ASSESSING THE CHALLENGES OF TAX REVENEUE MOBILISATION IN GHANA: A CASE OF SUNYANI MUNICIPALITY.

By

EGYIN, KODWO BOAKYE

(PG 2043808)

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DECLARATION

I hereby declare that this submission is my own work towards the 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.

Kodwo Boakye Egyin   ....

Student Name   *Signature*   *Date*

Certified by:

Mr. Jones Lewis Arthur   ....

Supervisor   *Signature*   *Date*

Certified by:

Professor Isaac Dontwi   ....

Dean   *Signature*   *Date*

DEDICATION

I dedicate this work first to the Almighty God who has brought me this far, to my father, Kwamina Akwaa Egyin, who mentored me through my education, my loving wife, Yvonne, my sweet kids, Papa Akwaa, Araba and Kurankwesi who stayed by my side all along.

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ABSTRACT

Tax leakage in developing countries is often worsened by poor functioning tax authorities due to variety of reasons; under–resourced or under–trained administrators, poor tax collection systems, failure of legal enforcement mechanism for tax collection and small penalties for non-payment. These factors create opportunities for domestic and foreign entities to abuse the system since tax official frequently lack the required technical skills to unravel complex international fiscal structures that are used to escape taxation, and because penalties are insufficient to stop tax evasion. The main objective of this study is to assess the challenges of tax collectors in the performance of their duties and how they could be addressed. Data for this study were collected using the close − ended questionnaire which was administered to some staff of the revenue institutions, professional such as accountants, lawyers, architects and doctors. Other respondents included wholesalers and retailers (trading) and members of the GPRTU. It was found out that tax collectors were fairly motivated to perform their duties and logistics were fairly adequate for their purposes. Again, it came to light that with the amalgamation of the 3 institutions there was the need for training and workshops to sharpen the skills and knowledge of the staff to hasten the speed of the interconnectivity of both the municipal and nationwide network for effective monitoring of tax payers.

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ABBREVIATIONS / ACRONYMS

CEPS	Customs, Excise and Preventive Service
CIT	Corporate Income Tax
CSTax	Communications Service Tax
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GETFund	Ghana Education Trust Fund
GNA	Ghana News Agency
GPRTU	Ghana Private Road Transport Union
GRA	Ghana Revenue Authority
IMF	International Monetary Fund
IRC	Internal Revenue Code (USA)
IRS	Internal Revenue Service
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
PIT	Personal Income Tax
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1   BACKGROUND TO THE STUDY

Every government has two main avenues through which to generate revenue: external borrowing and internal generating of revenue through taxes and levies. The former comes with an albatross of debt payment that for long hangs around the neck of the state to settle. The later option comes with facing the displeasure of citizens and residents who pay taxes and levies with a lot of resentment (Obawana, 1996).

The raising of tax revenues is the most central activity of every state. Most importantly revenue from taxation is what literally sustains the existence of the state providing the funding for everything from social programmes to infrastructure investment. As the people become more sophisticated, so do their demand on their government to provide their needs, in which case the government must of necessity increase its revenue mobilisation to meet such demands.

It is for this reason that taxation as a source of government revenue has become so important and there is no state or government that does not apply taxation in one form or the other. It becomes imperative for those involved in the collection of taxes to be highly skilled and motivated and all impediments removed to ensure effective and efficient tax collection for the state. There are various tax options available to governments to raise revenue that have been applied since time memorial.

Taxes consist of direct tax and indirect tax, and may be paid in money or as its labour equivalent (often but not always unpaid labour). A tax may be defined as a "pecuniary burden laid upon individuals or property owners to support the government, a

payment exacted by legislative authority". This should be distinguished from a voluntary payment or donation but any contribution imposed by government, whether under the name of toll, impost, duty, custom, excise, or other name, (Black's Law Dictionary, p. 1307 (5th ed. 1979).

Economists, however, do not consider all revenue accruing to government as taxes. For example, transfers to the public sector such as tuition at public universities and fees for utilities provided by the local governments.

Governments also obtain resources by creating money (e.g., printing bills and minting coins), through voluntary gifts (e.g., contributions to public universities and museums), by imposing penalties (e.g., traffic fines) by borrowing and by confiscating wealth.

In Ghana tax collection is performed by the Ghana Revenue Authority comprising of the Ghana Excise and Preventive Service (CEPS), the Value Added Tax (VAT) Service and the Internal Revenue Service (IRS). When taxes are not fully paid, civil penalties (such as fines or forfeiture) or criminal penalties (such as incarceration) may be imposed on the non-paying individual or entity (IRC, 1986).

Money provided by taxation has been used by states and their functional equivalents throughout history to carry out many functions. Some of these include expenditures on war, the enforcement of law and public order, protection of property, economic infrastructure (roads, legal tender, enforcement of contracts, etc.) public works, social engineering and the operation of the government itself. Governments also use taxes to fund welfare and public services. These services can include education systems, health care systems, public transportation and pensions for the elderly. Energy, water and waste management systems are also common public utilities (Abdallah, 2006).

In the governments quest to perform its duty of providing development to the people it faces a lot of challenges; one of which is the challenge of revenue generation and its encumbrances. In a developing country like Ghana, there are numerous challenges of revenue mobilization.

According to Alligham and Sandmo, (1972) Governments' abilities to collect taxes depend on people's willingness to comply with the laws and also their perception of the risk of detection and punishment for evasion and default. This is evident even in advanced economies like Great Britain, United States of America and Japan, where despite all their sophisticated tax network, high literacy rates and punitive measures they continue to lose revenue through tax evasion, avoidance and default. Recently, a popular actor in the United States of America, Wesley Snipes was sentenced to serve a three year jail term in Pennsylvania federal prison for tax default.

1.2   STATEMENT OF THE PROBLEM

The rebasing of Ghana National Accounts put the GDP at GH¢42.065 billion for 2009, which indicates that tax revenue/GDP ratio of 14% is far less than the 23% required of middle income countries (Budget Statement of Ghana, 2011). This means that revenue mobilisation through taxes is very low indicating that many people are outside the tax bracket. Of about 7million workers in Ghana, only 1.5million are income tax payers.

Table 1: Tax Revenue by Agencies, 2004-2009 (in % of Total Tax Revenue

Agency	2004	2005	2006	2007	2008	2009

IRS	32.0	31.3	31.0	30.0	33.0	33.0
VATS	12.7	13.6	15.0	15.3	15.5	15.6
CEPS	55.3	55.1	54.0	54.7	51.5	51.4
TOTAL	**1,686.5**	**2,057.6**	**2,370.82**	**3,040.23**	**3,971.42**	**5,916.05**

Source: GRA News, 2010   **Note:** Totals are in million Ghana Cedis

A shortfall of about 9% of GDP in tax revenue means that there was a gap of GH¢2,553.06 million and GH¢3,803.17 million for 2008 and 2009 respectively. Added to this is the problem of tax leakages which is often worsened by poor functioning tax authorities due to a variety of reasons; under–resourced and under–trained administrators, lack of motivation and poor tax collection systems, failure of legal enforcement mechanism for tax collection, small penalties for non-payment and too many tax incentives and holidays. These factors create opportunities for domestic and foreign entities to abuse the system since tax officials frequently lack the required technical skills to unravel complex international fiscal structures that are used to escape taxation, and because penalties are insufficient to stop tax evasion (Bird, 2003).

According to the Ghanaian Chronicle of 16th April, 2008 an audit commissioned by the Commissioner of IRS, covering the period from January 2002 to December 2006, into the books of accounts of Golden Gate Services Limited, a private stevedoring company, based at Tema revealed that the company owed the state to the tune of approximately GH¢2.9 million in tax and penalty liabilities. The audit report also showed that the company had underestimated its income by a whooping amount of GH¢4.2 million.

Quite recently, according to Ghana News of 7th July 2011, the VAT Service of the Ghana Revenue Authority had to lock the premises of Western Castings, a steel company in Takoradi which owed taxes to the tune of GH¢566,000.

A report by Christian Aid (2008) also revealed that Ghana tax losses averaged from €30.7million in 2005, €51.4million in 2006 and €62.4million in 2007 in trade with the European Union due to false invoicing and transfer mispricing. Every effort must be made at tackling this problem since it will represent a significant improvement in revenue.

Another constraint in tax administration is the lack of adequate resources to sustain and facilitate the operations of tax agencies. These can be divided into two: human resources which include quantity and quality of tax officials and physical resources which covers a wider dimension, ranging from office buildings and office equipment to vehicles and communication systems.

The research work therefore seeks to assess the challenges of tax revenue mobilization resulting in shortfalls in expected revenue to GDP ratio.

1.3   RESEARCH OBJECTIVES

The main objective of the study is to evaluate the challenges of tax revenue mobilisation in Ghana.

Specifically, the study seeks to:

a. Determine to what extent training and motivation has on tax revenue mobilization in Ghana

b. Assess whether the revenue collectors have the needed logistics to enhance their performance

c. Examine the effects of tax reliefs, incentives and holidays on revenue mobilisation

d. Determine the impact of tax on prices of goods on the market

e. Assess whether punitive measures are deterrent enough for defaulters and evaders of taxes.

f. Assess the effectiveness and efficiency of the various types of taxes in Ghana

1.4 RESEARCH QUESTIONS

The research questions that guided the study were as follows:

a. Do the staff of the revenue agencies have the requisite training and motivation to perform their duties diligently?

b. Are tax collectors provided with the needed logistics for their work?

c. Are tax reliefs, incentives and holidays affecting revenue mobilisation?

d. Are punitive measures that are in place enough to deter defaulters and evaders of taxes?

e. How effective and efficient are the various types of taxes in Ghana?

1.5 SIGNIFICANCE OF THE STUDY

This study is intended to add to the body of knowledge on tax administration in Ghana and seek to provide an insight into the challenges of tax revenue mobilization.and how they can be tackled to improve government revenue.

Also, planning an economy requires that a forecast be made as accurately as possible of the income to be generated within the forecast period to have an idea of how much revenue will be available to spend. Hence, the study will help to identify the problems that may prevent higher tax targets from being achieved and possible solutions recommended to curtail it to the barest minimum if not completely.

Recommendations from the study will also assist revenue agencies in their quest to reduce wastage and plug leakages in the administration of tax to increase revenue mobilization.

1.6   LIMITATION

a. The data for this research is limited to the extent to which those interviewed were willing to disclose information which they deemed to be less sensitive as most of the people viewed the exercise as one intended to seek ways of increasing the tax liability.

b. There was virtually no proper books of accounts being prepared by most of the identifiable groups from which tax liability could be assessed.

c. Time and resources were also a limitation to the study making it impossible to exhaust all the facts.

1.7   DELIMITATION

The collection of data was restricted to the VAT office, IRS office, businesses and consumers in the Sunyani municipality, hence the findings of the study was generalized to cover all the tax activities in the Sunyani municipality.

The outcome of this study could be extended to other categories of tax revenue collectors in the country with similar characteristics. This should however, be done with great caution and further analysis.

1.8   ORGANIZATION OF THE STUDY

The study is structured into five chapters. The first chapter is an overview of the study comprising a background of the study and the nature of the problem, the objectives and significance of the study. Research questions were proposed and finally discussed the scope and limitations of the study.

In chapter two, a review of the related and relevant literature on taxation is provided

Chapter three explains the methodological framework upon which this study is conducted. The data collection and analysis techniques and how the data was analyzed are discussed.

In chapter four, the researcher discusses the opinions of interviewees on what they considered as the challenges of tax collection in Ghana. The researcher then integrates in the analysis the literature and document that connect with participants' opinions.

Chapter five discusses the summary, recommendations and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1   INTRODUCTION

The primary economic goal of developing countries is to increase the rate of economic growth, in order to bring them to levels of per capita real income comparable to those of developed countries (Taylor, 1970). Attaining this goal depends on the developing government's ability to provide additional basic government services, particularly in education, public health, and transport, and on achieving higher rates of capital formation in production facilities, whether undertaken in governmental or private sectors (Taylor, 1970) The key to economic growth is, of course, the transfer and better utilization of resources, not merely the shift in the location of money. Taxation is a primary instrument for the transfer of funds to the government in order to facilitate transfer of resources (Ibid). Complicating this process in developing countries is the difficulty of mobilizing sufficient revenue to satisfy overall revenue objectives while taking into consideration the unique conditions in each country.

Translating these general principles of development economics and governance into concrete tax and spending proposals for Ghana is complicated by the factors outlined in this thesis. Ghana is one of the developing countries in the world, and the many challenges it faces have made it much more difficult for it to increase its tax revenue even at the pace of other countries in Sub-Saharan Africa, which on average collect revenues equal to about 23% of GDP (Taylor, 1970). The IRS collected GH¢1,778,200,390 against a projected GH¢1,554,542,500 as taxes in 2009. This represents about 14% of GDP. Ghana has a working population of about 7 million but only 1.5 million people are income tax payers, hence the need for the government to review its tax policies and come up with strategies to increase tax revenue is crucial.

Fundamentally, the challenges make it difficult to solve Ghana's revenue problems by simply implementing classical developed-country revenue-increasing strategies such as broadening tax bases, raising tax rates, and tightening up the enforcement systems. These specific problems are exacerbated, from a revenue-generation perspective, by the size of the large and growing informal sector.

In the face of such a combination of circumstances, simply increasing tax rates or tightening up penalties for tax evasion creates the risk of driving productive workers and enterprises further into the unreported economy.

2.2   HISTORY OF TAXATION

Taxation was first started in Ghana, then Gold Coast, in September 1943 by the British colonial government at the time when World War II was raging. Before this several attempts had been made, for example, in April 1852, under the then Governor Major Hill, the poll tax ordinance was passed to raise money to finance the increased cost of British administration, Abdallah, (2006).

The first Income Tax Law was thus the Income Tax Ordinance (No.27), 1943. This Ordinance was modeled to a large extent on the general principles underlying the Income Tax Act then in force in the United Kingdom. It imposed the tax generally on incomes having its source in Ghana so that foreign source income was not liable unless it was remitted in Ghana. One characteristic feature of this ordinance was the numerous personal reliefs and deductions that it contained. Since then the Income Tax Law has seen several amendments culminating in the current Internal Revenue Act 2000 (Act 592) (GRA News, 2010)

Governments over the years have always found it expedient to use very simple and easy to collect methods to tax the citizens. It is no wonder that the first systems of tax were based on import and personal income since they were easier to identify and collect. During the latter part of the middle ages, some European countries including Germany and Italy introduced head tax for the poor and net worth for the rich as a way of fairness so that those who could better afford paid higher taxes. During the governance of Major Hill in 1852, the British colonial masters had insisted that establishment of schools, improvement in the judicial system, basic health care and infrastructure had to be borne by the imposition of direct and indirect taxes. This was met with great resistance by the local people culminating in the withdrawal of the direct taxes (Agyeman, 2005)

Other taxes that have met initial protests during their introduction include the Value Added Tax (VAT), Ghana Education Trust Fund (GETFund), National Health Insurance Levy (NHIL) and the Communications Service Tax (CST).

