TAX ADMINISTRATION IN THE KUMASI METROPOLIS

(A CASE STUDY OF GHANA REVENUE AUTHORITY, SUAME BRANCH)

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DECLARATION

I hereby declare that this submission is my own work towards the Masters In Business Administration(Accounting-Option) and that , to the best of my knowledge, contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university , except where due acknowledgement has been made in the text

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DEDICATION

I dedicate this work first to the almighty God who has brought me this far; to my mother Comfort Boafo Atiemo And Charlotte Boafo Atiemo, who mentored me throughout my education; my loving wife Eunice Antwi; my sweet baby Nana Ama Fosuaa Danquah, my brothers Frank Odoom and Ebenezer Odoom; lastly to my sweet sister Naa Apomasu who supported me through my education

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ABSTRACT

The objective of the study was to identify the problems that the Ghana Revenue Authority (GRA) faced in the administration of tax. Specifically the study aimed at ascertaining whether the set targets for tax collection are attained, finding out why the people in Suame Magazine evade taxes and finally identifying the challenges faced in the administration of tax in Suame Magazine, Kumasi. The researcher solicited for the views of taxpayers and management staff concerning tax administration. A case study was chosen for this study. The researcher administered the questionnaires and conducted interviews personally. The sample for the study were 53 employees comprising of 50 taxpayers and 3 management staff drawn from GRA, Suame branch.. It was also revealed by the study that no trust in government, high rate charged, unfair treatment of organizations by tax administrators, low level of knowledge on tax by tax payer, weakness in the laws against tax evaders, poor attitudes of tax collector towards tax payer, unskilled manpower / personnel to collect the tax, and poor monitoring were reasons why some taxpayers evade tax. The study also identified that low registration rate of taxpayers, lack of efficient tax administration, inadequate resources to sustain and facilitate the operations of tax authorities, inadequate modern technology, and poor remuneration of tax administrators by management of GRA were identified as challenges to effective tax administration. The study made recommendations to help improve tax administration.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS/ACRONYMS

IMF	International Monetary Fund
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
IRS	Internal Revenue Service
DVLA	Department of Vehicle Licensing and Administration
IT	Information Technology
CEPS	Customs Exercise and Preventive Service
RMS	Revenue Mobilization Support
PAYE	Pay As You Earn
FDI	Foreign Direct Investment
MDGS	Millemium Development Goals
GPRS	Growth and Preventive Reduction Strategy
SPSS	Statistical Package for Social Science
GEFund	Ghana Education Trust Fund
IRC	Internal Monetary Code (USA)
VAT	Value Added Tax
CSTax	Communication Service Tax
GPRTU	Ghana Private Road Transport Union
ITAX	Income Tax
RAGB	Revenue Agencies Governing Board

CHAPTER ONE

INTRODUCTION AND CONTEXT OF THE STUDY

1.1 Background of the Study

Tax is 'a person's share, contribution and obligation for the maintenance of socio-economic order and good governance and to enjoy the sovereign rights privileges and powers of a state.

It is important to understand the need for man to honor the obligation of contributing a share in financing public expenditure.

Casting our mind into the good and divine book, the Bible, one will remember that God in his wisdom planted the Garden of Eden where He put the man, Adam to inherit and enjoy the good works of His (God) hands.

However, there was a price attached to this great offer and inheritance. God told man to "Work and take care of the Garden" (Genesis 2:15,)

It is important for us to understand that the first man accepted the responsibility to be the first head of state government and a citizen of the world, to work and create wealth for his enjoyment and benefit.

In this essence he also accepted the obligation of ensuring maintenance of Good governance, of this good will of God.

As citizens of modern state we are likewise obliged in principle, to pay our share and contribution to government, to maintain and manage this good will (state).

A report by Ghana news agency 2014 on coming challenge of the economy push the researcher into these findings as to how taxes can help the economy. A recent report

by Africa Economics LLC, an international research organization, says Ghana appears blunt in choices with the new International Monetary Fund (IMF) programme since government's political will, commodity price changes and power supply problems will affect its ability to achieve some of the major fiscal budgets in 2015 and 2016.

The report, co-authored by Theo Acheampong and Alex Barkers-Okwan, said broad short-to-medium term options available to the government ultimately will come with political consequences.

"For example, making drastic cut backs in public sector expenditure, especially public sector wages, will be difficult for the government, as the 2016 elections draw near, making it more than likely that these cuts will delay until after the elections. Furthermore, it is more likely that the government, will at best, maintain current spending levels envisaged within the 2015 budget."

The report also indicated that moves to increase revenues by widening the tax base and improving efficiency in collection are unlikely to yield any significant short-term impacts due to weak structures such as inefficient public and business address systems.

However, it said the government could bolster its finances through prudent fiscal housekeeping and accountability in public expenditure.

Fiscal consolidation will drastically dampen non-oil economic growth initially from 2015-16 but this is forecast to rebound in subsequent years, it said.

The IMF estimates non-oil GDP growth to reduce further to 2.3% of GDP in 2015 before raising up in the following years to reach 5.5% of GDP by 2017 commodity prices.

Since the Ghanaian economy is heavily dependent on cocoa, gold and oil, accounting for 75% of its exports, the report said the prices of all three key exports have recently declined on the world market compared to 2013 price levels.

"This state of affairs could easily worsen the country's trade balance for 2015. Consequentially, government is very likely to struggle with persistent current account deficits and balance of payment challenges for the remainder of 2015.

In developing countries like Ghana the citizens who do not know the essence of paying taxes try to evade. The self-employed, companies and other tax payers consciously evade the paying of taxes due to their fictitious assertion and assumption that tax is an unnecessary liability that the government intentionally imposes on them without the tax payer's interest being taken into consideration.

1.2 Problem Statement

Unfortunately, the misconception on the part of the taxpayers does not allow them to avail themselves for tax payment. Taxpayers are of the view that taxes not as a responsibility of the citizen but as something that is imposed on their right. The unwillingness on the part of the majority of the people to pay taxes including the educated manifest itself in lack of social amenities in our society. The Ghana Revenue Authority (GRA) of Kumasi Metropolis which happens to be the sole collector of direct tax faces challenges. The contribution of taxes in the socio-economic development of Ghana cannot be overemphasized, it is for this reason that all attempts must be made to identify problems that hinders smooth tax administration and help eradicate them. It is for this reason that the researcher decided to undergo this study to ascertain the cause of not attaining tax targets, tax evasion and their challenges and to suggest ways to solve the problems.

1.3 Objectives of the Study

The general objectives of the study are to identify the problems that the Ghana Revenue Authority (GRA) faces in the administration of tax and why the people are not availing themselves for tax payments.

The specific objectives are the following:

1. To ascertain whether the set targets for tax are attained.

2. To find out why the people in Suame Magazine evade taxes and the benefit of tax to the taxpayer.

3. To identify the challenges confronting tax administration at Suame Magazine, Kumasi.

1.4 The Research Questions

1. Do tax collectors attain their targets?

2. Why do people evade tax and what benefits do they derive from taxes?

3. What challenges confronted in tax administration at Suame Magazine, in Kumasi?

1.5 Methodology

The researcher employed primary and secondary data. Primary data (ie field data collection) were carried through the design and administering of research questionnaire to the appropriate people of Suame Magazine. The questionnaire gathered information on the attainment of tax targets, tax evasion, and their respective challenges.

Secondary data was collected from GRA office of Suame. The data was their actual revenue targets from 2011 to 2014 and actual revenue collected for the same years.

1.6 The Significance of the Study

This work is done with the anticipation that once the challenges are identified.

And better solutions are prescribe for them tax administration will be smooth and the Ghana Revenue Authority (GRA) will be able to raise enough revenue for the government.

This will also make the people to be aware of the serious effect that their failure to execute their tax obligation has on the socio-economic development of the metropolis. The study will show how targets are attained, tax evasion in the tax administration in the Suame Magazine. The study will show the need to educate the general public on the need to pay tax and also the collection of the tax in the metropolis. The study will again, let the Ghana Revenue Authority (GRA) realize the need to equipping its staff educate and motivate them effectively for efficient working mind-set. Furthermore, the study will help the Ghana Revenue Authority (GRA) to build up and use appropriate mechanism in the collection of taxes so that their relationship with the community will enhance effective tax system in the metropolis.

1.7 Scope of the Study

The research is centered in Suame Magazine in Kumasi, one of the largest mechanics shops in West Africa. The researchers have chosen the Suame branch of Ghana Revenue Authority (GRA) as the case study centers.

This research therefore aimed at providing a deeper understanding of the features of the Ghanaian tax system, which help identify the attainment of tax targets, tax evasions, challenges and prospects of tax in Ghana. In the course of the attaining the objectives of the study, the researchers undertook a thorough survey and study of the various skateholders views about tax including the mechanics, traders in the magazine

and some officers of Ghana Revenue Authority (GRA branch of Suame The project work is limited to primary and secondary data on the subject matter in order to ministration the merits, demerits and necessary condition that should prevail for its' practice. The study is also limited to the Suame Magazine in the Ashanti Region of Ghana. Considerations have also been given to the Ghana Revenue Authority (GRA) laws and regulations which provide an outlook of the regulatory frame-work binding tax and its administration in Ghana.

1.8 Limitation of the Study

The research encountered limited financial resources, time constraints, appropriate sample size to use, data collection techniques, retrieval of question arises, permission to use an organization, preparedness of top-level business executives to grant interviews etc.

Some respondents did not respond to the questionnaire.

1.9 Organization of the Study

The entire study has been captured under five chapters.

Chapter one (1) deals with the introduction of the study which includes the background of the study, statement of problem, research questions, significance of the study, methodology, structure of the study, scope of the study and the limitations of the study. Chapter two (2) deals with Literature Review. This is basically review of researches that have been done by others and can be related to the topic under study. Chapter three (3) looks at the methodology used in obtaining and analyzing the data. Chapter four (4) deals with analysis and discussions of findings. Chapter five (5) looks at summary, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Tax systems are aimed at raising the much needed revenue for good governance. To achieve this objective, the system should be designed to encourage good relations and understanding between the taxpayer and the tax administration as well as ensure efficiency in the system.

