and innovation becomes barriers to tax collection. Collection is suffering because of individual differences while structure becomes a barrier to innovation.

The leadership style of the division is vital as far as meeting of target is concerned. The current leadership style of the district could be considered as that of type B according to Friedman (2004). Type B leaders do not feel the sense of urgency like type A; rather they can relax without guilt and do not have high need of achievement. It is therefore argued that type B managers are less efficient.

The employees and their general capabilities constitute the staff of the office. The Human Resource Department plays a key role by ensuring that the right type of people are available at the right time, in the right place and in the right quantity . With this, the employee of the division understands their role in terms of loyalty, commitment and attitude. The capabilities of staff depend on several factors such as qualification, experience and motivation. The Revenue Authority is particular about qualification and experience but more is yet to be done on staff motivation as explained in the literature.

The skills and competencies of employee are vital for the success of any organization. The employees with problem solving skills and able to work in teams are geared towards achievement. To function effectively, employees have to be trained to meet their roles. The Authority trains staff in basic professional course which is woefully inadequate. Six (6) months training in ones career needs to be supported by short courses, seminars among others.

Domestic tax division rely on manually kept books like the assessment list book, tax payers ledger, Assessment record Book and the records of tax payments. From these books, tax payers, statement of accounts are produced. However in practice officers do not refer to these books in deterring the tax position of tax payers and would prefer computing the tax position from tax payers files as and when necessary. The vouchers on file from which tax positions are computed are in most cases incomplete for the simple reason that credit certificates are not regular issues and distributed to tax payers files. Currently, there is no system in place that generates reliable tax payers' statement of account periodically for tax payers and for internal use.

The normal process in Berekum Tax Office are time consuming , unreliable, slow and cumbersome to manage and at times figures are put together at a time when a tax payer has requested for clearance certificate. The taxpayer file is studied and statement of accounts extracted before a clearance certificate can be issued. These processes are really 20th century business processes still being used in this 21st century of technological era.

4.1.10 Low level of Knowledge in Tax

This is another challenge facing the tax office in its quest to mobilize resources for the state. Responses on low level of knowledge in tax revealed that, 174 responded in affirmative representing 87% of responses. Eight (8) tax payers cannot tell their level of knowledge in tax thereby representing 4% while 18 responses representing 9% have some level of knowledge. This is revealed in a table at the next page.

Table 4.8 Low Level of Knowledge in Tax

Conditions	Frequency	Percent
Strongly Agree	76	39
Agree	98	49
Neutral	8	4
Disagree	18	9
Total	200	100

Source: Field Data 2011

This 9% knowledge in tax in the study area is woefully inadequate to attain tax efficiency and effectiveness. Worst of all, it has been identified during data collection that, the tax office is not making use of the airtime donated by a private local radio station in the area.

4.1.11 Effect of Low Tax Collection

Responses from the tax experts indicate that low collection undermines the credibility of the Tax Office as revenue to the state is lost through inefficiency .Incentive bonuses are therefore paid based on performance .Under performing offices are therefore denied such bonuses .It may also leads to cut in the resources allocated for tax collection from the head office .All these posed a challenge to such an office.

4.1.12 Opinion to Minimize Tax Evasion

Tax evasion is very common in Ghana especially in the study area of this work. There is every effort to evade tax through manipulation of accounts, reduction of profits earned, among

others to achieve this aim. This tends to reduce the potential tax in the area as outlined in the literature (tax avoidance and evasion)

Table 4.9 Opinion to Minimize Tax Evasion as Responded by Tax Payers

Opinion	Frequency	Percent
Education	75	37.50
Enforcing the law	27	13.50
Reduce tax	46	23.00
Use the tax money efficiency	6	3.00
Respect for Tax payers	23	11.50
Increase staff size	22	11.00
Missing value	1	0.50
Total	200	100.00