2.3   TAX ADMINISTRATION

The administration of taxes in Ghana was the responsibility of the Income Tax Department in 1943; the name was changed to Central Revenue Department in 1961. In May 1986, the name was again changed to the Internal Revenue Service under PNDC Law 143. In 1998 the Revenue Agencies Governing Board (RAGB) Act 558 was passed to manage the revenue agencies. It is the governing body for the Internal Revenue Service (IRS), the Custom, Excise and Preventive Service (CEPS) and the Value Added Tax Service (VATS).

According to the GRA Act (2009), Act 791 the functions of the RAGB among others and not limited to:

a. Ensure the effective, efficient and optimum collection of taxes, penalties and interest to the state under the enactments establishing the three revenue agencies and under any other tax

b. Direct generally the revenue agencies on revenue related policies

c. Ensure that all amounts collected by the revenue agencies are paid into the consolidated fund unless otherwise provided by an enactment

d. Recommend to the Minister of Finance measures for effective collection of taxes and non tax revenue

e. Arrange for the training and manpower development for employees of the revenue agencies

f. Initiate and sustain programmes for the public education on tax payment (GRA News, 2010).

2.4   DEFINITION OF TAX?

According to Dalton (1920), "a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return, and not as penalty for any legal offence".

Encyclopedia Britannica defines tax as "a body of rules under which the public authority has claim on tax payers requiring them to transfer".

The Collins English Dictionary defines tax as a compulsory financial contribution imposed by a government to raise revenue, levied on the income or property of persons or organizations.

The key aspect is that there is a legal compulsion to pay or to provide and one common element between taxes is that they are imposed by law.

The Internal Revenue Act 2000 (Act 592), does not define tax but offers the following provision:

Section 1(1) "a person who has a chargeable income shall pay, subject to this Act, for each year of assessment income tax as calculated in accordance with this Act.

Sections 5 and 6 defines chargeable income as the person's total assessable income for the year of assessment from any business, employment or investment accruing in, derived from, brought into, or received in Ghana during any bases period of the person ending within the year of assessment but does not include exempt income.

2.5   PURPOSE OF TAXATION

The definition of taxation given above underlines the main purpose of taxation, that is, to raise revenue to defray the cost of services provided by the State. Other purposes of taxation are to reduce inequalities arising from the distribution of wealth; to restrain certain types of consumption e.g. alcoholic beverages and cigarettes; to protect home industries and to control certain aspects of the country's economy e.g. balance of payment, employment saving, investment and productivity (Abdallah, 2006).

2.6   NATURE OF TAX

The percentage of tax charged determines the nature of tax.

i.   Progressive Tax: a tax is said to be progressive if the percentage tax rate rises as income rises, alternatively, higher income attracts proportionately higher taxes compared to lower incomes.

ii.   Regressive Tax: a tax is said to be regressive if the payments as a percentage of income declines as incomes rise, in other words, the lower the income the higher the proportion of tax paid and vice versa

iii.   A tax is neutral if payment as a percentage of income is constant as income rises. (Bird, 1992)

2.7   PRINCIPLES OF TAXATION

Adam Smith (1778) a famous British economist captions the attributes as cannons of taxation and stated four cannons of taxation in his book "The Wealth of Nations". These principles are very significant, and they are as true today as they were in his days. They are: A good tax system is one which is designed on the basis of an appropriate set of principles (rules). The tax system should strike a balance between the interest of the taxpayer and that of tax authorities. These canons are still regarded as characteristics or features of a good tax system.

1. **Equity**

The principle aims at providing economic and social justice to the people. According to this principle, every person should pay to the government depending upon his ability to pay. The taxes should be proportional to income, i.e., citizens should pay the taxes in proportion to the revenue which they respectively enjoy under the protection of the state.

2. **Certainty**

The tax which an individual has to pay should be certain, not arbitrary. The tax payer should know in advance how much tax he has to pay, at what time he has to pay the tax, and in what form the tax is to be paid to the government. At the same

time a good tax system also ensures that the government is also certain about the amount that will be collected by way of tax.

3. **Convenience**

The mode and timing of tax payment should be as far as possible, convenient to the tax payers. For example, land revenue is collected at time of harvest income tax is deducted at source. Convenient tax system will encourage people to pay tax and will increase tax revenue.

4. **Economy**

This principle states that there should be economy in tax administration. The cost of tax collection should be lower than the amount of tax collected. It may not serve any purpose, if the taxes imposed are widespread but are difficult to administer. Therefore, it would make no sense to impose certain taxes, if it is difficult to administer.

Additional Canons of Taxation

Activities and functions of the government have increased significantly since Adam Smith's time. Governments are expected to maintain economic stability, full employment, reduce income inequality and promote growth and development. Tax system should be such that it meets the requirements of growing state activities. Accordingly, modern economists gave the following additional canons of taxation.

5. **Productivity**

It is also known as the canon of fiscal adequacy. According to this principle, the tax system should be able to yield enough revenue for the treasury and the government should have no need to resort to deficit financing. This is a good principle to follow in a developing economy.

6. **Elasticity**

According to this canon, every tax imposed by the government should be elastic in nature. In other words, the income from tax should be capable of increasing or decreasing according to the requirement of the country. For example, if the government needs more income at time of crisis, the tax should be capable of yielding more income through increase in its rate.

7. **Flexibility**

It should be easily possible for the authorities to revise the tax structure both with respect to its coverage and rates, to suit the changing requirements of the economy.

8. **Simplicity**

The tax system should not be complicated. That makes it difficult to understand and administer and results in problems of interpretation and disputes.

9. **Diversity**

This principle states that the government should collect taxes from different sources rather than concentrating on a single source of tax. If the tax revenue comes from diversified source, then any reduction in tax revenue on account of any one cause is bound to be small.

2.8   IMPACT, INCIDENCE AND TAXABLE CAPACITY

According to Joshi et al, (2002), the impact of a tax is the pinch of payment and this is on the person who pays the tax initially. The incidence of a tax is the money burden and this is on the person who finally pays the tax. The term thus indicates the "final resting place" of the tax.

In Income Tax administration, the person who pays the tax bears both the impact and the incidence, whilst in commodity taxes some or all of the taxes which are paid by traders are passed on to the consumers by way of increased prices.

The taxable capacity of a country is the limit of a country's capacity to accept and absorb taxation and this is determined to a large extent on

a. The country's real wealth.

b. The attitude of the population to taxation in general.

c. The type of taxes levied.

d. The possibilities of tax evasion.

e. The level beyond which any increase in taxation might lead to reduction in the national income (e.g. the effect of taxes on incentive, wage demands, price increase).

2.9   INCOME TAX RETURNS

Tax compliance generally, encompasses all activities necessary to be carried out by the tax paying public in order to meet the statutory requirements of the tax law. This includes the preparation of tax returns that must be filed by individuals and other organizations each year,

A return is a specified form meant for correct assessment of their tax. According to IRS Act 2000, Act 592 S.72(1) a person shall furnish a return of income for a year of assessment of that person not later than four months after the end of a basis period of that person ending within that year.

S.72(2) states that a return of income shall be in the form prescribed by the Commissioner, shall state the information required, and shall be furnished in the manner prescribed by the Commissioner.

Other forms of returns include those for capital gains and gift tax.

2.10   FAILURE TO FURNISH RETURNS

The efficient application of the tax laws has a direct bearing on how much can be collected. According to Section 142 of IRS Act 592, failure to furnish a return within the time required under this Act is punishable equal to Bank of Ghana discount rate plus 5% applied to the tax outstanding. The table below depicts some offenses and penalties. How strictly these penalties are enforced and whether they are deterrent enough is a matter of concern of this study.

Table 2 Offences and Penalties under the Income Tax Act, 2000

Offenses	Penalties
1. Failure to keep books of accounts	5% of the amount of tax payable
2. Failure to furnish a return	Company – GH¢2.00 for each day Individual-GH¢1.00 for each day of default
3. Failure to pay tax on due date	Within 90 days-10% of tax payable More than 90 days-20% of tax payable
4. Understating estimated tax payable by installment	30% where the estimate is less 90% of chargeable income
5. Making false or misleading statements	Two times or three times the amount of underpayment of the tax may result
6. Failure to withhold tax	Personal liability for the amount of tax not withheld

Source: GRA News, 2011

2.11   EFFECTS OF TAX INCENTIVES ON REVENUE MOBILISATION

The main sources of foreign exchange for developing countries like Ghana are exports, foreign direct investment, and aid. Exports suffer from deteriorating terms of trade, falling world prices, and falling world demand for primary products, and aid entails conditionality's and repayment of both interest and capital (Obawana, 1996). This leaves foreign investment as the main source of foreign capital. To attract FDI inflows, the government of Ghana has taken steps to enhance Ghana's appeal as an investment location by offering tax incentives and tax holidays. However, in the past 10 years of private sector-led economic growth has failed to deliver rapid economic growth, create jobs, or, most glaringly, generate sufficient revenue to meaningfully reduce poverty. A study by ActionAid Rwanda revealed that in 2008 and 2009 the country lost $234 million due to tax incentives and that every year about a quarter of its potential revenue was lost to tax incentives and exemptions given to businesses to attract private sector investment (Abbott, P. 2011).

Advantages of Tax Incentives

Tax incentives are crucial to a poor country like Ghana because under appropriate conditions, FDI facilitates transfer of technology. It usually brings in new knowledge on processing techniques, product design, packaging, communications technology, market development, and business strategies (Shihata, 1991). Foreign investors also provide training to their local employees and introduce industrial discipline, thus developing host countries' human resources Foreign investors usually have a more profound knowledge of international markets and frequently command worldwide distribution channels for local products. These advantages enable them to introduce local products on the international market, hence helping developing countries to gain

access to international markets and, over time, increasing their tax revenues (Moriset, 2000).

Limitations of Tax Incentives

Despite efforts of African governments to enhance domestic growth by attracting foreign direct investment (FDI), tax incentives for FDI have cost implications in terms of tax revenue foregone. The effectiveness of such incentives in attracting incremental investments is questionable, especially when their revenue costs are so high (Tanzi and Zee, 2000). Other factors include the availability and existence of natural resources, political and economic stability, transparency of the legal and regulatory systems, adequacy of supporting institutes (e.g., banking, transportation, and communication), ease of profit repatriation, and the availability of a skilled workforce.

One of the most controversial types of tax incentives to foreign direct investment is the offer of tax holidays. While tax holidays are simple to administer, they have numerous shortcomings:

a. By exempting profits irrespective of their amount, tax holidays tend to benefit an investor who expects high profits and would have undertaken the investment even if there are no such incentives.

b. Tax holidays provide strong incentives for tax avoidance, as taxed enterprises could enter into economic relationships with exempt ones to shift their profits to the latter through transfer pricing.

c. The duration of tax holidays, even if formally time bound, is prone to abuse and extension by investors through creative re-designation of existing investment as new investment.

d. Time-bound tax holidays tend to attract short-run projects, which typically are not as beneficial to the economy as longer term ones. Tanzi and Zee (2000).

Table 3   Incentives under the Income Tax Act, 2000

Industry Specific Concession	Rate of Tax
Income from export of non-traditional goods	8%
Company engaged in the hotel industry	22%
Income of a financial institution from a loan to a farming enterprise or a leasing company	20%
Income from a manufacturing business located outside Accra and Tema	Regional capital – 18.75% Elsewhere – 12.5%
Agro processing business established after 2004	Exempt for 5years. Thereafter If located in Accra/Tema 20% Other Regional capitals 10% Northern, Upper East and Upper West 0% Outside regional capitals 0%

Source: GRA News, 2010

2.12   THE CONCEPT OF 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. Some jurisdictions use the term tax mitigation to distinguish tax avoidance foreseen by the lawmakers from tax avoidance which exploits loopholes in the law. Tax protesters as they are sometimes called are those who believe that there are some interpretations of the law which show that they are not subject to being taxed. The successful ones avoid tax while the unsuccessful ones evade tax. Tax resistance is the declared refusal to pay a tax for conscientious reasons (because the resister does not

want to support the government or some of its activities). They typically do not take the position that the tax laws are themselves illegal or do not apply to them (as tax protesters do) and they are more concerned with not paying for what they oppose than they are motivated by the desire to keep more of their money (Allingham, et al, 1972). In the United Kingdom case of Cheney v Conn, an individual objected to paying tax that, in part, would be used to procure nuclear arms in unlawful contravention, he contended, of the Geneva Convention. His claim failed.

Examples of tax avoidance are changing one's tax residence to a tax haven such as Monaco or Switzerland. Some countries have entered into double taxation treaties to avoid taxing non residents twice – once where the income is earned and again in the country of residence. Others donate their properties to a foundation or trust which has a separate legal entity thus avoiding personal income tax.

By contrast tax evasion is the general term for efforts by individuals, firms trusts and other entities to evade taxes by illegal means. Tax evasion usually entails taxpayers deliberately misrepresenting or concealing the true state of their affairs to 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; or overstating deductions. Tax evasion should be abhorred because it impacts negatively on revenue mobilisation in Ghana.

Tax gap refers to the difference between the amount of tax actually owed and the amount actually collected by a government (Allingham, et al, 1972). In 2007, the IRS of the United States estimated that the tax gap for the year amounted to US$345 billion or 14% of total federal revenues

2.12.1 Control of Evasion

In the view of Allingham, et al, (1972) evasion depends on the efficiency of the tax administration. Corruption by tax administrators often renders control of evasion very difficult. Where middlemen such as tax lawyers and chartered accountants are engaged they end up helping the tax payers including firms and companies in evading taxes. In the same vein, Custom duties are evaded by Clearing and Forwarding agents. It has been suggested that removal of human interface is a reliable solution to the problem.

2.13   EFFICIENCY AND EFFECTIVENESS OF THE TAX SYSTEM

This is sometimes referred to as Value for Money (VFM).

Economy is minimizing the cost of resources or doing things at a low cost.

Efficiency is performing tasks with reasonable effort or doing things the right way.

Effectiveness is the extent to which objectives or targets are met or doing the right things.

In effect, Value for Money is about mobilizing revenue of the right amount with the minimum effort at the least cost. This means that the cost of collection should be as low as possible in order to maximize revenue. As the tax administration undergoes structural changes it is important that this change is properly managed so as to achieve the objectives.

One of the models of change management is that of Kurt Lewin which can be used to evaluate the value for money concept of revenue mobilisation.