Canons of taxation are therefore basic principle accepted to achieve this objective. They were enunciated by the renowned British economist, Adams Smith in the book entitled 'Wealth of Nations' (1776)

2.1 History of Taxation

It is important to understand the need for man to honor the obligation of contribution a share in financing public expenditure. Cast our mind into the good and divine book, Bible one will remember that God in his wisdom planted the Garden of Eden where He out the man, Adam to inherit and enjoy the good work of this (God) hands. However, there was a price attached to this great offer and inheritance God told man to 'Work and take care of the Garden' (Genesis2; 15).

It is expedience for us to understand that the first man accepted the responsibility to be the head of the state government and a citizen of this world, to work and create wealth for his enjoyment and benefit. In this essence he also accepted the obligation of ensuring maintenance and good governance of this good will of God.

As citizens of modern state we are likewise obliged in principle to pay our share and contribution to government to maintain and manage this goodwill state.

2.2 Definition of Tax

Taxation is often defined as the charging of required contribution by the authorities having tax influence, to cover the cost of their activities (Abdullah, 2008).

It is incumbent on a responsibility and duty of purpose of a giving country to pay sums of money from their income earned from any recognized economic activity and transaction to the state to finance public expenditure. Thus the sums of money paid, in whatever form, to the state by person s so obliged by law is referred to as tax (Obeng, 2007).

The money or revenue collected is used for the good of all the residents of the economy. It is compulsory on the individual so when the individuals intentionally evade its payment. It becomes illegal and is punishable by law.

From the above narration it is evident that taxes have been used primarily as a source of revenue for governments all over the world. The revenue is used to help governments in the administration of areas under their jurisdictions.

2.3 Tax Administration

2.3.1 Ghana Revenue Authority (GRA)

The integration of Value Added Tax (VAT), Customs Excise and Preventive Services, and Internal Revenue Services was enacted by Parliament on the 31st of December, 2009 and received presidential assent on December 31st 2009, bringing into being Ghana Revenue Authority (GRA).

2.3.2 Establishment of Ghana Revenue Authority (GRA)

The Ghana Revenue Authority (GRA) was established by an Act of Parliament, Act 2009 (Act 791) merging the three revenue agencies that is the Customs, Excise and

Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat into a single Authority for the administration of taxes and customs duties in the country.

2.4 Challenges of Tax Administration

Many developing countries have implemented details reforms of their tax administrations so as to raise revenue mobilization and reduce corruption (Chapter 17, page 2 in the international handbook on the Economics of corruption, edited by Susan Rose-Ackerman and forthcoming, 2006).

In spite of this, when you compare our tax mobilization to our neighboring countries, there still leakage in our tax administration which remains a subject to be look at. Administrative short falls contribute to this tax leakage. It is picture that goes shown in many developing countries. There are three main tax administration primary agencies: the Value – Added Tax Service (VATS), the Internal Revenue Service (IRS), and the Curtains, Exercise (Casanegra de Jantscher 1990).

Mr. Adom, Commissioner of the Internal Revenue Service (IRS) reported that rapid growth in the size and form of business conducted over the internet and other communication networks, has raised a number of concerns for the formulation of tax policy and effectiveness of existing administrative procedures and techniques.

This is the exact answers of the picture of electronic-commerce transaction, which blur frontiers, changes the character of income and result in the loss of audit trail. These reduce the taxman's ability to check the accuracy of profits reported by tax payers and narrow the tax base" he added (Accra, Sept 6, 1998, Ghana News Agency).

Mr. Adom made known schemes for tax evasion, irregular flow of resources, taxation of non-formal and the ability to establish the "tax court", as other challenges to increased revenue collection. He expressed regret that some self-employed persons, including professionals and affluent in the society, belong to a category of tax payers, who contributed only 5.2 per cent of total revenue collection in 1998 while employees contributed 29.8 percent during the same period." This poor performance by this difficult to tax group is due to problems with tax payer identification, illiteracy and poor record keeping and sometimes, willful intention of these potential taxpayers to evade tax".

Taxpayers unwilling to pay tax. This all because or partly on system of taxes perceived as unfair. Relatively high rates and a complex and partly incoherent set of laws, especially for corporate taxes and customs, resulted in large potential rewards for taxpayers willing to bribe to cut their own tax burden and/or speed up customs clearance of their goods (Terpker, 1999).

Low wages and salaries levels. Corruption in tax administration is caused by poor salaries in public sector in comparism to earnings of private sector workers. As at 1989, the average public sector employee salary was about 20 percent of the corresponding salary in the private sector, and only 5 percent for the unskilled staff (Fjeldstad and Tungodden, 2003).

Very little encouragement for staffs to exercise their description and poor working condition. The working conditions were generally characterized by a lack of technical equipment and poor office facilities. Moreover, the criteria for selection, recruitment, promotion and rewards of staff and management are unclear and subject to substantial discretion (Beskey and Mclaren, 1993). The probability of detection and the

punishment for corruption is very low. Weak management, internal auditing and monitoring functions had become for the most part non-operative and ineffective due to poor information. In practice the likelihood of being detected and punished for corruption was practically nonexistence. (Barber, 1997).

Two administrative challenges still remain with the system. The first is the continued struggle in attaining full integration of the different tax agencies, as well as effective teamwork with other significant branches of government.

One of the most effective means to improve the equitable and efficient collection of revenue is improve information sharing between agencies. Which is suggested by experiences in others country. (Terkper, 1998). He added that the simple ability to cross reference tax fillings across will help to close significant gaps, particularly income tax assessments. At a more general level, the problem of tax collection is basically about information sources to detect tax payers and their definite tax liability. Thus, being able to draw on information from among others, the Registrar General the Department of Vehicle Licensing and Administration (DVLA) and the Ministry of lands, Forestry and Mines holds huge potential for enlightening tax collection through greater knowledge of the assets and activities of tax payers. Yet these forms of information sharing remain far too restricted, owing to administrative infighting, and an overall nonappearance of the political will to bring the assets of high net worth individuals more clearly into the public eye.

The second challenge is lack of IT systems within the IRS for tax administration. Discussions to computerize our tax agencies e.g. IRS has been ongoing, yet, the Internal Revenue Service almost operates a manual system in administering tax in the country. The German government has been at the forefront of this sponsoring six

members of staff in Accra on pilot automation programme in support of German development agency GTZ. This has been relatively successful and should be replicated at the national level".

It is probable to point to four general areas of important revenue loss, though precise estimates of tax occurrence are disgracefully problematic. The first is a large informal sector whose most recently been estimated at between 30% and 60% of the total economic activity in most developing countries. The second is an inability of tax consultants who are provide monitoring services, such as consultancy of taxing capital income.

When capital income is held in a foreign land makes these assertion true, as it is immensely improbable that such income will be reported, while the tax such cases effectively. The final issue is the problems associated with the property and rental income tax, both of which would be progressive and generate momentous revenue. Ghana do not stands out differently from this story, with realistic heights of income tax collection and little levels of income tax mobilization overwhelmingly drawn from withholding taxes (Bird and Zolt, 2005).

According to Tax Justice Network (2005), Tax evasion is an important subject. It includes false invoicing and trade mispricing. The root of the difficult is absence of ability to monitor and check firms, and to adjust existing laws when gaps are recognized.

(Shepherd ansd Gyimah, 2004) wrote "A major factor obstructing tax collection is the lack of identification of potential tax payers." Those in the formal sector are loaded with taxes as a result of this.

(Osei Dadzie 2009), stated "The Revenue agencies are unwell equipped. Internal Revenue Service is yet to be computerized and even normal calculators to work with is challenge in some of the insufficiencies and are seriously being addressed. As a matter of fact and you can bear me out, I have personally been involved in addressing these difficulties. For example, in April 2009, "I made a donation of some calculators to the Agbogbloshie offices of the Internal Revenue Service."

Lack of suitable equipment to work with has caused in a situation where the allocation on potential tax payers are not easily noted. In some situation officers conspire with tax payers to cheat the system through understating figures than the state rates as taxes. Some even exploit the unawareness/illiteracy of tax payers to steal from them still others do not exhibit high levels of professionalism in handling the tax payers. "Customer service concept is foreign to our work culture" (Kagina, 2004).

2.5 Tools for Easy Tax Administration

(Adom1998), said there should be a provision in the tax laws to establish a special court to try tax cases but unfortunately, this has not been established, causing delays in the adjudication of tax disputes. He mentioned either all the laws relating to direct taxation, must be prepared and be placed before Parliament for consideration. According to him the Internal Revenue Bill seeks, among other things to consolidate and modernize the existing income tax laws. The draft legislative proposal in addition, will simplified the laws and introduced measures to deal with new schemes of tax evasion, such as income splitting, transfer pricing and thin capitalization. He continued that the Internal Revenue Service should draw up an extensive tax education programme for tax payers especially, the self-employed, on the need to honour their tax obligations. In addition, he said a special tax payers identification

number must be introduced to facilitate tracking disappearing' taxpayers, and urged the tax paying public to co-operate with income tax administrators by voluntarily providing information on tax evaders.

(Okine, 1998), re-echoed the call by the above authors for increased budgetary allocations to the revenue services to enable them to improve their performance to meet national aspirations. He suggested the introduction of stringent provisions in the existing tax laws, including both fines and jail terms for tax evasion and smuggling. The Customs Exercise and Preventive Services (CEPS) should look at.

Commissioner noted that it has almost become acceptable for people to dupe the system and get away with it and said some seriousness should be made to bear on tax laws so that offenders are dealt with drastically.