Source: Field Data 2011

The responses indicate one missing value which does not have any significant impact on the analysis. Opinion or open ended questions helped the respondents to express their views on issues of their concern. Lack of education which have already been analysed is again considered as the main cause of tax evasion. This accounted for 37% of responses. Education on tax and the implication of evasion needs to be explained to the taxpaying public in order to understand the consequences of tax evasion. Prosecution measures needs to be tightened to deter tax evasion notwithstanding the recalcitrant tax payers who may consider prison as their second home (Bird 1975). Enforcing the law is an area of great concern to the Domestic Tax Revenue Division of the Ghana Revenue Authority. The Legal Unit is too small posing stress on the human resource of the authority. There are only two Legal Units in the entire country. The southern Unit in Accra and the northern in Kumasi are woefully inadequate. Information has to be sent to Kumasi from Tamale, Bolgatanga and Wa in order to deal with any recalcitrant

taxpayer. This virtually discourages legal cases instituted by the various district managers since the distance to tax lawyers in itself constitute a barrier. This is confirmed by 13% of the responses on law enforcement.

Besides, 46 responses out of 199 responses obtained constituting 33% indicate that, higher tax rates pose opportunity for tax evasion. Generally speaking, Ghana is a tax averse country and every individual and Corporate Institutions are looking for avenues for evasion. This entails deliberately concealing the true state of affairs to the tax authorities. This may call for aggressive revenue mobilization. Few responses about 3% indicate inefficient use of the tax revenue by the politicians as an opportunity for evasion. Corruptions in the government machinery, inefficiency in the awards of contract were some of the examples mentioned. 11% mentioned disrespect for tax payers by tax authorities as the reason for their unwillingness to pay tax. This may call for extra training on customer care for Tax Officials despite the presence of tax laws.

The last opinion to minimize tax evasion is to increase the staff size of the authority. This accounted for 11% of the responses. This according to the responses will induce frequent visit to tax payers and will also help to capture new tax payers into the tax net.

The views on the seven tax experts do not vary more with that of the tax payers on ways to minimize evasion. The table below summarized these responses.

Table 4.10 Opinion to Minimize Tax Evasion as Responded by Tax Experts

	frequency
Tax education	7
Zoning the tax area	1
Increase staff size	4
Sanctions (persecution)	2
Automation	
Total	14

Source: Field Data 2011

Since this is an opinion question, more than one idea was introduced by respondents increasing the responses to more than seven (7). Coincidentally all the tax experts mention education as the force to minimize tax evasion. Other reasons include increasing staff size for frequent visits to tax payers, severe sanctions to evaders, zoning the area of jurisdiction and assigning a specific tax official to an area and automation of the office to capture efficient data on taxpayers thereby fishing out evaders.

4.1.13 Corruption in the Tax Collection System

Five (5) out of the seven (7) responses from the tax experts indicate corruption in the tax system. The various reasons outlined include the responses in the table at the next page.

Table 4.11 Corruption in the Tax Collection System

Reasons	Frequency	Percent
Inadequate staff motivation	5	46.45
Weak checks & balances	4	36.36
No efficient tax policy	2	18.29
Total	11	100.00

Source: Field Data 2011

The responses are more than seven (7) because some tax experts use more than one (1) reason for corruption in the collection system. 46.45% of the responses indicate inadequate staff motivation as the cause of corruption. Weak checks and balances constitute 36.36% while less efficient tax policy (18.28%) accounted for the cause of corruption in the tax system according to this research. Inadequate motivation has been identified as the main cause of corruption in collection systems. This was identified by Ghana Revenue Authority in the integration of the revenue agencies in the country. Internal Revenue Service as formally known was identified by the integration project as the Revenue Agency with low motivation as compared to Customs Excise and Preventive Service and Value Added Tax Divisions (GRA News 2010). This dissatisfaction nearly resulted into strike in January 2011.