The Kurt Lewin change theory model is based around a 3-step process (Unfreeze-Change-Freeze) that gives a manager a framework to implement a change effort: a

manager will re-assign tasks, but change will only be effective if the people involved embrace it and help putting it into practice.

    a. **Unfreeze – Ready to Change**

    This is getting people to gain perspective on their daily activities, unlearn their bad habits, and open up to new ways of reaching their objectives.

    b. **Change – Implementation**

    Once the team members have opened up their minds change can start. To be effective this will need some time and involve a transition period. In order to gain efficiency, the people will have to take on new tasks and responsibilities which entail a learning curve that will slow the organization down for some time and this must be viewed as an investment since this will ultimately translate into enhanced effectiveness within the structure.

    c. **Freeze (Refreeze) – Making it Stick**

    Once the desired changes have been achieved and the structure has regained its effectiveness, every effort must be made to cement them and make sure the new orgainsation becomes the standard. Refreezing will give the people the opportunity to thrive in the new organization and take full advantage of the change.

2.13.1 WAYS TO ENHANCE TAX EFFICIENCY

According to Hoe (2007), to enhance tax efficiency, tax administrators must follow these recommendations;

Simplification

The administration of taxes should not be as complicated to assess and collect as is necessary which invariably result in lower cost to tax administrators and tax payers.

Shorter audits

A tax audit should as far as possible begin as soon as possible after a return is filed. This gives the taxpayer the ability to respond quickly to the needed information.

Transparency

Transparency of the tax rules should be an on-going goal. Taxpayers should know the rules of the game under which their transactions are taxed. All documents relating to tax administration should be published with interpretation and explanatory materials readily available to taxpayers.

Training

Both tax administration officials and professionals should be given the needed training to perform their duties.

Cost of Compliance

This could be reduced if taxpayers ensure that books and records are appropriately maintained. Only those records that are normally maintained and are necessary for the requirements of tax compliance.

Confidentiality

Tax administrators must maintain the confidentiality of the return information they receive. This will facilitate the willingness of taxpayers to provide the information needed for audit tax filings.

Impartial Appeal Process

In case of disagreements, an impartial adjudication process should exist that has part of its functions the publication of its decisions, taking into account the privacy of those concerned.

2.14   BARRIERS TO EFFICIENT TAX ADMINISTRATION

While tax laws impose obligations on tax payers to contribute to government revenues, the actual amount of revenues flowing into the hands of any government depends on the effectiveness of its tax administration (Bird, 2003). Weaknesses in revenue collections lead to inadequate tax collections. Not only do developing countries face an uphill battle in bringing individuals and businesses into the taxation process but governments face insufficient administration staff with low skills, high levels of illiteracy among tax payers, lack of logistics and lack of reliable data (Kangave, 2005).

A major constraint is the lack of adequate resources to sustain and facilitate the operation of tax authorities. Resources to administer a tax can be generally divided into two categories: human resources and physical resources. Human resources is not only the number of tax officials but also the quality of tax officials.

Physical resources cover a wider dimension, ranging from office buildings and office equipment to vehicles and communication systems. These are the resources required by the human resources in order to ensure compliance with the tax laws. Due to financial constraints, many tax officials lack the accounting concepts that are essential to analyzing returns and this is worsened by lack of adequate training facilities and opportunities. Most of the training are general in nature (Tanzi and Zee, 2000).

Lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration. Until recently, the tax agencies had to rely on manually entering taxpayer data into records books, and keeping a voluminous amount of tax information in print.

The other problem is the high levels of illiteracy in the Municipality. According to the census GSS, (2010), 51.5% of the adult population in the region is literate. The

prevalence of illiteracy inevitably affects tax administration, because taxpayers are unable to file returns or record their income sources and expenditures. Hence tax authorities are usually unable to collect appropriate taxes from such people (Bird, 2003).

2.15   MOTIVATION FOR EFFECTIVE TAX ADMINISTRATION

The key to success of every organization depends on how the workforce is motivated to perform their duties. Motivation is the driving force by which humans achieve their goals. It is the willingness to exert high levels of effort towards organizational goals, conditioned by the effort's ability to satisfy some individual needs. It is the cognitive decision-making process through which goal oriented behavior is initiated, energized, directed and maintained (Buchanan and Huczynski, 2004).

One model used in analyzing motivation of employees is that of Clayton Alderfer's ERG Theory. Alderfer reduced Abraham Maslow's 5 level motivation theory; Physiological needs, Safety needs, Social needs, Self Esteem and Self Actualisation to 3 levels of Existence, Relatedness and Growth needs (ERG). Like Maslow's model, the ERG model is hierarchical and looks like a pyramid with Existence needs at the base, Relatedness in the middle and Growth at the apex.

Fig. 1 Alderfer's ERG model
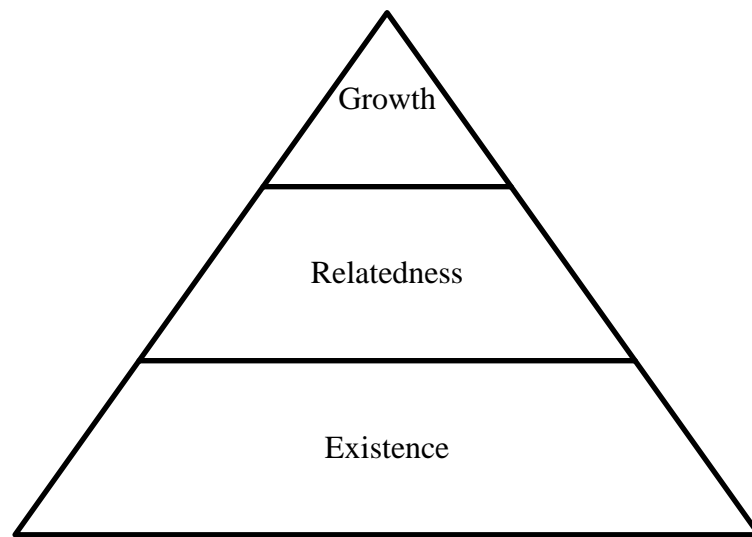
According to Alderfer (1969), more than one need may motivate at the same time. A lower motivator need not be substantially satisfied before one can move onto a higher motivator. It also indicates differences in need preferences between cultures; the order of needs is different for different people. Again, an individual may regress to increase the satisfaction of a lower order need when a higher need is frustrated also called the frustration-regression model.

Tax administrators need to understand each employee operates with the need to satisfy several motivators simultaneously. This model admonishes leaders who focus on exclusively one need at a time will not motivate the people effectively.

The frustration-regression principle illustrates that if employees are not provided opportunities to grow, an employee might regress to fulfilling relatedness needs, or the lack of socialization could increase the desire for more money or better working conditions. Tax administrators must be better positioned to recognize these conditions early enough and initiate steps to satisfy those needs which are frustrated until such time that the employee can again pursue growth (Alderfer, 1969)

Another theory that must be considered is Frederick Herzberg's two factor theory of motivation. He argues that there are certain factors that a business could introduce that would directly motivate employees to work harder (Motivators). However, there are also factors that would de-motivate as employee if not present but would not in themselves actually motivate employees to work harder. (Hygiene factors).

Motivators are more concerned with the actual job itself. Hygiene factors are those which surround the job other than the job itself.

Some methods Herzberg believed could be used to motivate employees are;

a. **Job enlargement –** workers being given a greater variety of tasks to perform which should make the work more interesting.

b. **Job enrichment** – giving workers a wider range of more complex, interesting and challenging tasks surrounding a complete unit of work giving a greater sense of achievement.

c. **Empowerment** – delegating more power to employees to make their own decisions over areas of their working life (Alderfer, 1969)

The GRA must ensure that systems are put in place to determine every employee's individual needs and the needed efforts made to prevent regression leading to frustration. This will not augur well for the required changes that are necessary for transformation of the tax system to increase revenue mobilisation.

2.16   TYPES OF TAX

Taxes are commonly described as "Direct" or "Indirect". This distinction, from administrative point of view is convenient although it may not always be correct. It is normally said that a direct tax is one that cannot be easily shifted by the tax payer to a different person

2.16.1 DIRECT TAXES

These are paid by persons or organizations on their incomes, profits, consumptions, etc and the impact and incidence are on the same persons or organizations, e. g. income tax or entertainment tax. The administrating authority is the Internal Revenue Service (IRS)**.**

Advantages of Direct Taxation

The incidence and yield are easy to determine, generally progressive with the taxpayer knowing with certainty what he is expected to pay. As the wealth and population increases so does the yield.

Limitation

Direct taxes are expensive to administer and the effect on incentive, enterprise and saving in case of those with large incomes may be considerable (Abdallah, 2006)

2.16.2 TYPES OF DIRECT TAX

2.16.3 PERSONAL INCOME TAX

In developing countries, income taxation is widely accepted as the most suitable primary source of revenue and remains the most effective way of reaching above-subsistence incomes (Tanzi and Zee, 2001). A large portion of the revenues raised with personal income taxation is obtained from civil servants, business executives, employees, and professional people (Tanzi and Zee, 2001). The direct burden of the tax has the advantage of making people aware of their responsibilities to the government. Furthermore, the yield is more stable because it can be collected by employers, making it much more difficult for employees to evade it (Zee, 2005). The

personal income tax (PIT) conforms to widely accepted standards of equity, and can be used to improve distribution of income, although this is difficult to achieve (Bird and Zolt, 2005).

Current statistics from the Uganda Revenue Authority (URA) report of 2006, reflect these advantages. For the month of June 2006, domestic tax collections amounted toUSh175.65 billion, against a target of USh161.31 billions, leaving a surplus of USh14.34 billions (URA, 2006). For the same period of time, indirect taxes left a shortfall of USh7.43 billions. The personal income tax, also known as PAYE (Pay as You Earn), was the most productive direct tax, which actually produced a surplus of USh20.65 billion and easily offset the USh10.29 billion. The growth in PAYE was attributed to growth in salaries, increased collection efforts, and increased terminal benefits due to restructuring of private organizations and government bodies.

Limitations of the PIT

Despite the fact that the PIT is generally very successful in mobilizing revenue when compared with other tax instruments, it suffers from obvious limitations in the context of developing countries. According to Tanzi and Zee (2001), the PIT has yielded relatively little revenue in most developing countries not only because of ineffective tax administration, but also because of the inherent narrowness of the tax base and the effect of graduated rate structures on taxpayer behavior.

(1) The Rate Structure

The graduated rate structures used in income taxation are often the most convenient and visible way for governments in developing countries to show their commitment to social justice and hence to gain political support for their policies.

Table 4   Annual Individual Tax Rates

CHARGEABLE INCOME			RATE OF TAX
	2006 GH¢	**2010** GH¢	%
First	240	1,008	Free
Next	240	240	5%
"	1,200	720	10%
"	7,920	14,232	17.5%
Exceeding	9,600	16,200	25%

Source: GRA News, 2010

However, the effectiveness of nominal rate progressivity is usually undermined by the effects of very high marginal tax rates on high incomes. The number of individuals actually affected by the highest marginal tax rate is very small. According to Tanzi, in a number of developing countries, a taxpayer's income must be hundreds of times the average per capita income before it enters the highest rate brackets. At the same time, high tax rates may discourage savings and encourage evasion. This is of greater concern when the top marginal PIT rate exceeds the corporate income tax rate by a significant margin, because such a differential inevitably provides strong incentives for taxpayers to choose the corporate form of doing business purely for tax reasons.

At the other end of the income range, even the lowest marginal income tax rates can discourage taxpayer compliance when liability for taxes impairs subsistence. In developed countries with stable and effective social assistance programmes, this aspect of the PIT may not cause substantial compliance problems. But developing

countries which provide the poorest members of society with limited or no social assistance leave potential taxpayers with little choice but to avoid the PIT completely. In such circumstances, attempts to enforce payment of the PIT can drive people away from the taxation process even though they might be the beneficiaries of the lowest PIT rates (Tanzi and Zee, 2000)

(2) The Tax Base

The effectiveness of the PIT in Uganda is also undercut by the numerous personal exemptions and deductions that benefit those with high incomes, but that do nothing for those with average or subsistence incomes. (For example, the exemption of capital gains from the PIT and generous deductions for medical and educational expenses are completely irrelevant to those living on low or survival incomes).

The Ghanaian Income Tax Act also provides numerous tax exemptions for salaries of potential taxpayers such as members of the armed forces, the police, prison service, and expatriate staff. These exemptions and deductions further reduce the already narrow tax base, and thus reduce the amount of revenue collected.

Table 5: Personal Tax Reliefs in Ghana

	2006 rates (GH¢)	2010 rates (GH¢)
Marriage/Dependents	30	100
Old Age	35	100
Children Education (up to 3)	30	100
Aged Dependents (2)	25	50
Training Cost	100	200
Social security Fund	5% of income	5.5% of income
Disability	25% of income	25% of income

Source: GRA News, 2010

Government interventions on behalf of taxpayers also reduce the revenue that can be raised by income taxes. Although graduated tax rates impose higher rates on the rich than on the poor, the economic and political power of the rich enables them to avoid paying taxes not only by lobbying against fiscal reforms that would increase their tax burdens, but also by obtaining government interventions (Tanzi and Zee, 2000)

The expansion of the informal sector is another factor that radically negates the effectiveness of the PIT. As the informal sector grows, it literally erases substantial portions of the tax base. The informal sector contains high, middle, and low incomes, all of which are immune from taxes due to the simple fact that developing governments do not have the administrative capacities to identify these taxpayers, let alone assess and collect taxes from them. Tax authorities experience major problems in identifying informal sector activities, not only because they sometimes include illicit activities, but also because even legitimate activities are difficult to identify when they are mobile and operate at night (e.g., traders), small-scale (e.g., basic services), or elusive (e.g., craftsmen carrying out small jobs for cash). These difficulties severely limit the personal and business income tax base that is known by and reported to the tax authorities. Usually only a fraction of small businesses in developing countries register with the tax authorities. Moreover, only a small share of the overall population is on the payroll of formal sector enterprises or the government, where recorded wages and salaries are readily observable and easily taxable through employer withholding schemes (Taube and Tadesse, 1996). Hence only a few people in the growing informal sectors pay personal income taxes, which leads to negative state growth factors in revenue mobilisation.

(3) Ineffective Tax Administration

Ineffective income tax administration also limits the ability of developing countries to raise sufficient revenue through the PIT. Developing countries suffer from a severe shortage of trained personnel for administrative work of all kinds, including income tax audits. Existing personnel are mainly employed to deal with the top income and wage earner groups, and standards of literacy and record keeping are such that accurate determination of income is virtually impossible. Application of tax laws to subsistence farming income is particularly difficult because of the problems of determining the amounts and values of this income. Tax administration is generally severely constrained in terms of resources and skills, and the government must often choose whether to go after the larger firms and individuals already in the tax net, where the potential tax revenue payback may be higher, or to pursue instead the less lucrative small taxpayers who are largely outside the tax net (Bird and Wallace, 2003).