Mechanization of tax authorities would intensely improve the transparency in tax collection at all levels and illegal activities of tax official would be monitored. In the expectation of Oil and Gas revenue in the coming 2010 and 2011 it is important this measures are put in plac (Mckay, 2007)

For tax to do well in a country, there is the need to have a well-developed tax professionals to handle tax administration. Where the tax system lacks qualified people such as Accountants and Auditors whose work impacts rightly on the tax administration, the system suffers. People with professional competence in the field could make up integral component in raising the of tax administration (Kagina, 2004)

The tax laws in the country are more to the extent that some overlaps the other. The amendment of these tax laws should be than periodically to meet prevailing

conditions. Amendment of tax laws should be made easy for tax administrators and tax payers. (Kagina, 2004)

Systems must be put in place to ensure that revenue collection, staffs recruitment are than on time and meet the requirement. Training programme should be plan for effective tax administration (Kagina, 2004)

The staff of the service should be well motivated as they are the assets of the organization. Proper motivation of staff reduce the occurrence of deceit or corruption. The staff would not engage in activities that would cause the country to lose money and in addition, they would advise tax payers to be more confident on tax administration. (Kagina, 2004)

Computerization process has been initiated in tax districts in Accra – Tema Metropolis. Areas aim to augment tax administration in the country. Convenience of tax payment by tax payers was also considered. Plans are far advance to make it easy for tax payment in IRS offices (Osei – Dadzie, 2009)

The ministry of Finance is supporting staff by offering more than 100 staffs a full study leave with pay to pursue educational programme. To add more, IRS is organizing a management training in its training school which is design for the heads of districts and sub- districts. A staff is due for Singapore Tax Institute for management training and another on Post Graduate Training Course in Tax Policy in Britain (Osei- Dadzie, 2009)

Terkper (1998) through the support of RMS of German Technical Co-Operation, staff of IRS and staff RAGB visited Tanzania to study Income Tax (ITAX) software development by GTZ and Tanzania Revenue Authority for tax administration

E- Ghana, a World Bank supported programme through the instance of government allowed staff to participate in a training programme .The aim of the e- government is to improve public and private sector partnership. (Baine, 2006)

The ministry of Finance and Economic Planning has set up Policy Unit (TPU) to improve revenue collection. The unit is expected to join forces with Revenue Agencies, most importantly research and monitory department to improve on revenue collection. (Baine, 2006)

Investors and probable tax payers can obtain information on their tax liability. There has being improved education by IRS on tax issues. Tax compliance seminars has been organized on numerous occasions.

A revenue authority, established outside the civil service system, is not guaranteed by wage rates and employment guidelines that apply to other sectors of government (Devas et al, 2001). This mean that the Tax Authority in Kumasi Metropolis, in principle, can pay rates which will enable it to attract and retain highly qualified staff. Hence, therefore should be consultants involved in setting up the recommended management and professionals staff remuneration that should be competitive with the private sector.

The reforms should strengthen accounting and internal monitoring systems and curtailed the opportunity of tax officers to use their own discretion in dealing with cases. The general scarcity of qualified accountants, lawyers, and IT-experts in Kumasi Metropolis means, however, that the Authority would also have only small numbers of professionals (Therkildsen, 2004).

Again, working conditions for employees should be improve by upgrading offices, expanding computer services, purchasing service vehicles, and so on. Thus, the initial focus was mainly on internal matters, less attention was paid to the Authority's external relations (Decas et al, 2001)

"Motivation of staff to make them resist any temptation to collude with tax payers to evade tax is another major challenge faced by tax administrators, an issue, which is not often given the attention that it deserves", Mr. Asamoah reported to a forum in 2005 that revenue institutions have to educate and sometimes organize training tax laws and regulations and how they affect them.

(Amankwa, 2008) wrote that it is very crucial at this time of the nations development, that education on tax payment is intensified for the public to wake up to its tax obligations. "People will obviously not want to pay taxes if they are not well educated to accept the need to do so.

2.6 Purpose of Taxation

Taxes are paid to a state by persons either as an individual or business entity that associate them with the state in diverse ways. Taxes are charge of the collection of taxes are responsibility to ensure efficient management and accountability of all tax monies collected to avoid the wrath of societies. As part of the use to provide social infrastructure such as, as road, hospitals, schools and public services (Obeng, 2007)

The main purposes of taxes being the raising of revenue for the state. Some other purposes of taxes are:

To redistribute wealth in society, to reduce consumer spending or otherwise influence expenditure or demand in the economy, to encourage the consumption of some goods

(example: lead-free petrol) and discourage consumption of others (example : cigarettes)

2.7 The Impact of Tax Incentives on Revenue Mobilization

Developing countries such Ghana depends mainly on exportation of foreign direct investment, grants and aids to undertake their projects. Exportation faces falling trade prices, low demand for primary products from Africa, bad trade terms conditions attached to aid and their repayment of both interest and principal (Obawana, 1996). This has made direct foreign investment as the main source of revenue capital to the countries. In other for the country to meet FDI inflows, the government may result has put in measures as investment allocation by giving in tax incentives and tax holidays. However, for the pass 15years the Private Sector in the economy has failed to employed, creating jobs, and to mobilized enough revenue to support in the alleviation of poverty.

A research work by Action Aid Rwanda show that in 2008 to 2009 financial year the country lost $234 million all in the notion of supporting private sector tax incentive. The work shows that the country loss a create sum of money in tax incentives and other exemptions given out to attract the private sector investment (Abbott, P.2011).

2.7.1 Merits of Tax Incentives

Developing countries like Ghana depend on tax incentive to facilitate its programmes and FDI facilities transfer of technology. FDI brings in new thinking on processing techniques product design, packaging, communication technology, market development, and business strategies (Shihata, 1991).

Investors from outside introduces discipline and training to employee that they work under them, which goes to improve the human resources. The international investors are more knowledge in international trade and control wide channel of distribution for local products. These help the foreign investors to introduce local made products on the international market, In addition, promoting the access to international markets, and overtime revenue, increase their tax revenues (Moriset, 2000).

2.7.2 Challenges of Tax Incentives

Even though, foreign direct investment is of great advantage to the African government in attracting Foreign Direct Investment (FDI) and the tax implication for (FDI) have negative cost

Tax holiday's turns to benefit investors by when their profits are exempted from taxes irrespective of the amount generated as profit. Another form of tax incentive to foreign direct investment is the offering of tax holidays. As tax holiday is easy to administer it has numerous challenges.

Tax holidays provide basis for tax avoidance as most business are exempted from meeting their tax rights as they shift their profit to later period through transfer pricing.

Investors as re-designation for them to enjoy tax holiday.

2.8 Implication to Tax Revenue

The benefit of some of these incentives in attracting investment is questionable, more especially when it affects the tax revenue inflows. (Tanzi and Zee, 2000).

Incentives under the Income Tax Act, 2000.

Industry Specific Concession	Rate Of Tax
1. Income from export of non-traditional goods	8%
2. Company engaged in the hotel industry	22%
3. Income of a financial institution from a loan to a forming enterprise or a leasing company	20%
4. 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 5 years. Thereafter, If located in Accra/Tema 20% other Regional Capitals 10% Northern, Upper West 10% Outside regional capital 0%.

Sources: GRA News 2010.

2.9 Benefits of Tax to Tax Payers

According to (Abdallah, 2008), the government raises revenue to meet or settle or cover the cost of services provided by the state.

Abdullah added that tax is the main source of income to government at both local and national levels to finance their programmes which includes provision of social amentias like hospitals, construction of roads, stadiums and schools.

Pay As You Earn (PAYE) will largely be affected by people who earn large income. It therefore reduces their purchasing power and subsequently reduces inflation. (John Okello, Revenue Advisor of the International Monetary Fund).

Musyoka (2011), stated that taxes suppress or restrain certain types of consumption example tobacco, and alcoholic beverages.

This will in the long way promote good health standards and condition of the citizens.

Taxes serve as sprout up mechanisms for indigenous industries.

Citizens in such activities are encouraged thereby helping them in business development (Abdullah, 2008).

The International Conference on Taxation, state Building and Capacity Development in Africa met on the 28th -29th August, 2008 in Pretoria on tax issues, South Africa and reported that African and other countries and international organizations, believe that efficiency and accountable states are key actors in challenging and dominating today's global growing problems. The building of proficient state institutions for a democratic state is an incessant, long-term goal.

Government in and around the world acknowledge that revenue mobilization is central to this goal and their ambitions to attain the Millemium Development Goals (MDGs). The report emphasizes that more effective tax systems can be:

Mobilised domestic tax base is a key instrument for emerging countries to escape single resource dependency. Reinforce government lawfulness through promoting accountability of governments to tax paying citizens, effective state administration and public financial management.

Promote economic growth, reduce extreme inequalities, and thereby significantly improve the lives of our citizens.

Achieve a fairer sharing of the costs and benefits of globalization.

Kaufman (2000), Taxation is a strong device in solidifying domestic resource mobilization and its importance as a tool for organizing financial resources, indisputable. It involves the transfer of resources to financed government projects through private sector which the government can use to finance social overhead project and provide the necessary infrastructure for economic development.

2.10 Concept of Tax Evasion

Failure to pay legally due taxes is known as Tax Evasion. It entails deliberately breaking the tax laws to pay less tax or no tax. That is deliberately and knowingly with intent to deceive so as to pay less tax than is actually required under the tax law. It is a crime or offence punishable by law. (Gbadago 2013).

The main purpose of the tax evasion is to conceal and dodge the payment of tax liabilities. It is a crime (or an offence) punishable by law. Taxpayers who are in the habit of engaging in the above practices are advised to stop from the act since the tax law will not be kindly with them. Instead what is more prudent and is the careful planning ones business activities within the arm-bit of the law in order to pay fewer taxes. This involves taking full advantages of exemptions granted to certain categories of business under takings reinvesting proceeds from the sale of chargeable assets in acquiring similar assets submitting returns as early as possible to avoid penalties as well as exploiting the loopholes in the tax laws with the view of largely reducing the tax liabilities attached to the business activities on engages in.

2.11 Ways Taxpayers Evade Tax

Keeping two different transactions and two set of accounting records. That is one is true and fair presentation of the business records while the other is falsified records to deceive the tax officials.

The business of barter trading which leaves no records of the transactions.

Cash basis of business transactions which most at the times leave no records of accounts.

Do extra jobs which result in the generating more money which are most often not recorded again, leaving no record of the transactions.

Submitting false documented return to GRA official in attempt to out with to the tax officials.

Over charging expenses with the aim of deceiving the tax officials in order to by less or no tax.

Under declaring income with the aim of deceiving the tax officials in the order pay less or no tax.

Non-disclosure of major source of income.

False and dubious entries in the books of accounts.