According to Herzberg (1968) lack of job motivation causes dissatisfaction and leads to avoidance of work while satisfaction leads to attraction to work. According to Herzberg two factors theory, there is satisfaction when an individual obtains outcomes that are consistent

with his or her expectation. However, dissatisfaction occurs when the expectations are not met. That is when the salary is disappointing in a poor interpersonal setting, worker supervision relationships are generally poor, then hygiene factors sets in (dissatisfaction). All these are features of the Domestic Tax Revenue Division until the start of the integration of the Revenue Agencies just six (6) months ago. Buchanan & Huczynski (2004), maintain that motivation is the willingness to exert high levels of effort towards organizational goals condition by the ability to satisfy individual needs. This confirmed the responses of this research.

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings and conclusions drawn from the study. It also provides recommendations on how to attain tax efficiency and effectiveness.

5.2 Summary of Findings

The government of Ghana in its quest to increase revenue mobilization decided to impose scientific targets on regional and district offices in order to obtained national target to ensure efficiency and effectiveness in tax administration.

As a result, this study identified efficiency and effectiveness of tax collection in Berekum tax office. A tax organization, which collects the highest amount of taxes from the existing resources in the fastest possible time duration and with the lowest possible collection costs, can be regarded as an efficient organization.

The study is conducted to find out from the respondents the measures to ensure efficiency and effectiveness of tax collection, reasons for voluntary tax compliance, reasons for low tax collection, effects of voluntary tax compliance and challenges facing the Berekum tax office.

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Mean number of the respondents identified lack of tax education as a reason for low compliance while more than half of the respondents identified lack of monitoring and higher tax rates as reasons causing evasion, leading to low collection. It must be noted that tax education is vital for efficient mobilization of tax revenue.

Majority of responses from the tax experts indicate inadequate staff motivation as the cause of corruption. This was again confirmed by the mean number of tax payers. This lowers moral for work and translates to inefficiency according to Herzberg. Weak checks and balances and less efficient tax policy were also identified as the cause of corruption in the tax system according to this research.

The enforcement actions by the police have been identified as the cause of increased compliance of tax as a result of Vehicle Income Tax at the beginning of the quarter.

Two legal offices of in the entire country are woefully inadequate. This puts stress on the scanty staff prolonging most of the prosecution cases.

It has also been identified by this research that higher tax rates pose opportunity for evasion.

Responses from the tax experts identified inadequate resources for collection. Only one pick – up for 5 administrative districts is woefully inadequate. Other resources include lack of automation which is hindering information flow and insufficient impress for running the office among others. Domestic Tax Division relies on manually kept books like the Assessment List Book, Tax Payers Ledger, Assessment Record Book and the Records of Tax Payments. From these books, tax payers' statements of accounts are produced.

However in practice, officers do not refer to these books in determining the tax position of tax payers and would prefer computing the tax position from tax payers files as and when necessary. The vouchers on file from which tax positions are computed are in most cases incomplete for the simple reason that credit certificates are not regular issues and distributed to tax payers files. Currently, there is no system in place that generates reliable tax payers' statement of account periodically for tax payers and for internal use as indicated by tax experts. All these pose a threat to McKinsey Model of Organization effectiveness as inefficiency in one of the factors affects the entire system.

Most of the responses from the respondents on the reasons for voluntary tax compliance indicate that they are bound by the law to pay. This number constitutes those who are

enlightened in academics in society. These responses again are identified with corporate bodies who know the legal implication of tax evasion than self employed businesses.

Majority of the responses from respondents according to this research pay tax for developmental purpose. This comes mostly from those from secondary level of education and upwards. It is again therefore identified that, respondents who decline to comment in this direction are those below the secondary level of education. It is therefore clear that formal education play a significant role in tax collection in the area of this research.

All the tax experts have recognized the utilization of online services as an effective factor for the efficiency of tax system. Exploitation of IT may also provide the grounds for utilization of a more efficient and more advanced management system in the organizations. This in turn will reduce time for tax payment and help curb the fraudulent activities in the tax system as confirmed by tax payers as well.