(1) Presumptive Taxation

A number of countries have attempted to broaden their PIT tax base and increase revenues by applying various forms of presumptive taxation. Presumptive taxation is designed to capture income that frequently escapes conventional taxation by presuming receipts of certain levels of income. Some presumptive PIT systems impose lump sum levies on small-scale businesses and activities, while others assess taxes by applying indicators or proxies to estimate a taxpayer's income (estimated assessments) or collect minimum taxes irrespective of a taxpayer's actual level of business activity (presumptive minimum taxes). Tanzi and Jantscher (1987)

Limitation of Presumptive Taxes

Presumptive taxation does have a number of shortcomings. Many enterprises in the small but "modern" business sector are unable or unwilling to keep proper accounting records. Unless fixed assessments are used, estimated assessments involve some degree of discretion on the part of tax assessors, who presume incomes and assess tax liabilities. This clearly is an invitation to corruption and favoritism, considering the generally low level of civil service salaries and the fact that tax administrations often lack adequate budgetary support and effective management. Discretion can also lead to inconsistencies, with taxpayers at similar income levels ending up with substantially different tax burdens, or taxpayers at very different income levels having to pay similar tax liabilities. In such cases, rather than enhancing horizontal equity, presumptive assessments may end up worsening it.

The intensified use of presumptive taxation is commendable, given the persistence and significance of the hard-to-tax groups, the considerable scope of tax evasion, and weak tax administration. However, intensified presumptive taxation does strengthen a government's ability to collect PIT and other revenues (Taube and Tadasse, 1996).

The experience in Ghana, in which the Ghana Private Road Transport Union (GPRTU) has been used to collect taxes from the informal sector on behalf of the government, offers an example of administrative innovation. In an effort to increase revenue and broaden the tax base in the 1980s, the government of Ghana negotiated with the GPRTU and other unions to act as tax agents on behalf of the government. The new scheme, known as 'Identifiable Grouping Taxation,' was seen by union members as improvement over the earlier scheme of presumptive taxation. The earlier schemes of presumptive taxation required members to pay a lump sum whether or not

they were working; the arrangement was time-consuming; and members were subjected to harassment if they did not pay. In contrast, the new scheme involves daily collection of taxes, making payments small and affordable, and drivers do not pay this tax unless they are actually working. The unions are entitled to retain 2.5% of all revenues collected, which give them incentives to maximize collection and also supports their development (Joshi and Ayee, 2002).

2.16.4 CORPORATE INCOME TAX

Advantages of Corporate Income Taxation

The popular rationale for corporate taxes is ability to pay. Since corporations are separate legal 'persons' and most of them have a lot of money, they must have substantial 'ability to pay' their taxes. In developing countries, most of the large taxpayers are easily identifiable; hence they are easily taxed. It is convenient to utilize corporations as agents to collect taxes from customers (sales tax), employees' payroll and personal income taxes, and owners (dividend and withholding taxes). The incidence of corporate income taxes (CIT) is progressive, to the extent that corporate taxes reduce the income of the shareholders who, compared to non-shareholders, are, on average, rich (Bird, 1996). In Ghana, the corporate tax rate was significantly reduced from 32% in 2001 to 25% in 2006.

Limitations of the Corporate Income Tax

Corporation taxes in developing countries tend to be fairly inefficient. Provisions that make sense in more developed economies tend to narrow the CIT tax base without having any noticeable incentive effects. For example, multiple rates differentiated along sectoral lines, exemption from tax of certain sectors, and allowable depreciation of physical assets for tax purposes tends to narrow the tax base (Tanzi and Zee, 2001).

The conventional practice in developing countries has been to devote scarce administrative and collection resources to large taxpayers, and to ignore small businesses that generally do not generate substantial levels of tax revenues (Stern and Barbour, 2005). Failure to target small businesses leads to missing a potentially large source of growth in the economy. In Ghana, like other developing countries, much of the economy is made up of small businesses, most of which are informal. By neglecting this large sector of the economy, the government ignores future sources of sustainable, domestically-generated economic growth (Mckerman and Pitt, 2005). It also ignores the opportunity to assist women in joining the formal economy and thus accessing resources to support the growth of their enterprises. There is extensive evidence that small businesses in the informal sector in developing countries are capable of considerable growth and can generate substantial incomes (Stern and Barbour, 2005). Hence there is need for government to encourage small firms to enter the formal sector and in the long run reduce the burden on the existing narrow tax base in the formal sector.

2.17   INDIRECT TAXES

These are levied on persons in the expectation that the taxes will be shifted or passed on to others. Here the impact and incidence are on different persons. They are called Indirect Taxes because the administering authorities the Customs and Excise Service, which levy the taxes on goods, do not collect the taxes from the consumer but indirectly through importers, manufacturers or other intermediaries. The shifting or passing on is effected by embodying the amount paid in taxes in the selling price of the commodities taxed to the consumer (Abdallah, 2006).

Advantages of Indirect Taxation

The payment and collection of the taxes are easy and convenient. In general, yield is elastic and evasion is quite difficult compared with direct taxes. As a policy it can be used to restrict harmful consumption.

Limitation

They are often regressive and revenue may be uncertain where the demand for the taxed goods is elastic. Indirect taxes are not always equitable and the incidence is not easy to determine (Abdallah, 2006).

2.17.1 TYPES OF INDIRECT TAX

Indirect taxes in Ghana fall into the following groups:

   i.   Customs duties on goods imported from foreign countries.

  ii.   Excise duties on home-produced goods.

 iii.   Value Added Tax on home-made goods.

 iv.   Export duties on cocoa sold within Ghana, etc

2.17.2 CUSTOMS, EXCISE AND PREVENTIVE SERVICE (CEPS)

The customs, Excise and Preventive Service (CEPS) was established under the provisions of PNDC Law 144 of 1986 as the state organ responsible for the collection of Import duties, Import VAT, Export duty, Petroleum tax and other taxes. It also ensures the protection of the revenue by preventing smuggling and performs agency duties on behalf of other government organizations and ministries by enforcing laws on import and export and finally collect data and records on visible and invisible imports and exports for economic planning.

Custom Duties refer to taxes and duties payable on goods coming into the country or leaving the country, such as Import Duties, Import Vat and Export Duties

a. **Import Duties. "Import"** means to bring or cause to be brought into Ghana. Import duties are payable on almost all imports in Ghana except those specifically exempted, for instance, as in the case of agricultural inputs and personal effects.

b. **Import VAT.** Items produced in Ghana for consumption usually attract VAT. Similar items imported into Ghana attract Import VAT.

c. **Export Duty** is paid on goods exported. It is currently applicable to timber and cocoa.

d. **Excise Duty** is payable on all locally manufactured or produced goods, unless the goods are exempt from the duty. It is calculated on the ex-factory price of goods produced locally. Excise duty becomes due and shall be paid by the manufacturer to the Commissioner before the goods are delivered from the factory or a warehouse.

   i. **Vehicle Importation Tax.** All vehicles imported into the country, unless specifically exempted shall attract Vehicle Purchase Tax and Import VAT.

e. **Special Tax.** This is a protective tax which is levied on some goods imported into the country in order to enable them to be competitive with similar goods produced in Ghana.

f. **National Health Insurance Levy** With the promulgation and publication of L.I. 1793, the National Health Insurance Levy (NHIL) imposed under section 86 of the National Health Insurance Act, 2003 (Act 650) became payable with effect from 1st August 2004. NHIL is charged at a single rate of 2.5% on

   i. Every supply of goods and services made or provided in Ghana

   ii. Every importation of goods

g. Supply of any imported service unless otherwise exempted.

h. Export Development and Investment Fund Levy and ECOWAS Levy.
This is an import levy of 0.5% each of the CIF value on all non petroleum products imported in commercial quantities.

Offences Relating To Excise Duty

The following constitute offences under part IV of Law 330:

  i.   Default in submission of excise duty returns on due dates

  ii.   Failure to pay excise duty on due dates

  iii. False and deceptive return. Any person who makes , assents to or acquiesces in the making of a false or deceptive statement in a return is guilty of an offence

  iv.   Failure to maintain proper books and records to the satisfaction of the Commissioner.

Advantages of Excise Taxes

Traditional excise taxes are quite simple to administer. This is because taxpayer units are easily identifiable and generally operate in the formal sector, which makes it much easier to collect revenue. Selective taxes on luxury goods may be more effective in reaching high-income groups than poorly-enforced direct taxes on income (Bolnick and Haughton, 1998). This is usually the case in most developing countries, where substitute goods for the taxed goods are produced in the informal sector, which escape taxation, and are consumed disproportionately by the poor (Due, 1994).

Limitations of Excise Taxes

The major limitation on the use of excise taxation in developing countries is their inappropriately broad coverage of products, which is often driven by the search for revenue. According to Tanzi, (1996) the economic rationale for imposing excises is very different from that of imposing general consumption taxes such as the VAT. While VATs should be broad-based to maximize revenue with minimum distortion, excise taxes should

be highly selective, narrowly targeting a few goods mostly on grounds that their consumption entails negative externalities on society, such as tobacco, alcohol, petroleum products, and motor vehicles. Even if the poor do not consume excisable goods such as petroleum directly, they may do so indirectly when they pay transport costs (Due, 1994). However, due to lack of sufficient information in Ghana, it is not possible to trace the effects of excise tax on the poor.

Ad valorem taxes require tax administrators to be skilled, and to have solid knowledge of accounting (Bolnick and Haughton, 1998).

2.17.3 VALUE ADDED TAX

Value Added Tax (VAT) was first introduced in Ghana on 1st March, 1995 by VAT Act of 1994 (Act 486) as part of the Tax Reform Programme which began in 1993. It was however repealed by government on 14th June, 1995 in response to a general public outcry, including demonstrations, against a steady increase in the prices of goods (including food items) which was blamed mainly on the introduction of VAT. VAT was reintroduced in 1998 with the passage of the Value Added Tax Act, 1998 (Act 546). VAT replaced the sales tax in order to improve revenue administration. Sales taxation on domestic production was limited to the manufacturing sector, which put a disproportionate tax burden on their operations. Hence it was suggested that instead of relying on a system which taxes some forms of consumer spending but not others, it would be better to replace them with a general consumption tax that falls more evenly on a much wider range of consumer spending in the domestic economy, because low income people pay disproportionately high taxes under the current scheme.

The VAT has provided a valuable alternative tax source, especially because of its buoyant revenue base. A recent IMF study has concluded that the VAT can be a good way to increase tax revenues and modernize the overall tax system (Ebrill et al, 2002).

Advantages of the VAT

The VAT is generally believed to be non-distortionary, provided there are few exemptions and little zero-rating. However, it is increasingly accepted that zero-rating is necessary to achieve social justice and security in harsh economic conditions (Bird and Gendron, 2006) When the VAT on investment is fully credited, it is an improvement over older taxes on capital goods. The VAT generally replaces inefficient, distortionary, and badly administered taxes that cascade liabilities, use many tax rates, tax capital goods and exports, favour imported goods, reduce the base, and frequently involve an antiquated and corrupt administration.

With the introduction of the VAT, the economic costs and risks of collecting revenue will decline as the entire production and distribution chain becomes involved in collecting this tax, because this spreads the costs and risks of collection over a much larger number of transactions (Bird, 2005). The VAT has also helped to facilitate trade by exempting exports, removing hidden subsidies, and placing the taxation of imports and domestic production on the same level playing field.

Studies of the impact of the VAT in developing countries are still few, but there is growing evidence that the VAT is not an especially regressive tax. For example, studies in Cote d'Ivoire, Guinea, Madagascar, and Tanzania all show that the poor pay less than their share of total VAT revenues, when measured against their share of consumption. Hence the VAT has proved to be more progressive than the trade taxes it often replaced (Ebrill, 2002). In terms of simplicity, the VAT can facilitate substantial improvements in overall tax administration, particularly the establishment of more integrated tax administrative systems and the development of modern procedures based on voluntary compliance. In many countries, activities taking place in the informal sector of the economy generally escape the direct tax system. However, an indirect tax such as the VAT can be used to tax invisible taxpayers such as non-reporting plumbers and other

home repair enterprises that buy supplies from registered taxpayers (Bird and Gendron, 2006).

Limitations of the VAT

As in many developing countries, VAT has become the workhorse of the revenue system in Ghana because direct taxation continues to be relatively ineffective. VAT is often thought to be an intrinsically complicated tax, cumbersome for both taxpayers and authorities. In developing countries, where even basic record-keeping abilities may be limited, it can be especially difficult to implement a VAT (Ebrill, 2002). The effectiveness of the VAT is further undermined by the difficulty of implementing workable self-assessment systems, under which taxpayers declare and pay taxes on the basis of their own calculations, subject to the possibility of later audit by tax authorities (Bird, 2005). Government's inability to give prompt refunds of excess credits to certain taxpayers, particularly exporters, reduces the effectiveness of VAT because exports are zero-rated, exporters have no output tax liability, and are entitled to a refund of the tax paid on their purchases. Failure to provide prompt refunds detracts from the merits of the tax (Ebrill, 2002).

Some analysts suggest that in the presence of a substantial informal sector, a tax like the VAT that falls on the formal sector impedes economic growth and development. Indeed, a recent study concludes that increasing consumption taxes definitely fosters the expansion of the hidden economy if the labour intensity of the production in that sector is greater than in the formal sector. The right way to implement VAT is through self-assessment. This has resulted in the erosion of the base of the VAT through concessions at many levels as well as through general administrative weakness (Bird, 2005).

A uniform VAT is likely to be regressive because it will necessarily increase the price of many goods essential to the poor, even though the poor will consume relatively small

amounts of such products and much of the benefit of special exemptions or low rates may go to the non-poor (Bird and Gendron, 2006)

Despite these criticisms of the VAT, the VAT is still the best form of general consumption tax for developing countries such as Ghana.

CHAPTER THREE

METHODOLOGY

3.1   INTRODUCTION

This chapter deals with the methodology used by the researcher to investigate the challenges of the tax collector in the revenue mobilization for economic development. The method used includes the following:

    i.   Research Design

    ii.   Population

    iii.   Sample Size and Sample frame

    iv.   Sampling Technique

    v.   Source of Data Collection

    vi.   Data Collection Tools

    vii.   Data Analysis and Interpretation

3.2   RESEARCH DESIGN

This is the arrangement of conditions for collecting and analyzing data which will be relevant to the study in the most efficient and economic manner. It serves as a guide to the researcher in the process of collecting, analyzing and interpreting observation. It also defines the domain of generalization; that is, it indicates the extent to which the obtained interpretation could be generalized to different situation or not (Amoani, 2005).

The research design used in this study is descriptive survey which allows both implicit and explicit hypothesis to be tested. According to Avoke (2005), descriptive surveys are designed to portray accurately the characteristics of particular individuals, situations or groups. It is used as a needs assessment tool to provide information on which to base sound decisions and to prepare the background for more constructive programme of educational research.