Keeping the stocks in trade away from the registered place of business. (GRA, 2013)

2.11.1 Reasons for tax Evasion

Tax Evasion is the general term for efforts not to pay taxes by illegal means (Elliot, 2009). Many people in the Kumasi Metropolis try to avoid or evade tax. In an article written by Mrs Duah Sarah an IRS Commissioner in Ghana on the 29th April 2009,

most sellers in the Kumasi Central Market were reluctant to pay their taxes to the extent that some even abounded their goods on hearing of the arrival of the IRS officials.

According to (Elliot 2009), citizens evade tax because of no trust in the government. The public, most especially Kumasi Metropolis, often does not have a clear idea about the role and functions of the government and see no sense in paying taxes, since they believe that "state only away their money and does nothing for their families and business some point to the ineffectiveness of governmental agencies stating that government only wastes money instead of producing public goods and services.

(Sardan 1999) believes that high tax rates charged can lead to tax evasion. She wrote "Economic agents may be regarding tax rates as very high and their paying decision may be based on this. Many developing countries like Ghana have high tax rates, complex or ever-changing tax legislation that is often an obstacle for economic growth "The temptation to cheat is strong if individual thinks that everyone is doing so. In other words, evasion imposes an externality on others. This results in large scale evasion epidemics and gradually ends up in tax evasion being part of the culture of the country and society. Separating an individual evader becomes difficult and insensible. If evasion is common, it being to the simple need to get things done calls for a serious approach to improve to improve tax collection" read the chronicle, on 26th March, 2001.

According to (Pak 2008), many large firms subsequently grumble that they are dishonestly treated by tax administrations that are eager to reach revenue targets and are more inclined to pursue readily available large firms than make the effort to tax many smaller firms.

This reason has led to the significant tax misuse carry out by bigger firms. Some of these firms' uses tax incentives to abuses existing systems of tax administration. They shift profits out of the country through false invoicing and transfer mispricing to and thus lower tax liabilities of other potential tax payers. False invoicing occurs when local firms report lower prices received and higher prices paid for imports and thus enjoy tax liabilities. Transfer mispricing occurs when subsidiaries of multinational firms misprice the exchange of goods and services with their home base companies or other subsidiaries of the same company allowing them to unlawfully shift returns to low tax jurisdictions.

The South Africa International reggae star, Lucky Dube stated in this part of the world issues relating to taxes are perceived as something for the government and tax collection agencies.

Members of the public shy away from their responsibility of paying taxes because of the wrong notion that taxes are punitive and a burden on them. Lack of education on the tax systems and administration partly accounts for this.

"It state in the book" Growth and Poverty Reduction Strategy (GPRS II) Page 21 that Ghanaian are generally critical about taxation. In pre-independence days they paid tax as subjects to the colonial government to foot the bill of the colonial enterprise. After independence the lifestyles of our politicians have not inspired the general public to live up to their tax accountabilities. They have seen history politicians, presumably living off taxpayers' monies. As a result, they seek to either evade or avoid tax payments as much as they can.

2.12 Tax Stamps

The government purpose to introduce tax stamps on selected excisable product as part of the enforcement of compliance. The Minister of Finance in Consultation with the Ministry of Trade and Industry and other stakeholders has determine the modalities of the collection of the tax. (GNA, 2015). This is to help curtail tax evasion and mobilize more money in the tax collections

2.12.1 Quarterly Tax Payers by Specified Small Scales Enterprise

1. The small scale enterprise specified in the first column and particularly described in subparagraph

2. Shall pay the quarterly rate of tax specified in the second column

CATEGORY	RATE PER QARTER GHS
A Large	45.00
Medium	30.00
Small	10.00
Table Top	3.00
B Large	35.00
Medium	20.00
Small	5.00
Table Top	3.00
C Large	25.00
Medium	15.00
Small	3.00
Table Top	3.00

Source: GRA, 2013

3.   For the purpose of the table in subparagraph (1)

Category A companies

   I   Retail

   Ii   Susu collectors

Ii   Drinking and chop bar owners

Iv   Bakeries

V   Business centres

Vi   Estate and accommodation agencies

Vii   Blocks and trazzzo manufactures

Viii   Sand and sand winners and contractors and

Ix   Licensed diamond and gold winners and buyers

Category B companies

I   Dress makers and tailors

Ii   Hairdressers' beauticians and barbers

Iii   Artisans

Iv   Hiring services

V   Freelance photographers and

Vi   Car washing bays and

Category C companies

I   Butchers

Ii   Individual undertakers

Iii   Corn and other millers

Iv   Charcoal and firewood vendors

V   Vulcanizes and alignment operators

Vi   Shoes and equipment repairs

Vii   Traditional healers, and

Viii   Other business determine bt the minister and publisher in theGazette

Quarterly tax payable by owners of commercial vehicles

The tax to be paid by a person or companies who owns a commercial vehicle as provided in the rule 25 A is payable as specified in the following table, with a vehicle of the specified in the first column and described in the second column paying tax at the actual specified in third column and at the quarterly rate specified in the fourth column:

VEHICLE CLASS	DESCRIPTION	RATIONALIZED RATE ANNUAL GH	QUARTEL RATES GH
A1	Tractors ,power tiller and tankers	40	10
A2		24	6
A3	Taxis and private taxis One pound ,one pound , Peugeot cars , fork-lift, and recovery towing trucks	60	15

Source: GRA, 2013

2.13 Ways of Ensuring Fairness to Tax Payment

(Agyemang, 2005), progressive tax is a system so designed that people with the equal income level pay the equal amount of tax. This explains that income tax is horizontal equitable if the taxable income computation accurately denote the ability to pay.

Here the tax rate are graduated so that, individuals in the higher income in bracket pay proportionally higher and those in the lower income bracket pay proportionally lower income tax. Vertical equity is concern with a fair rate structure by which to compute the tax on different amount of income.

This tax system grants relief to low income earners with the aim of increasing their purchasing power.

2.14 Development of Tax Laws

The collection or levying tax is governed by laws and such laws are developed from three main sources. These includes

Statutory Law:

Statutory laws governing tax administration and the collection are enacted by parliament. In Ghana, the main, stature is Act 592; Act 2000 was ended by other laws like Act 644, Act 622, Act 791 and others.

Administrative Pronouncement

Administrative authority is given to the MOF to come out with regulations to help interpret and illustrate the values contained in the internal revenue service Act 2000, Act 592 section 114. The IRS is also empowered to come out with private ruling private notes and procedures as guideline for enforcing and collection of tax in Ghana (Section 115 and 116).

Judicial Decisions

The other source of laws development is a case or judicial decision law. Decided case of disagreement or misunderstanding on the provision of the law that call in judgment to cases and interpretation may release as any interested person. These are decision or verdicts by the court weight and help in the administration and enforcement of the law.

2.15 Kinds of Tax

A Tax is commonly group into Direct or Indirect. The difference is part of administrative points of view, although it may not be always true.

2.15.1 Direct Tax

Direct Tax may have, income tax, corporate tax, toll and rates of metropolitan, municipal and district assemblies.

The person obliged to pay the tax suffers the deductions out of an amount of money, profit, gain or benefit received or receivable from any economic activity or transaction carried out by the person in his or her own efforts. (Obeng, 2011).

Advantages of Direct Tax

It discriminates between taxpayers and their economic substance, nature, risk and disposition in the society. For instance some sorts of relief are granted to certain categories of individuals in section 9 of Act 592. Moreso, some concession (tax rebate period) are given to certain categories of industries in section 11 of Act 592.

There is also a threshold given to an individual, which is a relief to people in the law income bracket. This gives recognition to and evidence to inequalities in economic opportunities among persons.

2.15.2 Indirect Tax

Indirect tax is paid without the knowledge or consciousness of the one paying it.

Indirect taxes are levied on things and you pay when you demand and consume.

The incidence or burden does not fall on the one who pays but passes it on to the consumer. (Obeng, 2012).

Types of Indirect Tax.

Import and Export Duties

Import and export duties are levied on items, goods or services imported into or those exported from the country.

Excise Duties

These are taxes imposed on manufactured items in a country. Some examples of tax on, excise duty are alcoholic beverage (beer, and Guinness) Cigarette, log and lumber, building materials (cement, roofing sheets), fuel and energy.

Value Added Tax.

This is normally referred to as consumption tax and it imposed on the value added at any stage of the production or distribution channel.

2.15.3 Advantages of Indirect Tax

- It is the major source of income to the state with little or no default on the part of the taxpayer.
- Limited or no resistance unless you choose not to consume or venture.
- There is little time laps for assessment as tax is assessed and paid at the point of the transaction.
- Almost everybody is liable to pay a tax young or old, employed or unemployed, healthy or unhealthy.
- It is use as a protection tool to discourage production or importation of certain goods consigned as harmful or undesirable.

2.15.4 Disadvantage of Indirect Tax

- The major disadvantage is that there is no discrimination as to who is liable to pay whether you   have the ability or not to pay. (Economic inequalities)

- It make price of goods and services expensive especially to those disadvantaged or deprived in society (unemployed, the sick, the poor etc.).

- Some point in time it may stifle demand and consumption and slow down growth, as goods   are made unreasonably expensive.

<p style="text-align:center">CHAPTER THREE</p>

<p style="text-align:center">RESEARCH METHODOLOGY</p>

3.1 Introduction

Research methodology is an important component of any study. ―It provides the framework upon which the process is conducted‖ (Brown 1996). It is therefore important that the methodology used in this study is sound and thorough enough to efficiently produce accurate data in order that the stated research goals and objectives will be achieved. This section of the study provides the framework upon which the research goals and objectives were realised. It comprises an in-depth explanation of the research approach and process, methods of data collection, sampling procedure, sample size, and data analysis.

3.2 Research Design

In order to ensure the success of the investigation, an appropriate research design was selected in a manner that would facilitate the researcher's arrival at valid findings. The researcher took into consideration a number of views about research design and what is expected of a design. According to Kerlinger's (1986) a research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. Thyer (1993) referred to a research design as a blueprint or a detailed plan for how a research study is to be completed operationalising variables so they can be measured, selecting a sample to study, collecting data to be used, as a basis for testing hypothesis.