One of the ratios used in analyzing the success of tax system is the ratio of the collected taxes to the ratified tax; if this ratio equals one, it would indicate that the tax system has been able to collect the taxes estimated in the national budget; in case the ratio is less than one, it would be the indicator of the failure of tax system in achieving the ratified budget; and in case this ratio is higher than one, it would indicate whether the budget estimation has not been based on real facts or the taxes have been collected in higher amount than what people can afford (Masgrio and Masgrio, 1993). In the case of Berekum tax office, the estimated budget for the year always

fall short of the actual collection except in the year 2008 (Berekum Tax Office, 2010). This clearly shows ineffectiveness in tax collection.

The relative index equals the percentage of changes in the collected tax compared to that of the previous year. If this ratio is lower than one, the efficiency of the tax system decreased compared to that of the last year; in case it equals one, the efficiency of the tax system did not change compared to that of the last year; in case it is higher than one, the efficiency of the tax system has been increased compared to the last year. Comparing the ratio of the current to the previous year's tax collection in Berekum tax office does not vary much from one. This means there is no much improvement in the efficiency of the tax office.

The tax capacity includes the amount of taxes that the economy of a certain society may afford. The efficiency of tax system with tax effort shows to what extent the tax system has been able to use the existing capacity, therefore, tax system should do its best to achieve the objective, and hence tax efficiency is based on tax effort. In case the index of tax attempt is lower than one, the tax system would be inefficient; and in case the ratio equals one, the tax system would be efficient (Taghavinezhadian, 1990, p168). Again in Berekum tax office, the tax effort is always less than the tax capacity. This clearly shows inefficiency and ineffectiveness.

The normal process in Berekum Tax Office are time consuming , unreliable, slow and cumbersome to manage and at times figures are put together at a time when a tax payer has requested for clearance certificate. The taxpayer file is studied and statement of accounts

extracted before a clearance certificate can be issued. These processes are really 20th century business processes still being used in this 21st century of technological era.

5.3 Conclusions

Based on the findings of the study, it can therefore be concluded that voluntary compliance is generally low for the Berekum Tax District. However, the Dormaa Ahenkro Sub-office has attained average compliance as a result of Vehicle Income Tax.

The study found that most of the businesses in the area are in the wholesale and retail trade. The implication is that these businesses are easy to open and operate and also easily fold out as well. This brings some instability in the tax collection performance. Due to the young nature of these businesses, they easily divert or relocate sometimes outside the jurisdiction of the office. This situation poses a problem of effectiveness in tax collection.

There are inadequate resources for effective mobilization of tax revenue.

It can therefore be concluded that tax education is insufficient for effective mobilization of tax revenue, hence the main cause of low compliance. It is those with education beyond secondary level who pay tax because they know they are bound by the law to pay for developmental purpose. It is therefore clear that formal education play a vital role in voluntary tax compliance in that the elites know the implications of tax evasion. Both print and electronics media education is vital for efficiency and effectiveness of tax collection in the area.

It can also be concluded that long distance to the tax office is a factor for low compliance which is impacting negatively on tax effectiveness. This is more particular in the Jaman North district where the bulk of the tax payers who stay at Drobo are far away from the Sampa where the tax office is located. This puts stress on financial resources since staff has to move always before collection comes from those places to the office.

With regard to the results obtained, it could be concluded from this study that factors such as tax laws, fines and the formal procedures (the unnecessary bureaucratic formalities) can not be regarded as effective factors in the efficiency of tax system.

Mckinsey 7s model is not working effectively in the tax office because there is inconsistency between the elements identified in the model. This in effect makes the office ineffective.

From the Herzberg's Hygiene motivator theory, it can therefore be concluded that, staff motivation is inadequate in the tax district.

Based on the ratio indexes, it can therefore be concluded that the office is ineffective and there is no much improvement in the efficiency of the tax office.

5.4 Recommendations

Based on the summary of the findings and conclusions, the following recommendations are made:

Tax education effort needs to be tackled as a matter of urgency. Current poor performance is attributed to inadequate tax education campaigns in newspapers, local radio stations and other electronic media among others. The office should make use of airtime donated by a local radio station for tax education. With this people will be informed about their tax obligations and non compliance which is a big challenge to the tax office can be overcome.