It also serves as a foundation for more vigorous and precise investigation. The data gathered in a survey are usually responses to predetermined questions that are asked of respondents (Alhassan, 2006).

3.3   POPULATION

Population is the entire aggregation of items from which samples can be drawn for a study. The study focuses on the Sunyani municipality with a population of about 70,299 (Ghana Statistical Service, 2010). All the staff members of institutions that collect revenue for the government and registered members of the tax paying public formed the basis for the study.

3.4   SAMPLE SIZE

To test the theoretical expectations of any relationship, a wide range of different groups are needed to include all the various categories of people as far as possible (Warr, 1990). The sample forms a good representation of the population since it was impossible to interview everybody to solicit their views for the study. To this end the study considered the following groups:

i.	Staff of revenue institutions	30
ii.	Professionals	10
iii.	Traders (Retailers)	50
iv.	Members of GPRTU	30

A total of 120 people formed the sample size which was considered appropriate in view of the constraints of time and resources facing the researcher.

3.5   SAMPLING TECHNIQUE

Rubin and Rubin (2005), emphasized that to ensure credibility of research, the researcher should interview people who understand and have deeper information about the issue. This is because the credibility of the interviews depends on the knowledgeability of the interviewees or participants of the study.

The main method adopted was cluster sampling where the population was sub-divided using random sampling to select those who satisfied the description. The choice of this method was considered most appropriate due to the homogeneity of the targeted groups. The researcher then used accidental sampling to consider who should be interviewed, especially the traders and members of the GPRTU.

3.6   SOURCE OF DATA

Currently, there are revenue offices in all the ten regional capitals of the nation. Additionally, there are border posts along the borders with Cote d'Ivoire, Burkina Faso and Togo where revenue is collected. There are other posts on the high ways manned by officials of CEPS checking the movement of goods to and from the exit

points. Focusing on all these institutions is impossible due to limits on time and resources. As noted by Patton (2002),

> No rule of thumb exists to tell a researcher precisely how to focus a study. The extent to which, a researcher or evaluation study is broad or narrow depends on the purpose, the resources available and the interests of those involved (p.228).

Judging from the above, and considering the degree of institutions proximity and remoteness, and given the resources available for the study, the research was restricted to the Sunyani municipality with the central business area being selected randomly.

Both primary and secondary sources of data were used for the study. Primary data refers to data observed or collected directly from first hand experience. The researcher thus contacted the staff of the revenue institutions in the municipality and some traders, professionals, and the GPRTU as the source of primary data.

Secondary data refers to published data and data collected from the past or other parties and these include selected books, journals, the internet and pamphlets which were relevant to the study.

3.7   DATA COLLECTION TOOLS

Deciding on the data collection techniques is one of the most important aspects of any research. It depends on the research question and the researcher's interest in the topic. The method indicates what the researcher views as valuable knowledge and the researcher's perspective on the nature of reality or ontology (Glesne, 1998).

3.7.1   INTERVIEWING

Qualitative interviewing is the "art of hearing data" (Rubin and Rubin, 2005) so the researcher gets insights into the multiple perspectives of the different interviewees. Interviewing gives the interviewer the opportunity to establish a personal relationship with interviewees in order to obtain the necessary information for the study (Rubin and Rubin, 2005).

The interview guide approach (questionnaire) uses a predetermined outline and sequence while the open-ended approach allows the interviewee to contribute towards the richness of the information demanded.

For the purposes of the study, the close-ended questionnaire was used to solicit the necessary information from respondents.

Administration of the questionnaire was personally done by the researcher and two assistants, giving assurances for the confidentiality and anonymity of respondents. Participation was purely voluntary.

3.8   DATA ANALYSIS TECHNIQUES

After the data collection, there was the need to organize it into meaningful information for decision making. The first stage was the coding and classification into various groups using tables and frequency distribution tools.

The next stage was the improvement of the presentation using charts and graphs for easy assimilation as the differences made clearer. This was made possible using Microsoft Excel (MS Excel) and Statistical Package for Social Sciences (SPSS)

Finally, the findings were scrutinized for consistency with the research objectives and questions and then inferences drawn from which various recommendations were offered for decision making.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1   INTRODUCTION

This chapter deals with the analysis and interpretation of the responses from questionnaires and interviews administered for the study. The chapter therefore gives detailed information of the textual data collected and the results obtained from the study.

4.2   PRESENTATION AND ANALYSIS

Responses to major questions are presented in tabular form and also in pictorial using graphs. Further explanations are offered to avoid ambiguities for clearer understanding.

4.3   DEMOGRAPHIC DATA

Fig.2   Sex Distribution of Respondents
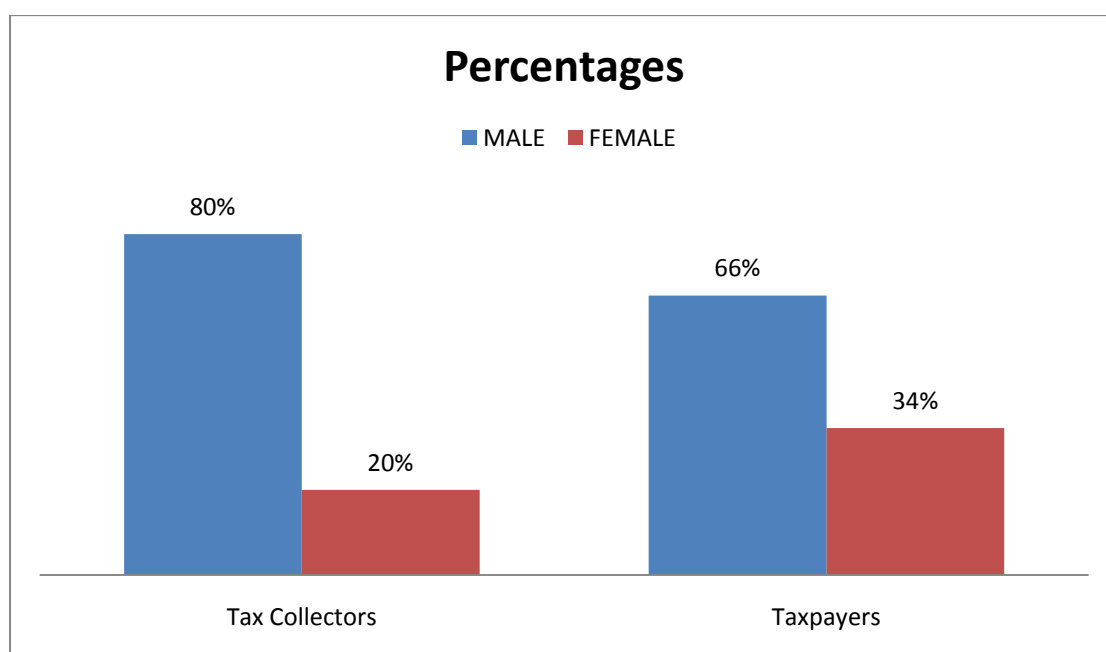
Source: Field Survey Data: 2011

From the above figure, there are fewer females in both the collection and paying sectors represented by 20% and 34% respectively. However, there are 80% of men in the collection and 66% in the payment. This is so because most of the respondents from the GPRTU were all men. Again, all the professionals who responded were males. This shows that there are more females in the informal sector than males.

4.4   AGE OF RESPONDENTS

Fig.3 Age Distribution of Respondents
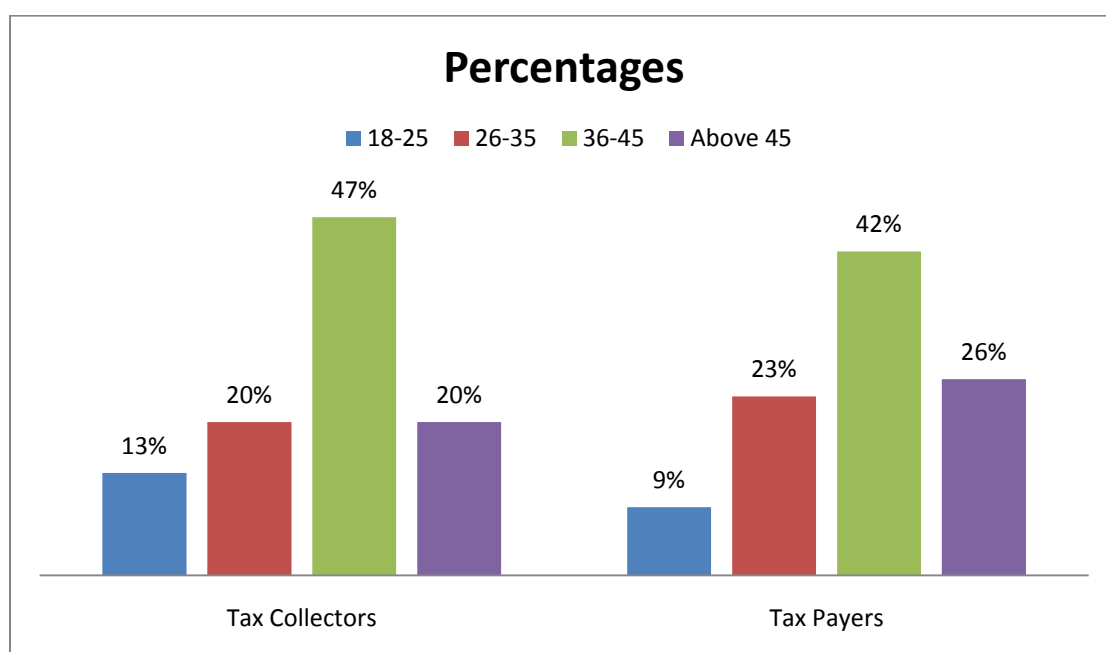

Source: Field Survey Data, 2011

According to the above figure, 67% (47% and 20%) of tax collectors are more than 35 years old while 13% fall within the ages of 18-25 and 20% fall within the 26-35years range.

With tax payers, 9% are between 18-25years, 23% between 26-35years, 42% within 36-45years and 26% are above 45years. This indicates that adult class (those above

35years) form the majority of the working class and are thus an important sector of the economy and were well represented in the study.

4.5   BENEFITS OF TAX TO THE STATE

Fig.4. Benefits of tax to the state
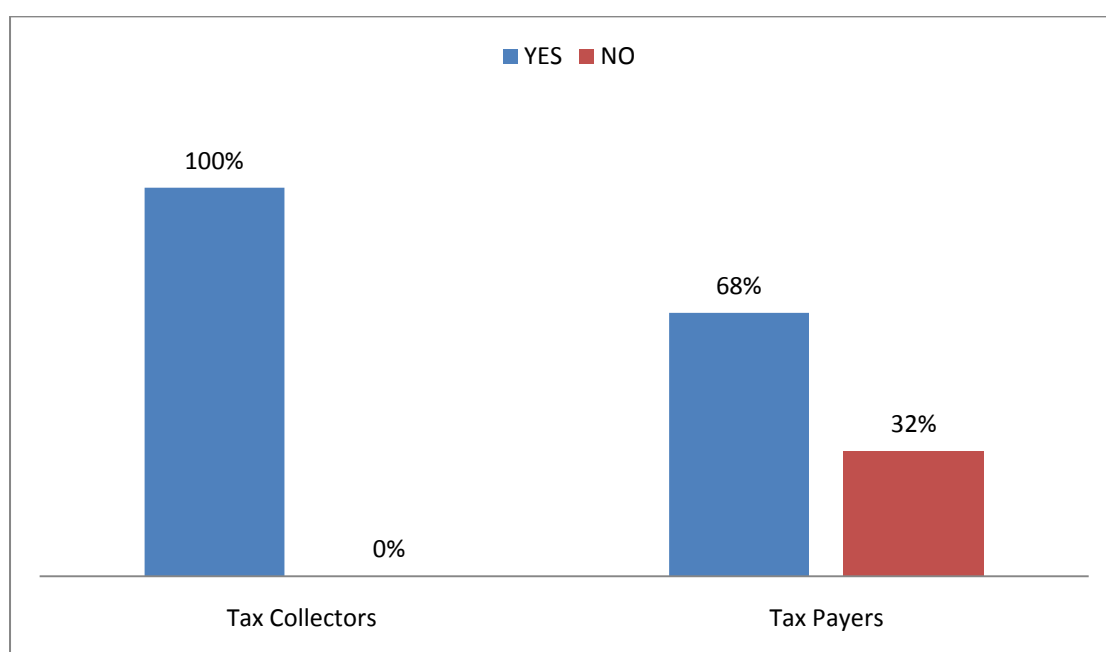
Source: Field study 2011

From the figure above, all tax collectors said payment of tax was beneficial to the state, however, 68% respondents of tax payers said it was beneficial while 32% said it was not beneficial. This supports the assumption that taxes help governments to provide the needed infrastructure and public services to the people who are the ultimate beneficiaries. Taxes help to redistribute income by taking more from the rich than the poor (progressive tax) and this is equitable.

4.6   IMPOSITION OF TAXES INCREASE PRICES

Fig.5. Effects of taxes on the prices of goods
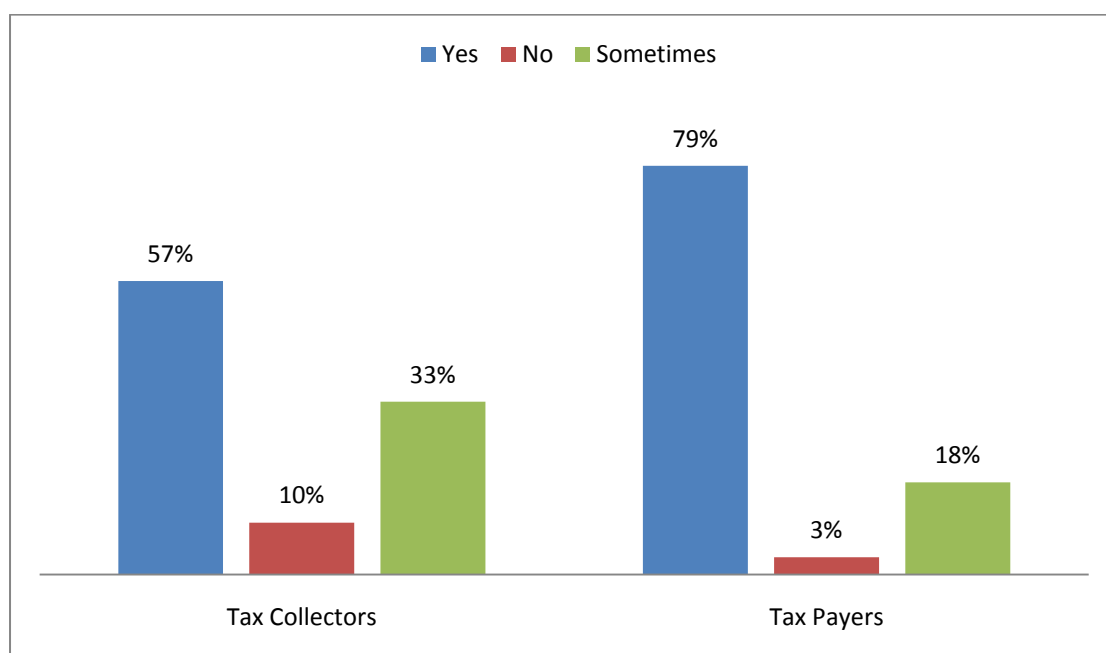
Source: Field study 2011

Majority of both the tax collectors and tax payers i.e. 57% and 79% respondents respectively, said that the imposition of taxes increases prices of goods on the market. This is so because VAT for example, is added as a tax on the value of the goods. In Ghana, the demand for goods is fairly inelastic and so the taxes are borne by the final consumer. However, where the demand for the product is very elastic, the tax cannot be passed on to the market. This is in support of the argument that the imposition of tax increases prices on the market. The imposition of the National Health Insurance Levy (2.5%) on goods and services increased prices of goods by that margin since it is borne by the final consumer.