A case study was chosen for this study. This was because it affords the researcher the opportunity of discovering a complete description of the phenomenon under study and provided objectivity and in-depth study within a limited time frame. This was in line

with views of McMillan and Schumacher (1997) who stated that case studies can provide a detailed description and analysis or processes or themes voiced by participants in a particular situation. In this study, a single case study approach was employed to explore and gain an initial, in-depth understanding of tax administration in the Kumasi metropolis from the perspective of Ghana Revenue Authority (GRA), Suame Branch. This approach allows a contemporary issue to be examined in a great detail and requires no control over the phenomena under investigation.

3.3 Population of the study

Population refers to the total number of people in a particular area organization or department/section/unit of the organization from which the sample would be selected. (Turkson, 2013). Again, (Yin, 2003) define population as the total number of all units of the phenomenon to be investigated that exist in the areas of investigation i.e. "all possible observations of the same kind". The population of this study is Ghana Revenue Authority (GRA) officials and tax payers in Suame Magazine.

3.4 Sample and sampling technique

The population of interest is portion the portion known as the, or part, of According to Malhotra (2007), a sample is a subgroup of the elements of the population selected for the participation in the study. The importance of samples lies in the accuracy with which they mirror the larger population.

A total number of 53 respondents were sampled. This includes 50 tax payers and 3 senior staff of GRA. Stratified random sample was used to select respondent. This was because; the tax payers operate different businesses.

For staff of GRA, purposive sample technique was used. This was because the information needed could be easily obtained through these staff. The table below shows the distribution of the sample size in to subsamples, methods of sampling and procedure for data collection.

Table 3.1: Sample units and size

Respondents	Numbers
Manufactures	8
Parts wholesalers	7
Parts retailers	8
Engineers	10
Restaurants	7
Wayside sellers	10
TOTALS	**50**

Source: Field Data, 2015

3.5 Sources and Types of Data

Secondary data for the study includes, information from textbooks, journals, World Wide Web, dissertations and academic journals. These were sourced from various libraries in higher institutions of learning such as the University of Education, Winneba - Kumasi campus and Kwame Nkrumah University of Science and Technology-Kumasi, In addition, primary data was collected for the study. Kumekpor (2002) suggested that primary sources of data refer to data that will be collected articulating precise purpose. The primary data were obtained from the field. The advantage of obtaining a primary data is that precise evidence wanted will be obtained and is more dependable. Primary data was obtained through the administration of questionnaires and granting of interviews.

3.6 Data Collection Methods

Kumekpor (2002) defined questionnaires as research instruments consisting of series of questions and options for the purpose of gathering information from respondents. Questionnaire was used because of its wider application, high response rate, limited time in administration and less cost. It was also used because; it aimed to elicit first-hand information from the respondents on the topic under study.

An interview is of a face-to-face or other communications (radio, or telephone), or contact between the researcher and the respondent directed. (Karma 1996) defines interview as any person-to-person communication between two or more personalities with a precise determination in mind. Structured and unstructured make up the two groups of interviews. The two categorizations were used in the study. Even though the researcher used an interview program, the questions had no rigid pattern.

The researcher uses the unstructured interview method, also known as the in-depth interview, an outline was developed to direct the interview procedure. The basis for using this approach was to ensure a cooperative arrangement with the group of respondents. Questions were asked suddenly as the interview proceeded. This approach also allowed the respondents to spontaneously express their opinion.

3.7 Administration of Research Instruments

Bekwai, GRA branch was use for the first drafts of the questionnaire for pre-testing. This helped fine-tuned the tools for possible re-design; decrease the total time spent on using each tool for the data collection and the significance of the responses to the answering guide used for the study.

The questionnaires were administered personally to the officers. Again, informal interactions (interview) on the subject matter were conducted with other executives of

the service. This exercise enabled the researcher to further pry into sensitive areas of the organisation's tax administration in the Kumasi metropolis which were not captured on the questionnaire. The concept of administering the questionnaires personally stems from the idea of minimizing data collection errors, thereby giving authenticity to the overall findings.

3.8 Data Analysis Techniques

As all the needed information are gathered. There is the need to group them into a meaningful status for decision-making. The data analysis begins with the coding and classification into their respective groups using tables and frequency distribution tools.

The secondary stage is the lifting of the presentation using graphs and charts for flexible assimilation as their variation are made clearer. This will be done using the Microsoft Excel (MS Excel) and Statistical Package for Social Science (SPSS).

Lastly, the research outcome was check for consistency with the objective of the work and questions and from there inferences drawn for recommendation for good decision making.

3.9 Organizational Profile

This covered the artisans and traders in Suame Magazine. Suame Magazine Area is a well-known enclave for mechanic trading establishment in which huge revenue could be drawn by revenue authority provide that authority could provide a conducive atmosphere and understand the immerse relevance of paying tax

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of the data gathered from the field after administering the questionnaire to 50 tax payers and interviewing 3 officials of GRA. Tables were used to summarized the data obtained from the field and were also used for analysis and discussions.

4.2 Background Information of Respondents

This section presented the gender, educational qualification, and number of year's staff has worked with their organisation. Analyzing these variables was meant to provide any proof of association between these variables and the numerous responses. The various findings were presented under the respective headings.

4.3 Gender of Respondents

Data in Table 1 indicated that 28 of the 50 respondents representing 56% were male, while the remaining 22 of the respondents representing 44% were females. This statistics is an indication that majority of the respondents were males. The 44% female respondents were however not surprising given the fact that most jobs in the study area requires those who are energetic to do and males are generally known to be energetic. Three (3) of the GRA officials representing 66.76% used for the study were males, while (1) representing 33.33% was a female. The number of females in the study might be due to the fact that in our traditional context females were previously confined to our homes and not even considered for higher education let alone the possibility of becoming a staff in GRA. Even though males were the majority, the involvement of the two types of gender helps in getting varied opinions from

respondent. This means that the data collected from field were neither male-bias nor females bias.

Table 4.1. A table showing gender of respondents

Respondents	Frequency	Percentage
Males	28	56
Females	22	44
Total	**50**	**100**

Source: Field Data, 2015

4.4 Age Group of respondents

Also, concerning the age group of respondents, none of the respondents was less than 20 years, 17 of the respondents representing 34% were between the ages of 20 to 30 years, 20 of the respondents representing 40% were between the ages of 31 to 40, while 18 of the respondents representing 36% were between the ages of 41 to 50 years. Five of the respondents representing 10% were more than fifty years. The results of the study showed that majority of respondents were within the youthful age. This is not surprising because youths in Ghana today have shown interest in engaging in small scale businesses to earn living. Majority of respondents being youths gave an indication that respondents can tell more about tax collection. The result of the study is however summarised in Table 2.

Table 4.2. Age Group of respondents

Age group	Frequency	Percentage
Less than 20 years	0	0
20 to 30 years	17	34
31 to 40 years	20	40
41 to 50 years	18	36
More than 50 years	5	10
Total	**50**	**100**

Source: Field Data, 2015

4.5 Educational Qualification

When respondents were asked to respond to their level of educational qualification, 30 of the respondents representing 60% and also representing the majority were BECE holders, 30 of the respondents representing 30% were WASSCE/SSSCE holders, 8 of them were Diploma holder, while 2 representing 20% were First Degree holders. The result of the study however indicated that none of the respondents held Post Graduate Certificate nor any other certificate apart from the one mentioned. Thus, the results indicated that none of them was without educational certificate Majority of respondents with low level of educational qualification prompted the researcher to be very careful in guiding respondents to read and understand question items. The result also indicated that businesses at Suame Magazine are owned by people with low educational qualification. Educating small scale business owners and workers in the study area would go a long way to help them improve upon their business. The result is however summarised in Table 3.

Table 4.3. Educational Qualification

Educational Level	Frequency	Percentage
BECE	30	60
WASSCE/SSSCE	15	30
Diploma	4	8
First Degree	1	2
Post Graduate	0	0
other (specify)	0	0
None	0	0
Total	**50**	**100**

Source: Field Data, 2015

4.6 The Number of Years Respondents Have Been In Business

Table 3 showed that 20 of the respondents representing 40% had worked with his organisation between 1 to 5 years, 30 respondents representing 60% had worked with their organisation between 6 to 10 years, while none of the respondents had worked for the organisation for eleven years and above. This statistics give an indication that majority of respondents have worked between 6 to 10 years for their organisation. Majority of respondents with this (6 to 10 years) working experience give an indication that reliable information about the study could be obtained.

Table 4.4. Number of year's respondents have worked

Number of Years	Frequency	Percentage
1 to 5 years	20	40
6-10 years	30	60
11 years and more	0	0
Total	**5 0**	**100**

Source: Field Data, 2015

TO ASCERTAIN WHETHER THE SET TARGETS FOR TAX COLLECTION ARE ATTAINED

Table 4.5: GRA Suame Revenue Collection and Targets

Year	ACTUALS	BUDGETED	DEVIATIONS	DEVIATIONS%
2011	5020071.8	5243787.75	-223715.95	-4.27
2012	5021060.9	5369667.69	-348606.78	-6.49
2013	5131494.1	6386812.01	-1,255,317.93	-19.65
2014	5697336.1	6238218.27	-540,882.18	-8.67

Field Data, 2015

4.7 GRA Suame Revenue Collection and Targets

To achieve the first objective of the study, data was collected from GRA office on the budgeted and the amount of revenue rose from 2011 to 2014. Data in Table 1 indicated that the studied organisation budget for 2011 was GHC 5243787.75, and the amount the organisation was able to generate from the actual tax collection was 5020071.8. From the statistics, a deviation of GHC-223715.95 was recorded. This constituted -4.27%.

In 2012, the studied organisation tax budgeted was GHC 5369667.69, and the amount the organisation was able to raise out of the actual tax collection was GHC5021060.9. The deviation was -348606.78, and this constituted -6.49%.

The 2013 data collected from the studied organisation indicated that the budgeted was 6386812.01, and the amount raised from the actual tax collection was 5131494.1. A deviation of -1,255,317.93 was recorded. This also constituted -19.65%.

The data in Table 1 also indicated that the 2014 tax budgeted of the organisation was 6238218.27, and the organisation was able to achieved GHC 5697336.1. The Deviation recorded was -540,882.18, with a percentage of -8.67.