There should be strict enforcement of laws on taxation and severe punishment of employees who misconduct themselves in fraudulent activities. Stakeholders in the tax sector including the Ghana Revenue Authority, the Police, the Judiciary and the various Assemblies must come together and implement joint enforcement strategies. This will go a long way to ensure that enforcement is attained.

On the contrary, the utilization of IT in tax system, tax promotions, training the personnel of tax system among others can be effective factors for the efficiency of the tax system.

There should be reduction in bureaucratic formalities in tax collection process. For a case to be dealt with, it is necessary to shorten the procedures such as tax assessment, tax collection and other administrative mechanisms. Such delay in tax assessment and lengthy tax collection processes may sometimes prevent the system to reach its objectives.

Majority of the tax payers are married having household size of less than five people. This means registered taxpayers are affluent in society; so need to be treated with care and respect by the tax officials despite their middle level education.

For efficiency and effectiveness to be attained, there is the need to increase manpower of the tax district. The quality of the personnel in terms of academics and ability and devotion has to be considered.

An increase in resources devoted to the tax office needs upwards adjustment. The long distance between the main and the two sub-offices puts pressure on the only pick-up accelerating wear and tear, increased fuel consumption, allowances for officers among others.

There is an urgent need to network the Berekum main and the two sub-offices in order to increase administrative and tax collection efficiency in the district in order to be effective. This will therefore shrink the distance and time of operation and provide more efficient and effective management system.

Since Ghanaians are generally tax averse, there is the need to open more collection centres at a suitable location for cost effectiveness but taking the monetary implications into consideration. Two collection centres has to be located in the district to help shrink the long distances the patriotic tax payers suffer in order to comply with tax obligations. One is to be cited at Drobo,

the capital of Jaman South district whereby the other is to be cited at Krankonta in Dormaa West constituency. This is to reduce the plight of the tax payers.

Tax education and the implication of evasion needs to be explained to the tax paying public in order to understand the consequences of tax evasion. Prosecution measures needs to be tightened to deter tax evasion notwithstanding the recalcitrant tax payers.

For efficiency in prosecution of recalcitrant tax payers, two legal offices in the country are woefully inadequate. Legal units have to be considered for all regions in the country in order to fasten the process of prosecution.

Tight controls and efficient monitoring and usage of the tax revenue need to be encouraged in order to boost the morale for tax payment.

The only basic professional course in taxation for tax officials is woefully inadequate. There should be other short courses, seminars, conferences that should be extended to the tax officials to expose them to current trends in taxation.

In order to reduce corruption in the tax office, worker motivation has to be an issue of great concern to the Revenue Authority.

All these recommendations if well implemented will help the office to be efficient and effective.

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Appendix A

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COMMON WEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION (CEMBA)

THESIS

QUESTIONNAIRE FOR TAX PAYING PUBLIC

Questionnaire No.....

Location.....

KNUST

The main objective of this study is to find out the effectiveness and efficiency of tax collection in the Berekum Tax District. This interview schedule is designed to elicit information regarding this research work. Information given will solely be used for this research. You are also assured of full confidentiality, privacy and anonymity of any information that you provide. You are kindly requested to answer the questions as frankly and openly as you can. Please make a tick [v] in the box against your response. Thanks for your co-operation.

Section A: Socio- demographic characteristics of respondents

1. Sex: (a) Male [] (b) Female []

2. Age:

3. Level of education:

(a) No formal education []

(b) Basic education/ M S L C []

(c) Secondary/ voc/tech education []

(d) Tertiary education []

(e) Others specify

4. Type of business activity

(a) Retailing/ wholesaling []

(b) Manufacturing []

(c) Service []

(d) Others specify... ..