4.7   EFFICIENCY OF THE TAX SYSTEM

Fig. 6   Efficiency of the tax system
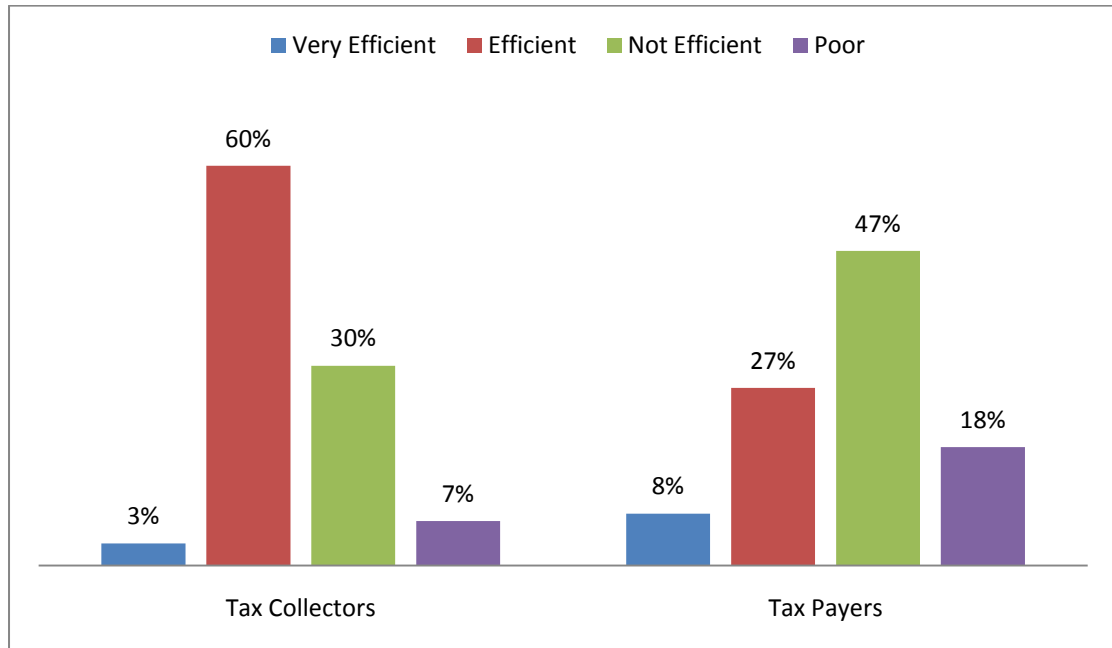
Source: Field study 2011

Only 3% of the tax collectors accepted the current tax system to be very efficient but majority 60% said it was efficient and 7% and 30% respectively said it was poor and not efficient.

From the taxpayers view, 8% said it was very efficient, 27% said it was efficient, 47% said it was not efficient while 18% said it was poor. The tax system was not efficient in the view of taxpayers but this assertion that the tax system was not efficient is not supported by tax collectors.

From the tax collectors point of view, they were doing their best in the given circumstances and contend that more could be achieved when manpower and logistics are made available to them.

4.8   MEDIUM OF COMMUNICATION ON TAX

Fig.7   Channel of communication for tax education
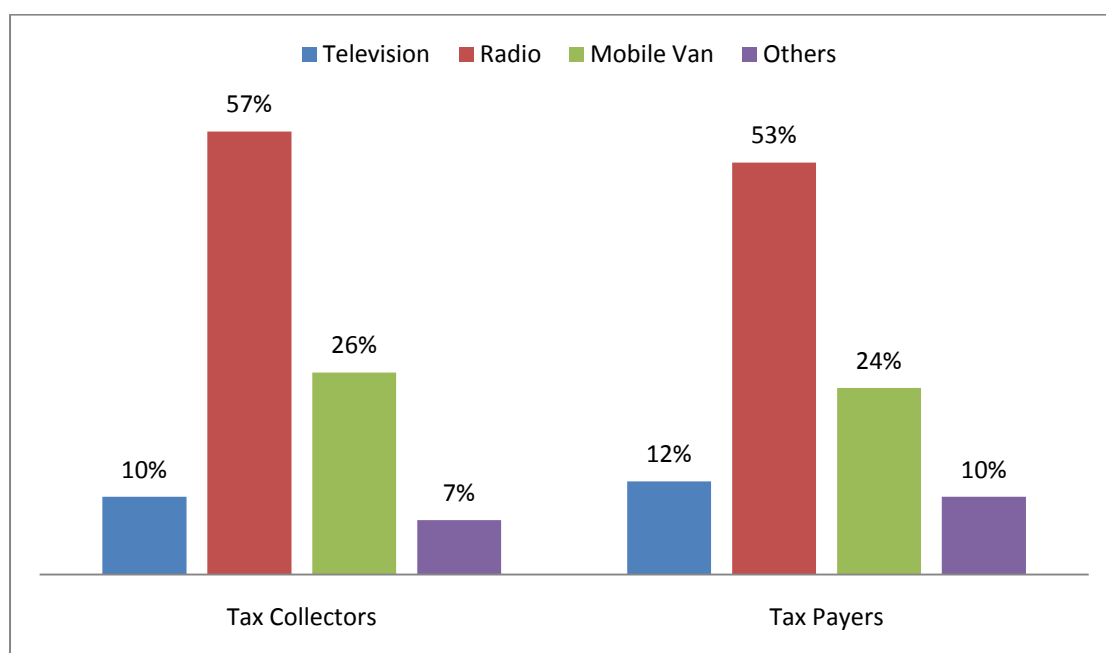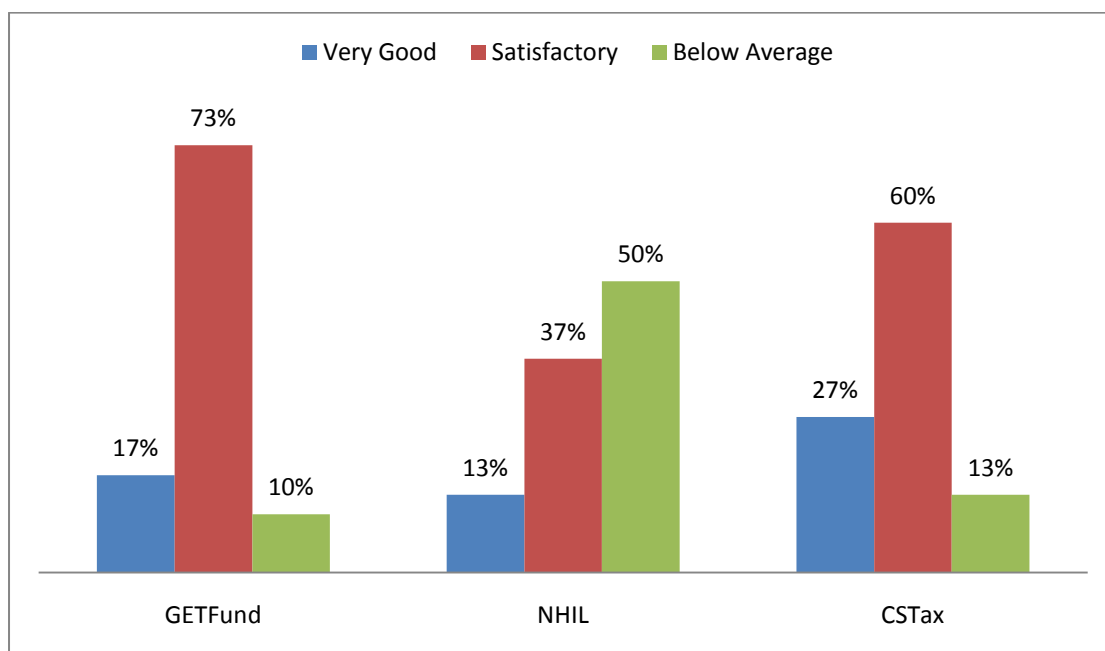

Source: Field study 2011

10% of tax collectors were of the view that the most effective mode of communication for tax education was the use of television, 57%, 26% and 7% preferred the use of radio, mobile vans and other mediums such newspapers, flyers and seminars respectively.

Tax payers on the other hand favoured the use of radio (53%), 12% preferred television, 24% preferred mobile vans and 10% preferred other mediums. But all agreed that employing all modes of communication would ensure that none is left out.

This supports the assertion in the literature that the revenue collecting institutions should be given the needed logistics to expand and improve their education campaign more effectively through regular interaction with the tax paying public

4.9   PERFORMANCE OF GETFund, NHIL and CSTax

Fig.8   Achievement of GETFund, NHIL and CSTax objectives (Tax Collectors)

Source: Field study 2011

From the analysis, 17% of the respondents rated GETFund to have performed very well, 73% satisfactory with only 10% rating it below average.

NHIL was rated below average by 50% of the respondents, 13% very good and 37% satisfactory.

With the CSTax, 60% were satisfied with their performance while 13% rated them below average and 27% gave them very good.

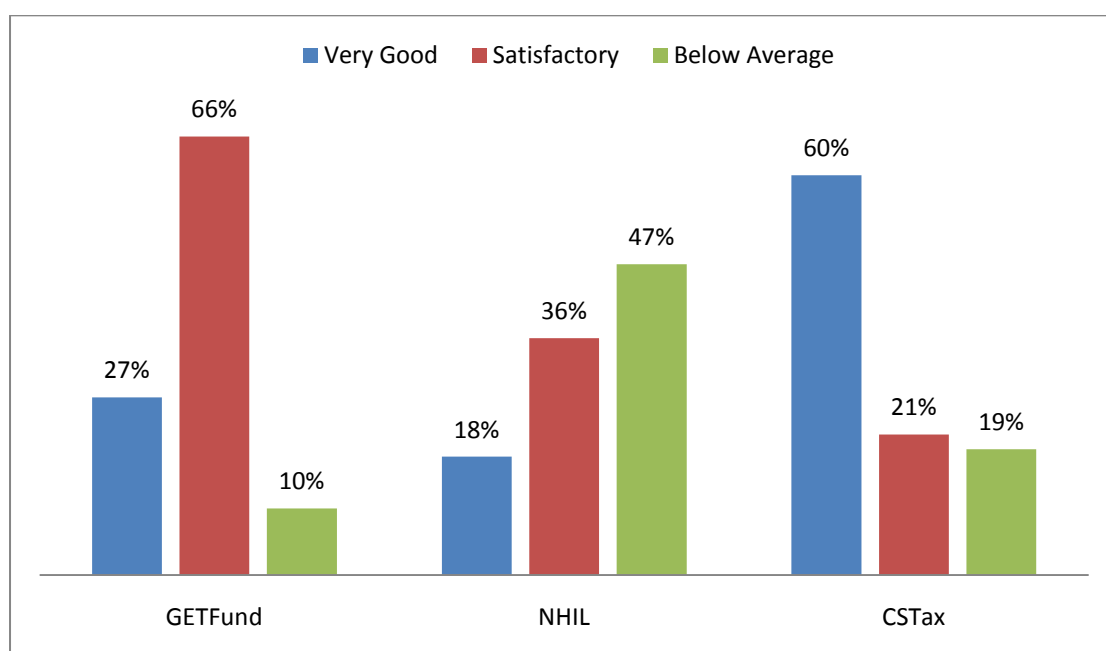Fig.9   Achievement of GETFund, NHIL and CSTax objectives (Tax Payers)

Source: Field study 2011

From the analysis, 27% of the respondents rated GETFund to have performed very well, 66% satisfactory with only 10% rating it below average.

NHIL was rated below average by 47% of the respondents, 18% very good and 36% satisfactory.

With the CSTax, 60% rated their performance to be very good, while 21% rated them satisfactory and 19% rated them below average.

This shows that the government's social interventions using taxes are impacting on the people through the construction of roads, hostels for tertiary institutions, constructing schools to replace those under trees and training of the youth by the National Youth Employment Programme thus equipping them with skills. The National Health Insurance Programme received the least rating because the people contend that the scheme does not cover every ailment

4.10   BOOKS OF ACCOUNTS

Fig.10 Books of Accounts for tax purposes

Tax Payers

Not Aware
28%

Yes
22%

No
50%
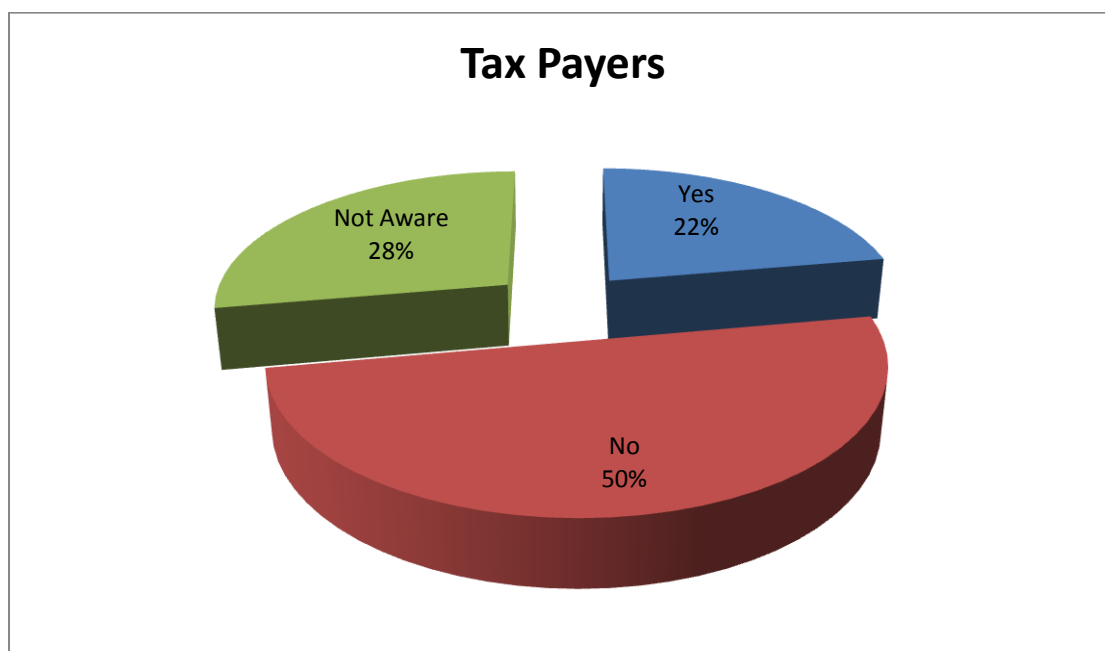
Source: Field study 2011

From the figure above, only 22% of the respondents prepared books of accounts while 50% said they did not. Another 28% said they were not aware they had to prepare books of accounts for tax purposes. This can be attributed to the fact that about 30% of the respondents mainly from trading and GPRTU were not in a position to hire the services of a competent bookkeeper because of the cost involved. They were also not prepared to let people know what they actually earned from their businesses due to superstition and ignorance. This can be attributed to their educational background where most of them were basic school leavers.