From the above statistics, it was observed that the studied organisation recorded the lowest deviation in 2011 (-4.27), while the highest deviation was recorded in 2013 (-19.65). The deviation decrease in the year 2014 (-8.67). This suggests that GRA was facing a lot of challenges in meeting their target from 2011 to 2014, and have now adopted measures to minimize these challenges

4.8 Reasons for Tax Evasion

4.8.1 No trust in government

When respondents were asked whether lack of trust in government was one of the reasons why people evade, 47 of the 50 respondents representing 94% agreed, while 3 respondents representing 6% disagreed. This statistics however indicated that majority of the respondents used for the study were of the view that no trust in government was a reason why people do not pay tax. The finding of the study is in line with a study by Elliot (2009) who also reported that citizens evade tax because of no trust in the government. This finding of the study needs not to be argued. People of a country do not have trust in a government they find it difficult to contribute their quota through the payment of tax. The reason is that these people who have the view that the government would not use revenue generated from tax for the intended purposes, and would use the revenue to satisfy his/ her (government) selfish interest. Government of a country must create a good atmosphere which will enable its people to develop trust in him/her. When this is done, people would relax when paying tax since they may have it in mind that the money would be used for the intended purposes. This is to say that people in a country will be willing to pay tax whole-heartedly if they can sense the benefit of the tax they have paid in their lives.
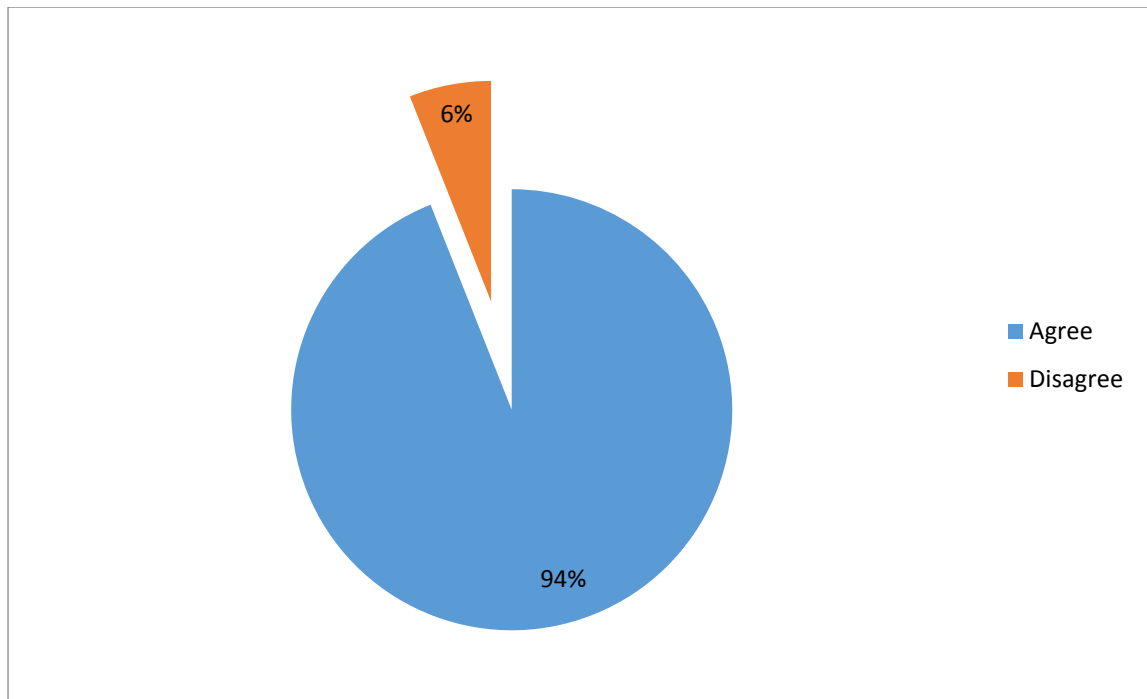
Figure 4.1: No trust in Government

Source: Field Data, 2015

4.8.2 High rate charged

Regarding whether "high rate charged" was a reason why people evade tax, 45 of the respondents representing 90%, 5 of the respondents representing 10% disagreed. The statistics gave a clear indication that majority of respondents were with the view that high rate of tax charged was also the reason why people evade tax. This finding is also consistent with a study by Sardan (1999) who believed that high tax rates charged can lead to tax evasion. When people sense the rate they are paying as tax does not match with their income, they resist tax payment. High rate of tax sometimes weakens the financial strength of businesses. Most businesses refuse to pay tax when they sense that the rate paid as tax eats into the capital of their business. Sometimes, high rate of tax causes businesses to live. For GRA to encourage people to pay tax, it must sit down without businesses to ensure that the amount to be paid as tax is economical businesses)
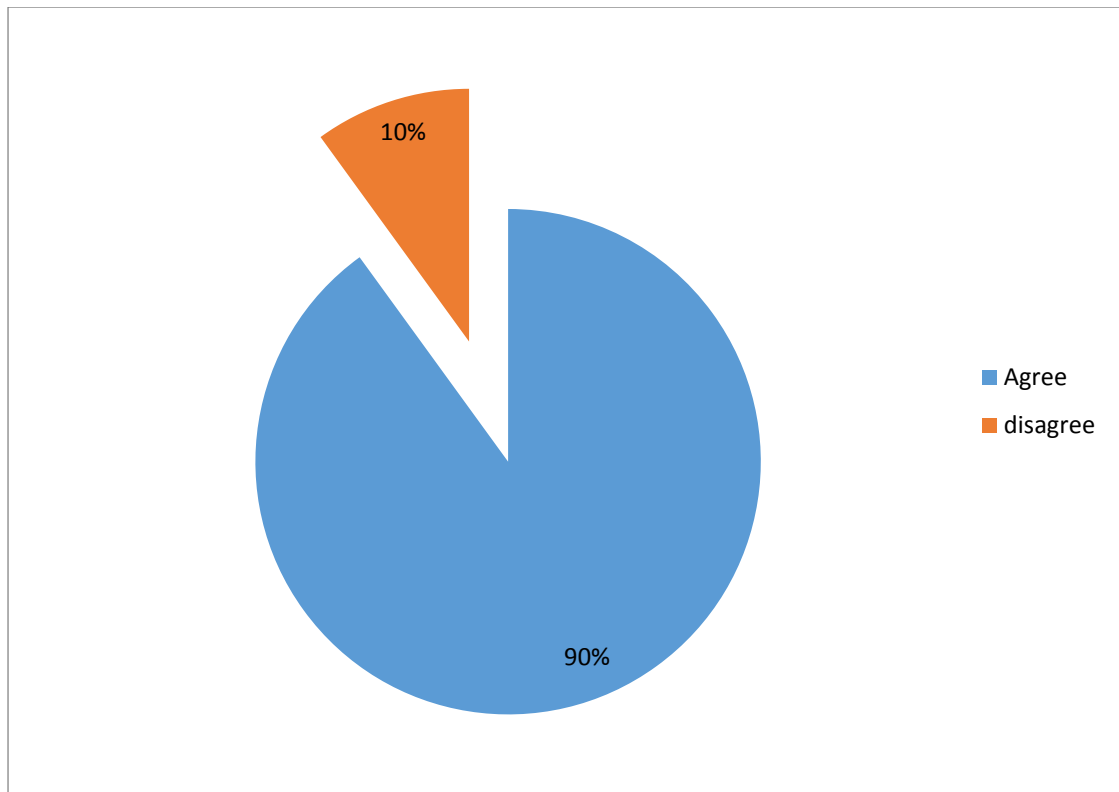
Figure 4.2: High rate charge

Source: Field Data, 2015

4.8.3 Unfair treatment of organisations by tax administrators

In order to ascertain whether "Unfair treatment of organisations by tax administrators" was a reason why people do not pay tax, respondents were asked to identify whether they agreed or disagreed. Forty four (44) of the respondents representing 88% agreed, while the remaining 6 of the respondents representing 12% disagreed. Since majority of respondents agreed according to the statistics of the study, the study concluded that unfair treatment of organisations by tax administrators contribute to tax evasion. If an organisation perceives it is treated unfairly by tax administrator it turns to be stubborn when it comes to payment of taxes. No organisation wants to be cheated, and so if they recognised that tax administrators are treating them badly, it refuses not to pay tax at all. Large organisations have protested of being unethically treated by tax administrations that are keen to grasp revenue

45

targets and are more inclined to pursue readily available large firms than make the effort to tax many smaller firms (Pak, 2008). This in most cases does encourage large organisations to pay tax. GRA must spelt out clear standard or criteria which would treat every organisation of the same level equal.
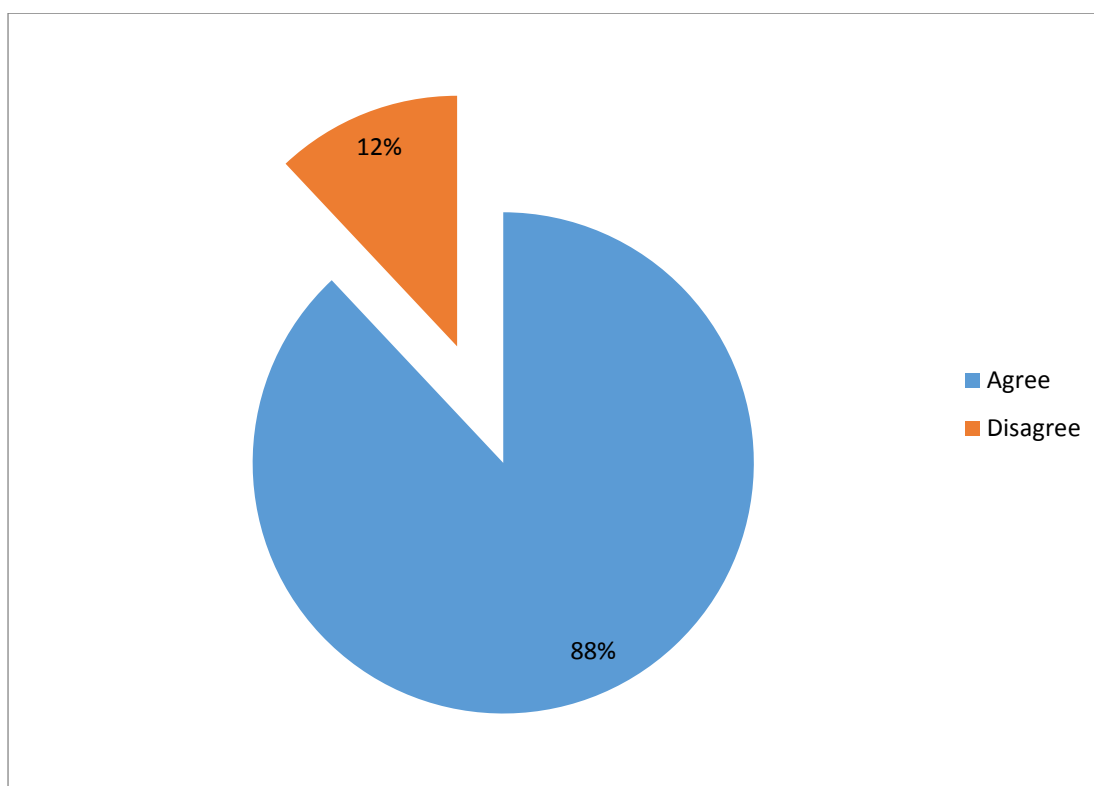