5. How long have you been in business?

(a) 0-5 years []

(b) 6-10 years []

(c) 11-15 years []

(d) 16-20 years []

(e) Over 20 years []

6. Marital status: (a) Single [] (b) Married [] (c) Divorced [] (d) Separated []

(e) Widowed []

7. Household size (a) 1-5 [] (b) 6-10 [] (c) 10+ []

Section B: Reasons for Voluntary Tax Compliance

8. Give the reasons why you pay tax voluntarily

.....

Section C: Effect of voluntary compliance on tax collection

9. Have you registered your business with the tax office? (a) Yes [] (b) No []

10. Where do you normally pay your tax? (a) tax office [] (b) on field [] (c) Both []

11. Give reason (s) for your answer in question 9.

.....

12. Do you file your tax returns to the tax office annually? (a) Yes [] (b) No []

13. Are you compelled to pay your taxes? (a) Yes [] (b) No [] (c) Sometimes

14. Are you sometimes reluctant to pay tax? (a) Yes [] (b) No []

15. If 'Yes', what makes you feel reluctant? If no skip to question 15

(a) High tax rates

(b) Attitude of tax officials

(c) Long distance to tax office

(d) Others (specify).....

16. In your opinion, how do you think tax compliance can be improved?

.....

Section C: Reasons for low collection of taxes

17. What is the attitude of tax officials towards you any time you pay tax?

(a) Cordial [] (b) Harsh [] (c) Neutral [] (d) Do not know []

18. Are you satisfied with the length of time you spend in paying tax?

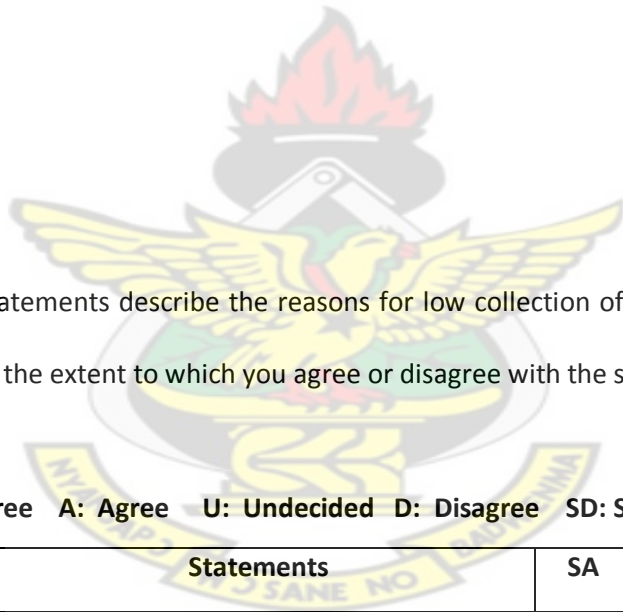
(a)Very satisfied [] (b) Satisfied [] (c) Not satisfied [] (d) Not satisfied at all []

19. Are you satisfied with the services provided by the tax officials?

(a) Very satisfied [] (b) Satisfied [] (c) Not satisfied [] (d) Not satisfied at all [] 20. Give

reasons for your answer in 18.....

KNUST



The following statements describe the reasons for low collection of taxes in the Berekum Tax District. Indicate the extent to which you agree or disagree with the statements.

S A: Strongly Agree A: Agree U: Undecided D: Disagree SD: Strongly Disagree

No.	Statements	SA	A	U	D	SD
21	I have low level of knowledge on tax					
22	I am ignorant of tax laws					
23	Tax rates are too high					
24	Too long distance to the tax office					
25	Tax Revenue staff size is too small					
26	General apathy towards tax obligation					
27	I sometimes deliberately attempt to evade tax					

28	I am ignorant of tax incentives (holidays, age, etc)					
29	Limited logistical supply (vehicles, office space, etc)					
30	There is corruption in the tax collection process					

KNUST



Section D: Measures to Ensure Effective and Efficient Tax Collection.

The following statements describe the measures to ensure effective and efficient tax collection in the Berekum Tax District. Indicate the extent to which you agree or disagree with the statements.