4.11   AMALGAMATION OF THE TAX INSTITUTIONS

Fig.11 Amalgamation of the tax institutions under GRA

Tax Collectors
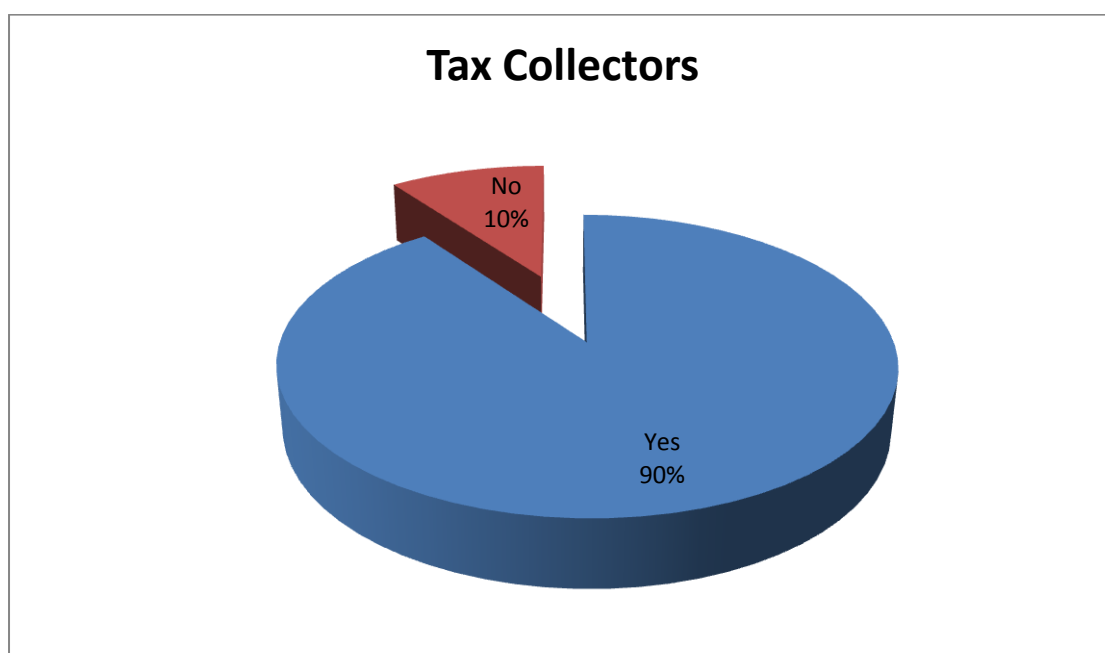
Source: Field study 2011

The amalgamation of the revenue institutions into the GRA constitutes a change in the administration, a process which ought to be handled so as to achieve the main objective of ensuring efficiency and effectiveness in tax revenue mobilisation. Accordingly, the various stakeholders must understand the need for the change and eliminating the existing status quo. In order to accept the change and contribute to making it successful, people need to understand how the change will benefit them. This is important because some people will genuinely be harmed by the change particularly those who benefit strongly from the status quo. After the change has been effected there should be a stable organizational chart, consistent job descriptions to ensure that the changes are used all the time and incorporated into everyday business. This way everybody will feel confident and comfortable with the new ways of working.

Majority, (90%) of the respondents were of the opinion that the amalgamation of the tax institutions under GRA would ensure efficiency in revenue mobilisation, however, a relatively small percentage (10%) had a different view. This buttresses the objective for the amalgamation of the institutions.

4.12   MOTIVATION AND LOGISTICS

Fig.12 Motivation and Logistics
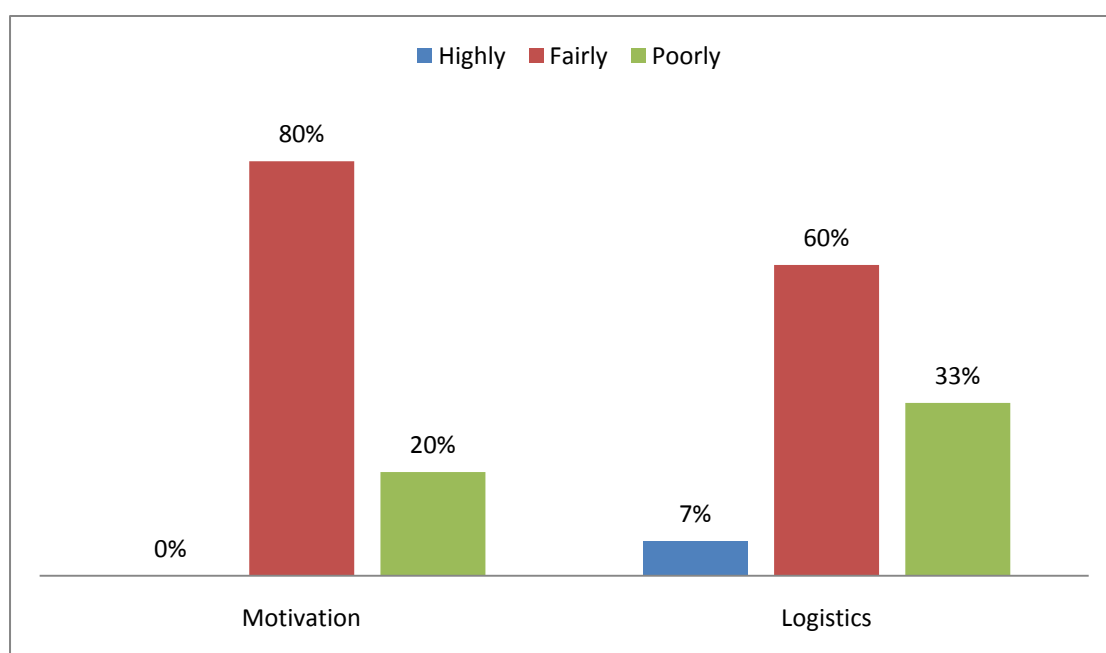
Source: Field study 2011

According to the figure above, 80% of the respondents opined that they were fairly motivated with 20% saying otherwise. Motivation is the willingness to exert high levels of effort towards organizational goals, conditioned by the effort's ability to satisfy some individual needs. According to Alderfer's ERG model of Existence, relatedness and Growth a worker seeks to achieve the highest level on the hierarchy, which is growth or self actualization where society will recognize one's

achievements, where employees are not provided with the opportunity to grow they become frustrated and regress falling back to fulfill relatedness needs or increase the desire for more money. In order to achieve the tax revenue to GDP ratio of at least 23% as required of a low middle income country such Ghana, tax administrators ought to be properly motivated taking into consideration their individual needs.

On the question on logistics, 33% of the respondents said they were poor, 60% were of the opinion that they were adequate while another 7% rated them highly. The availability of adequate logistics ranging from buildings and office equipment especially networked computers, to vehicles and communication systems will sustain and facilitate the operations of tax agencies. This will also facilitate the sharing of resources on tax payers among the agencies and help monitor and control tax avoidance and evasion.

4.13   PUNISHMENT FOR TAX EVADERS AND DEFAULTERS

Fig.13 Punishment for tax offenders
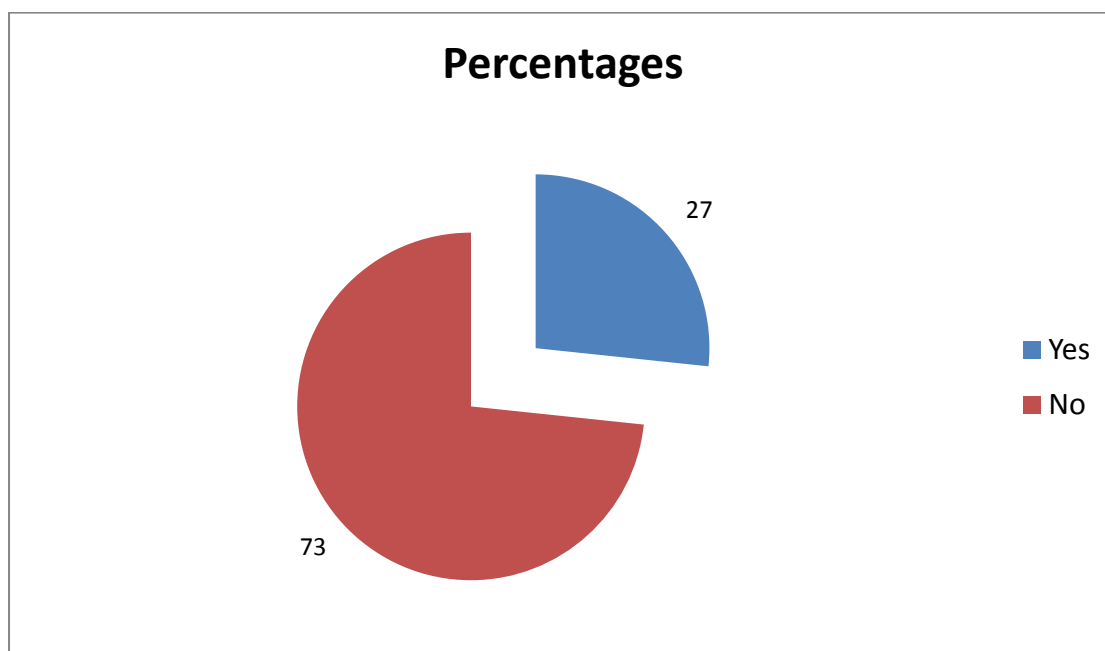
Source: Field study 2011

The figure above indicates that 73% of the respondents favoured a harsher punishment for tax evaders and defaulters to deter would be offenders while 27% were of the opinion that the existing punitive measures were adequate. The major problem has been the will to punish those defaulters according to the law. More often than not they are made to settle the tax liability and left off the hook which seems not deterrent enough for others.

4.14   RATE OF TAXES

Fig.14 Rate of taxes
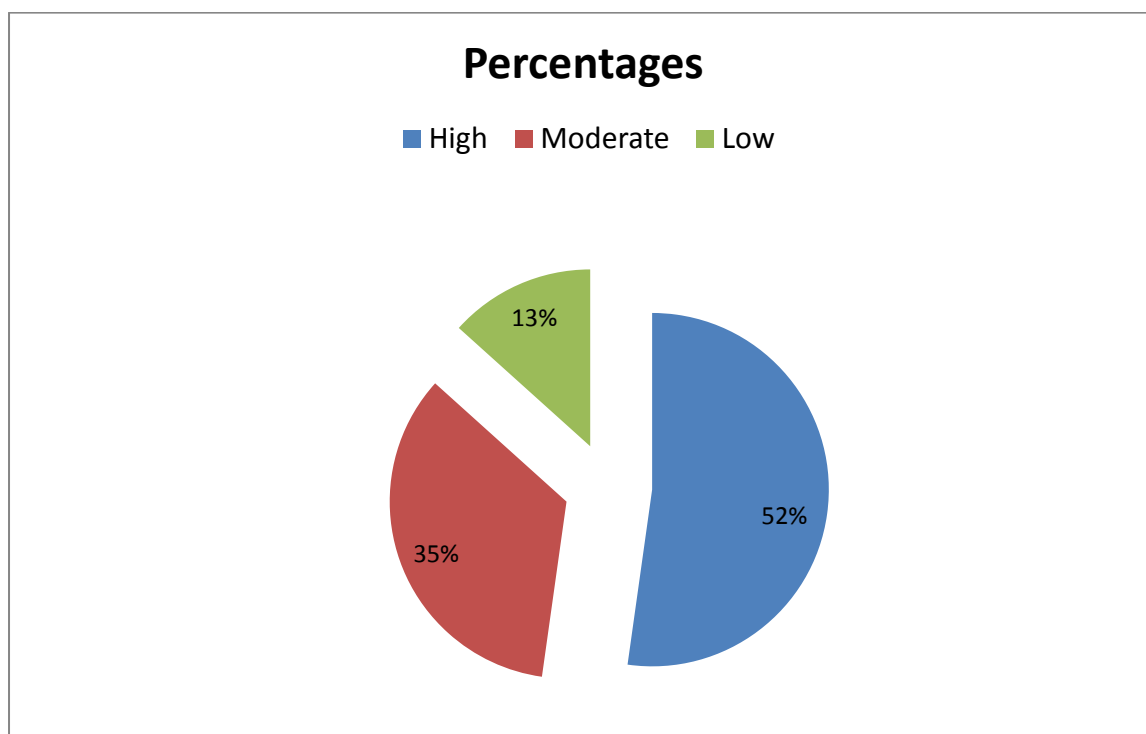
Source: Field study 2011

According to the figure above, only 13% of the respondents said the rate of taxes were low, 52% said they were moderate and another 35% were of the view that the taxes were rather high. Presumptive taxation does not take into account taxpayer-specific conditions such as family size or exceptional losses in a given year hence, they are regressive since a uniform rate is levied across board.