Figure 4.3: Unfair Treatment of Organisation by Tax Administrators
Source: Field Data, 2015

4.8.4 Low level of knowledge on tax by tax payer

Concerning whether low level of knowledge on tax by tax payers was among the reasons why people do not pay tax, 37 of the respondents representing 74% agreed, and 13 of the respondents representing 26% disagreed to the statement. This statistics indicated that majority of respondents agreed that low level knowledge on tax by tax payer was also a reason why people do not pay tax, and so the study concluded it so. This finding is one of the key points which GRA must pay attention to. If an

individual lacks knowledge on a phenomenon, he/she does not understand the need for such phenomenon and might not support. GRA must made known to tax payers what tax really is, why there is a need to pay tax, and also when and how to pay tax.
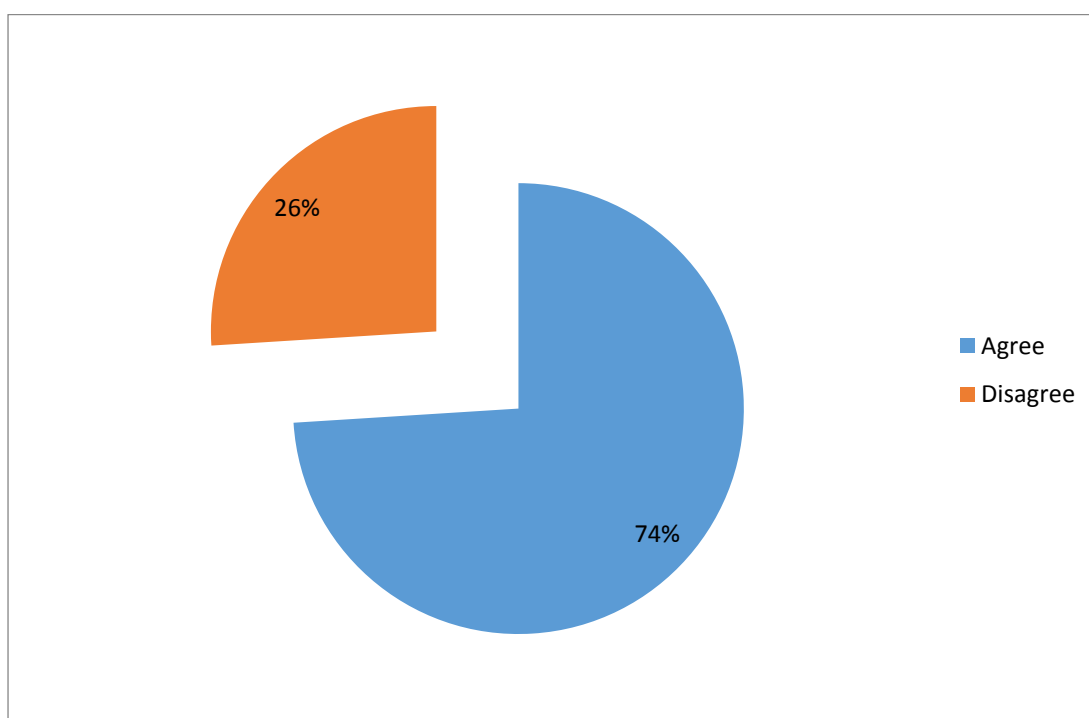

Figure 4.4: Low level of knowledge on tax by tax payer

Source: Field Data, 2015

4.8.5 Weakness in the laws against tax evaders

Responses collected on whether weakness in the laws against tax evaders indicated that 27 of the respondents representing 54% agreed to the statement, while 23 of the respondents representing 46% disagreed to the statement. From the statistics, it was seen that majority of respondents were of the view that weakness in the laws against tax evaders was a challenge, and so the study concluded it so. Laws drive people to dance to the tune of what a country or a society demands. This means that without laws individuals may behave the way they like. It must however be pointed out that the mere coming out with laws does not tell people what to do. It is the enforcement

of these that cause people to comply. The laws on tax must be enforced and if any business fails to comply without any tangible reason, the law must take its course. Businesses which fail to pay tax must be sanctioned.
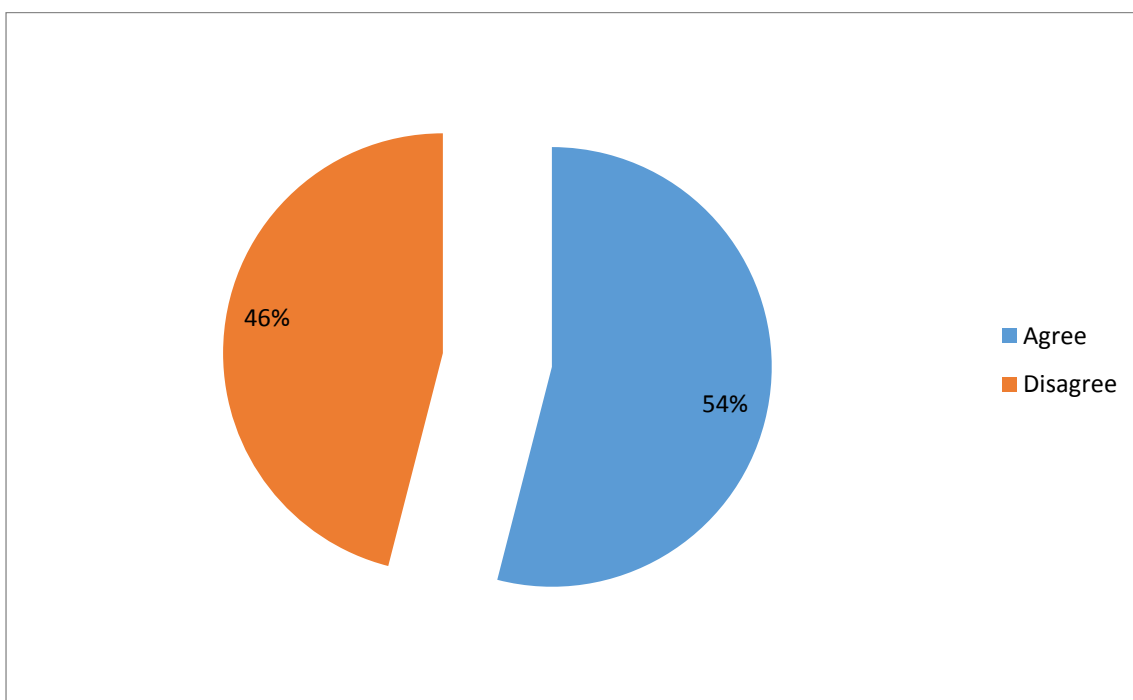

Figure 4.5: Weakness in the laws against tax evaders

Source Field Data, 2015

4.8.6 Poor attitudes of tax collector towards tax payer

In order to find out whether poor attitudes of tax collector towards tax payer was among the reasons why people do not pay tax, respondents were asked to respond to a statement. Thirty five (35) of the respondents representing 70% agreed to the statement, while the remaining 15 of the respondents representing 30% disagreed to the statement. Since the statistics indicated majority of respondents agreeing to the statement, the study concluded that poor attitudes of tax collector towards tax payer was among the reasons why people do not pay tax. Officials of GRA must show positive attitudes to its clients, and always put in mind that customers are first in business.
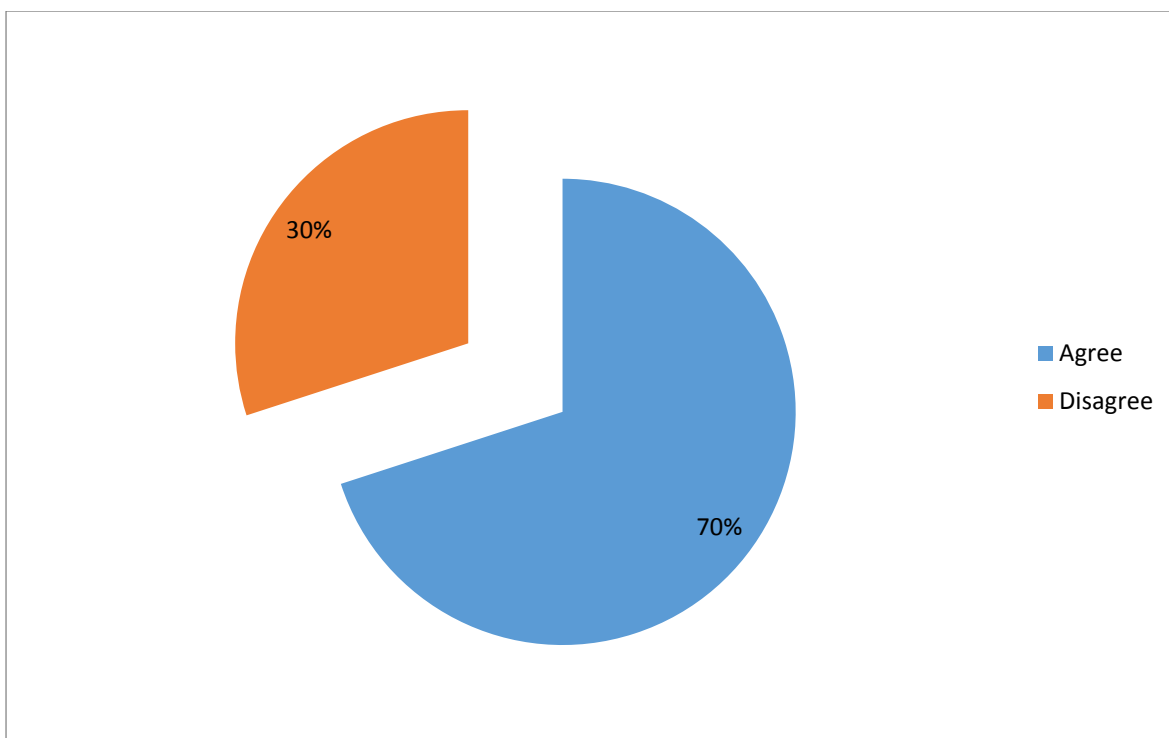
Figure 4.6: Poor attitudes of tax collector towards tax payer