S A: Strongly Agree A: Agree U: Undecided D: Disagree SD: Strongly Disagree

No.	Statements	SA	A	U	D	SD
31.	There is quality staff recruitment and training					
32.	There is education on tax laws (seminars, role play, etc)					
33.	Tax rates should be reduced					
34.	Open more offices and collection centres					
35.	Staff size should be improved					
36.	There is prosecution of tax defaulters and evaders					
37.	There is external support from law enforcement agencies (Assemblies, police, etc)					
38.	There is sensitisation on tax incentives (tax holidays, age, etc)					
39	There is provision of adequate logistics (vehicles, office space, computers etc)					
40	There should be automation of Berekum tax office					

41.

In your opinion, how can tax evasion be minimized?.....

Appendix B

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COMMON WEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION (CEMBA)

THESIS

QUESTIONNAIRE FOR STAFF OF GHANA REVENUE AUTHORITY.

Questionnaire No.....

Location.....

The main objective of the study is to find out the effectiveness and efficiency of tax collection in the Berekum Tax District. This interview schedule is designed to elicit information regarding this research work. Information given will solely be used for this research. You are also assured of full confidentiality, privacy and anonymity of any information that you provide. You are kindly requested to answer the questions as frankly and openly as you can. Please make a tick [v] in the box against your response. Thanks for your co-operation

Section A: Socio- Demographic Characteristics of Respondents

1. Sex:

(a) Male []

(b) Female []

2. Age:

3. Level of education:

- (a) No formal education []
- (b) Basic education/ MSLC []
- (c) Secondary/ voc/tech education []
- (d) Diploma []
- (e) Degree []
- (f) Post Degree []

4. Rank.....

5. Marital status: (a)Single [] (b) Married [] (c) Divorced [] (d) Separated []
- (e) Widowed []

Section B: Reasons for low collection of tax

The following statements describe the reasons for low collection of taxes in the Berekum Tax District. Indicate the extent to which you agree or disagree with the following statements.

S A: Strongly Agree A: Agree U: Undecided D: Disagree SD: Strongly Disagree

No.	Statements	SA	A	U	D	SD
6	I have low level of knowledge on tax					
7	I am ignorance of tax laws					
8	Tax rates are too high					
9	Long distance to tax office					
10	Tax revenue staff size is too small					
11	There is general apathy towards tax collection					
12	Some deliberately attempt to evade tax					

13	Most are ignorant of tax incentives (tax holidays, age, etc)					
14	Limited logistical supply (vehicles, office space, computers etc)					
15	Lack of automation hinders collection					

16. Do you think there is corruption in the tax collection system? (a) Yes [] (b) No []

17. If 'Yes' what reasons in your opinion account for the corruption? (Tick as many as possible)

(a) Inadequate staff motivation []

(b) Low remuneration []

(c) Weak checks and balances []

(d) No efficient tax policy []

(e) Others (specify).....

Section C: Measures to ensure effective and efficient tax collection

The following statements describe the measures to ensure effective and efficient tax collection in the Berekum Tax District. Indicate the extent to which you agree or disagree with the statements.

S A: Strongly Agree A: Agree U: Undecided D: Disagree SD: Strongly Disagree

No.	Statements	SA	A	U	D	SD
18	There is quality staff recruitment and training					
19	There is education on tax laws (seminars, role play, etc)					
20	Tax rates should be reduced to increase compliance					
21	Open more offices and collection centres					
22	Staff size should be improved					

23	There is prosecution of tax defaulters and evaders					
24	There is enough external support from law enforcement agencies (Assemblies, police, etc)					
25	There is sensitisation on tax incentives (holidays, age, etc)					
26	There is provision of adequate logistics (vehicles, office space, etc)					
27	Automation of Berekum tax office					

28. In your opinion, how can tax evasion be minimised?.....

.....

.....



**GHANA REVENUE AUTHORITY
ORGANISATIONAL STRUCTURE**