4.15   TAX RELIEFS AND INCENTIVES

Fig.15 Tax reliefs and incentives

Percentages

■ Yes ■ No

17%

83%
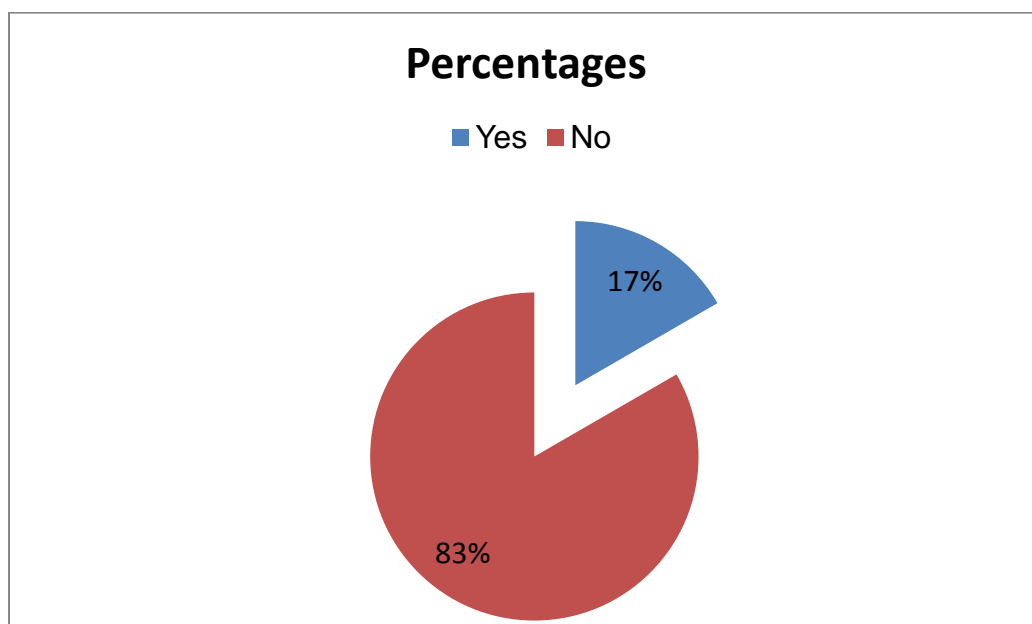
Source: Field study 2011

From the analysis, 83% of the respondents said they did not take advantage of any tax reliefs or incentives mostly because they did not file their tax returns. Only 17% claim to have taken advantage of such reliefs and incentives. This represents the professionals who are under compulsion to file their returns as part of their annual renewal processes. Most of the small scale businesses are not even aware of the location specific tax incentives offered to those who set up businesses outside Accra. This amplifies the need for more tax education in the municipality.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

This chapter discusses the summary of findings from the study and offers some recommendations on how the challenges can be mitigated to improve on the revenue mobilization of tax collectors. It ends with a conclusion on the study.

5.2 SUMMARY OF FINDINGS

The study sought to assess the challenges faced by tax collectors in the mobilsation of revenue for the development of the nation. In her quest to increase revenue, the government has sought to make the tax system more efficient through structural changes such as the establishment of the Ghana Revenue Authority to oversee the three revenue agencies and also increasing the base with the introduction of additional taxes like Ghana Education Trust Fund Levy (GETFund), National Health Insurance Levy (NHIL) and Communication Service Tax (CSTax) which have shown a tremendous increase in revenue. However, those charged to monitor and collect these various taxes are confronted with numerous challenges.

The Data collected and analysed indicated that most of the tax collectors were in the first degree bracket and considered motivation could be enhanced through regular training and a congenial working environment comparable to the financial institutions. Financial rewards (bonus for exemplary work) cannot be ruled out.

They also contended that appropriate logistics such as mobile vans are needed for mass education, networked computers to facilitate inter-connectivity for information sharing and a data base for tax payers for effective monitoring.

The tax collectors were of the opinion that the amalgamation of the revenue institutions into the Ghana Revenue authority would enhance efficiency but added that the Tax Identification Numbering system should be pursued vigorously and tax defaulters and tax evaders ought to be punished appropriately to serve as a deterrent for others.

It is made abundantly clear from the analysis that tax payers of all categories do not attend tax seminars and workshops as much as they would and majority see the payment of tax as beneficial to the state.

They also contend that the imposition of taxes generally increases the prices of goods on the market which invariably reduces their ability to make profits, hence essential goods and agricultural products should continue to enjoy tax incentives.

The analysis shows that tax collection is not efficient as there is room for evasion and corruption hence more education through radio, television and mobile vans in that order as they are reluctant to leave their shops and offices to attend seminars and workshops for fear of losing sales.

Again, the analysis indicated that most of them cannot afford the cost of employing somebody to keep their records for tax purposes and do not pay their taxes willingly due to the high rates.

Finally, the study found out that tax payers do not take advantage of tax reliefs and incentives since they do not consider the filing of tax returns as important.

Clearly, majority of the people surveyed indicated that though they are not familiar with the objectives of the GETFund and the Communication Service Tax, they see various projects undertaken by these institutions and contend that they are performing,

however, because of the problems they encounter with the National Health Insurance Scheme, their performance was below average.

5.3   RECOMMENDATIONS

From the findings of the study culminating in the above conclusion, the following recommendations are proposed which when implemented will go a long way to mitigate the challenges and enhance revenue mobilization

Tax collectors should be motivated to execute their job with dexterity and creativity to deter people from finding ways to avoid paying the appropriate taxes and come out with innovative ways of combating tax evasion and default Frequent training and workshops (both local and foreign) should be organized for all categories of staff of the various revenue agencies to sharpen their skills and knowledge to enhance their performance.

The tax offices should be given the necessary facelift and equipped with the logistics including interconnectivity to help in the identification of tax payers for effective monitoring through real time information sharing among the revenue agencies and related organizations.

Tax education must be more aggressive and frequent in approach using all the various methods for mass education to reach all and sundry about the importance of paying taxes regularly and promptly as a civic duty for the development of the nation. The informal sector should be encouraged to register by removing the bottlenecks and improve the benefits of formality.

The tax base can be improved through the taxation of rent income and property. This should be done in collaboration with the Metropolitan,

Municipal and District Assemblies starting with a minimal rate that will be accepted by all stakeholders as a starting point for easy compliance

Regular tax audits should be performed to inculcate in the minds of the tax payers that their activities are being monitored.

There should be transparency in the tax incentives and tax holiday regime with proper monitoring and evaluation to prevent tax leakages.

Finally, the Anti-Revenue Leakages Monitoring Team of the GRA should be empowered to sanction appropriately recalcitrant defaulters and evaders within the shortest possible time.

5.4   CONCLUSION

Majority of tax payers see the various developments in infrastructural projects everywhere especially in the education and road sectors but believe that the tax rates should be reduced to avoid tax evasion.

Tax collectors on the other hand need to be motivated and the problem with logistics given the necessary attention in order to maximize tax revenue mobilisation in Ghana.

Finally, education and training for both tax collectors and tax payers will go a long way to remove the bottlenecks associated with revenue mobilization in the nation.

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APPENDIX A

INSTITUTE OF DISTANCE LEARNING OF THE KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST) COMMONWEALTH EXECUTIVE MASTER OF BUSINESS ADMINISTRATION.

QUESTIONNAIRE FOR TAX COLLECTORS

As part of the requirement for the award, I am conducting a study into "**Assessing the Challenges of Tax Revenue Mobilisation in Ghana, the case of Sunyani Municipality**".

I would be very grateful if you could support this study by completing this questionnaire and your candid response will be very much appreciated.

You are assured of the anonymity of your identity and confidentiality of your response.

Kindly tick **(√)** where appropriate and write your response where applicable.

1. Sex: Male ( )   Female ( )

2. Age (years)   18-25 ( )   26-35 ( )   36-45 ( )   46 and above ( )

3. Highest Level of Education:

     a. Professional ICA/ACCA/CIMA/CIA   ( )

     b. Masters   MSc/MBA/EMBA/MA   ( )

     c. Bachelors   BSc/BEd/BBA/BA/HND   ( )

     d. Diploma   ( )

     e. Others   ( )

4. Marital Status:

     a. Married with children   ( )

     b. Married without children   ( )

     c. Not married   ( )

     d. Not married with children   ( )

5. How long have you been working or in business

     Less than 5years ( )   6-10years ( )   11-20years ( )

     21-30years ( )   More than 31years ( )

6. Do you consider the payment of taxes as beneficial to the state

    Yes ( )   No ( )

7. Do you think that the imposition of taxes increase prices of goods all the time

    Yes ( )   No ( )   Sometimes ( )

8. Do you agree that essential goods and agricultural products should continue to enjoy tax exemptions

    Yes ( )   No ( )   Indifferent ( )

9. Would you say that the current system of tax collection is efficient

    Very efficient ( )   Efficient ( ) Not efficient ( )   Poor ( )

10. What medium of communication do you think makes the best impact on education

    Television ( )   Radio ( )   Information Van ( ) Other ( ) please specify ………………………………………………………………………

11. In your opinion, which area should the government expend more of the revenue

    Cities ( )   Urban ( )   Rural ( )

12. How would you rank the GETFund in the performance of its objectives

    Very Good ( )   Satisfactory ( )   Below Average ( )

13. How would you rank the NHIL in the performance of its objectives

    Very Good ( )   Satisfactory ( )   Below Average ( )

14. In your opinion, is the Communication Service Tax (Talk Tax) meeting its objectives   Very Good ( )   Satisfactory ( ) Below Average ( )

15. Do the authorities organize seminars and workshops for staff regularly

    Regularly ( )   Once in a while ( )   Not at all ( )

16. How would you describe tax education in Ghana

    Very effective ( )   Effective ( ) Not effective ( )   Poor ( )

17. Do you have a good rapport with tax payers

    Yes ( )   No ( )   Indifferent ( )

18. Is there any interference with your line of duty

    Yes ( )   No ( )   Indifferent ( )

19. Do you think the amalgamation of the various tax institutions into the Ghana Revenue Authority would increase efficiency in the tax collection

    Yes ( )   No ( )

20. Are tax collectors well motivated to perform their duties

Very motivated ( )   Fairly motivated ( ) Not motivated ( )

21. Do tax collectors have adequate logistics to work diligently

Very resourced ( )   Fairly resourced ( )   Poorly resourced (
)

22. Have all taxpayers been registered and issued with Tax Identification Numbers

Majority ( )   More than half ( )   Less than half ( )

23. Do tax payers intentionally understate revenue to attract less tax liability

Yes   ( )   No   ( )

24. Are tax evaders and defaulters punished appropriately as deterrent for others

Yes   ( )   No   ( )

25. Are those in the informal sector paying appropriate taxes

Yes   ( )   No   ( )

26. What do you suggest can be done to improve tax collection in Ghana

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INSTITUTE OF DISTANCE LEARNING OF THE KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY (KNUST) COMMONWEALTH EXECUTIVE MASTER OF BUSINESS ADMINISTRATION.

QUESTIONNAIRE FOR TAXPAYERS

As part of the requirement for the award, I am conducting a study into "**Assessing the Challenges of Tax Revenue Mobilisation in Ghana, the case of Sunyani Municipality**".

I would be very grateful if you could support this study by completing this questionnaire and your candid response will be very much appreciated.

You are assured of the anonymity of your identity and confidentiality of your response.

Kindly tick (√) where appropriate and write your response where applicable.

1. Sex: Male ( )   Female ( )
2. Age (years)   18-25 ( )   26-35 ( )   36-45 ( )   46 and above ( )
3. Highest Level of Education:
   a. Professional ICA/ACCA/CIMA/CIA   ( )
   b. Masters   MSc/MBA/EMBA/MA   ( )
   c. Bachelors   BSc/Bed/BBA/BA/HND   ( )
   d. Diploma   ( )
   e. Others   ( )
4. Marital Status:
   a. Married with children   ( )
   b. Married without children   ( )
   c. Not married   ( )
   d. Not married with children   ( )
5. How long have you been working or in business
   Less than 5years   ( )   6-10years ( )   11-20years ( )
   21-30years   ( )   More than 31years ( )

6. Do you consider the payment of taxes as beneficial to the state

     Yes ( )   No ( )

7. Do you think that the imposition of taxes increase prices of goods all the time

     Yes ( )   No ( )   Sometimes ( )

8. Do you agree that essential goods and agricultural products should continue to enjoy tax incentives

     Yes ( )   No ( )   Indifferent ( )

9. Would you say that the current system of tax collection is efficient

     Very efficient ( )   Efficient ( ) Not efficient ( )   Poor ( )

10. What medium of communication do you think makes the best impact on education

     Television ( )   Radio ( )   Information Van ( ) Other ( ) please specify …………………………………………………………………

11. In your opinion, which area should the government expend more of the revenue

     Cities ( )   Urban ( )   Rural ( )

12. How would you rank the GETFund in the performance of its objectives

     Very Good ( )   Satisfactory ( )   Below Average ( )

13. How would you rank the NHIL in the performance of its objectives

     Very Good ( )   Satisfactory ( )   Below Average ( )

14. In your opinion, is the Communication Service Tax (Talk Tax) meeting its objectives   Very Good ( )   Satisfactory ( ) Below Average ( )

15. Do you attend seminars on tax organized by tax authorities

     Very Often ( )   Often ( )   Once a while ( )   Not at all ( )

16. Do you have a good rapport with tax collectors

     Yes ( )   No ( )   Indifferent ( )

17. Do you keep any books of accounts for tax purposes

     Yes ( )   No ( )   Not aware ( )

18. What type of taxes do you pay

     Personal Income Tax ( )   Corporate Tax ( )   Value Added Tax ( )

     Excise Duty ( )

19. Do you consider filing tax returns as important

     Very Important ( )   Important ( ) Less Important ( )   Not at all ( )

20. Do you willingly pay your taxes

   Yes   ( )   No   ( )

21. How do you consider the tax rates

   High ( )   Moderate   ( )   Low ( )

22. Would you understate your revenue to attract less tax liability

   Yes   ( )   No   ( )

23. Do you take advantage of tax reliefs and incentives

   Yes   ( )   No   ( )

24. What do you suggest can be done to improve tax collection in Ghana

   …………………………………………………………………………………

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Some of the Informal Organizations in Ghana

1. Ghana Private Road Transport Union (GPRTU)

2. Ghana Cooperative Transport Society (GCTS)

3. Progressive Transport Owners Association (PROTOA)

4. Ghana National Chemical Sellers Association

5. Ghana National Tailors and Dressmakers Association

6. Musician Union of Ghana

7. Phonogram Producers Association

8. Ghana Tape Recorders Association

9. National Drinking Bar Operators Association

10. National Garage Owners Association

11. Greater Accra Second Hand Spare Parts Dealers Association

12. Refrigeration and Air-Conditioning Workshop Owners Association

13. Chop Bar Keepers and Cooked Food Sellers Association

14. Hair Dressers Association of Ghana

15. Susu Collectors Association

16. Traditional Healers, Fetish Priests, Mallams and Drug Peddlers Association

17. Sandcrete Block Manufacturers Association

18. Ghana Gold and Silver Smiths Association

19. Second Hand Clothes Dealers Association

20. Radio and Television Repairers Association

21. Ghana Cooperative Distillers Association Ltd

22. Cornmill Owners Association

23. Licensed Diamond Winners Association

24. Ghana Association of Private Sports Papers

25. Ashiaman Livestock Breeding and Traders Association

26. Butchers Association

27. Ghana Livestock and Meat Marketing Association

28. Video Operators Association

29. Ghana Private Schools Association

30. Day Care Centres Association

31. Akpeteshie Distillers Association

32. Second Hand Car Dealers Association

33. Ghana Union Traders Association (GUTA)