Source: Field Data, 2015

4.8.7 Poor monitoring

With regards to whether poor monitoring was among the reasons why people do not pay tax, 31 of the respondents representing 62% agreed, while the remaining 19 of the respondents representing 36% disagreed to the statement. The statistics however indicated that majority of the respondents were of the view that poor monitoring was among the reason why people do not pay tax, and so the study concluded that poor monitoring was among the reasons why people do not pay tax. Businesses must be monitored well by GRA. Business can be monitored through regular visits by GRA officials. This would help GRA to know the state of businesses and tax them accordingly.
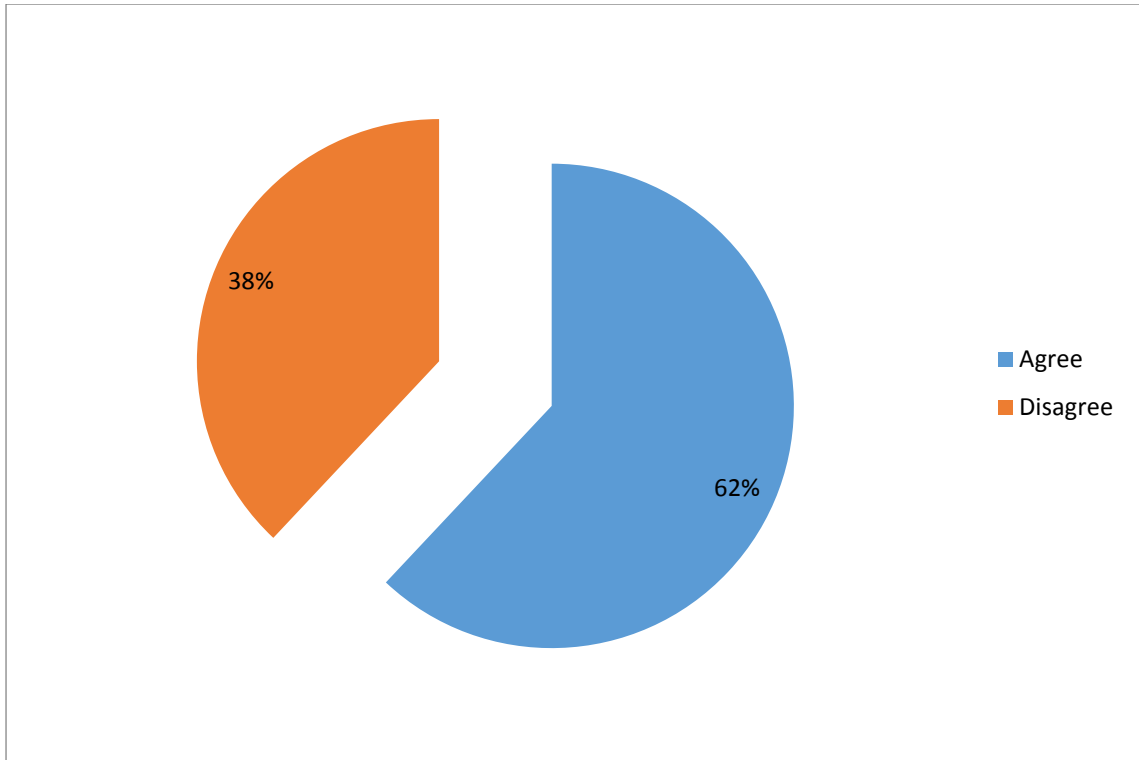
Figure 4.7: Poor monitoring

Source: Field Data, 2015

4.9 Challenges Confront Tax Administration at Suame Magazine, Kumasi

The data on challenges confronting tax administrators were collected through interviews. It was acknowledged through interview that a hindrance to tax policy is the low registration rate of taxpayers. According to interviewees, taxpayers register in low numbers either because they do not appreciate their responsibilities or because they are purposely evading tax.

Lack of well-organized tax administration was also identified as a challenge tax administrator's face. According to interviewees a large percentage of the economy is at a survival level; many taxpayers do not keep records, and even where records are kept, they are not essentially dependable. The interviewees added that taxpayer collaboration is also low because of continuing deficiencies of trained officials, traditions of corruption, and lack of observable developments in government services.

Also, the interviewees used for the study brought to light a major restriction, which are insufficient resources to manage process of tax. Resources to manage a tax can be commonly divided into two groups: human resources and physical resources. Human resources are not solitary the number of tax officials but also the superiority of tax officials. To interviewees, physical resources cover a broader height, ranging from office buildings and office equipment to vehicles and communication systems. These are the resources essential by the human resources in order to ensure compliance with the tax laws. Interviewees added that due to financial constraints, many tax officials lack the accounting principles that are indispensable to analyzing earnings and this is deteriorated by lack of acceptable training facilities and prospects.

Lack of modern technology, especially computers, to facilitate the taxation process is another impairment to effective tax administration as we can see with GRA. According to an interviewee, the tax agencies had to depend on manually entering taxpayer data into records books, and keeping a baggy amount of tax information in print until recently.

Poor remuneration of tax administrators by management of GRA was identified as posing challenge to effective tax administration. To the interviewees, the poor salaries of tax administrator compared to those in the private sector invites corruption.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter discusses the summary of findings from the study, the conclusion is drawn and recommendations made.

5.2 Summary of the study

The study sought to assess the challenges faced in tax administration in Kumasi Metropolis, a case at Ghana Revenue Authority, Suame Branch. The researcher solicited for the views of taxpayers and management staff concerning tax administration. A case study was chosen for this study. The researcher administered the questionnaires and interviewed respondents personally. The subjects (research sample) for the study were 53 employees comprising of 50 taxpayers and 3 management staff drawn from GRA, Suame branch. This ensured that all diverse views of both management taxpayers were represented. The findings of the study are expected to provide alternative ways to how tax administration can be improved.

5.3 Major Finding of the Study

GRA Suame Revenue Collection and Targets

The study revealed that organisation set target for 2011 was GHC 5243787.75, and the amount the organisation was able to generate from tax collection was 5020071.8. A deviation of GHC-223715.95 was recorded and this constituted -4.27%.

Also in 2012, the studied organisation tax set target was GHC 5369667.69, and the amount the organisation was able to raise out of tax collection was GHC5021060.9. The deviation was -348606.78, and this constituted -6.49%.

The 2013 data collected from the studied organisation indicated that the set target was 6386812.01, and the amount raised from tax collection was 5131494.1. A deviation of -1,255,317.93 was recorded. This also constituted -19.65%.

It was also identified by the study that the 2014 tax set target of the organisation was 6238218.27, and the organisation was able to achieved GHC 5697336.1. The deviation recorded was -540,882.18, with a percentage of -8.67.

5.4 Reasons for Tax Evasion

The study found that majority of the respondents (94%) used for the study were of the view that lack of trust in government was a reason why people evade tax.

Findings from the research gave a clear indication that majority of respondents were of the view that high rate of tax charged was also a reason why people evade tax.

Also, majority of respondents from the study concluded that unfair treatment of businesses in tax administration by tax administrator accounts for the high rate of tax evasion.

This statistics indicated that majority of respondents (74%) agreed that low level knowledge on tax by tax payer was also a reason why people do not pay tax.

Fifty four percent (54%) of respondents agreed to a statement that weakness in the laws against tax evaders was a challenge in the smooth administration of tax in the study area and the country as a whole.

Since the statistics indicated majority of respondents agreeing to the statement, the study concluded that poor attitudes of tax collector towards tax payer was among the reasons why people do not pay tax.

The statistics however indicated that majority of the respondents were of the view that poor monitoring was among the reason why people do not pay tax, and so the study concluded that poor monitoring was among the reasons why people do not pay tax.

The statistics indicated that majority of the respondents (62%) were of the view that poor monitoring of businesses by tax administrators was among the reasons why people do not pay tax.

5.5 Challenges Confront Tax Administration at Suame Magazine, Kumasi

It was identified by the study that an obstacle to tax policy was the low registration rate of taxpayers.

Lack of efficient tax administration was also identified as a challenge tax administrator's face. This was made evident by the interviewees

The study also showed that the inadequate resources to sustain and facilitate the operations of tax authorities were a challenge facing tax administration.

Lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration was also identified as a headache to GRA

Poor remuneration of tax administrators by management of GRA was identified as posing challenge to effective tax administration.

5.6 Conclusion

The investigated tax administration in Kumasi Metropolis, a case at GRA, Suame Branch. It was discovered that in 2011 the studied organisation recorded a tax deviation of GHC-223715.95 which constituted -4.27%. The 2012 tax assessment also

recorded tax deviation of -348606.78, and this constituted -6.49%. In 2013, the study recorded a tax deviation of -1,255,317.93, which constituted -19.65%, while the 2014 tax assessment recorded a deviation of -540,882.18, with a percentage of -8.67.

It was also revealed by the study that no trust in government, high rate charged, unfair treatment of organisations by tax administrators, low level of knowledge on tax by tax payer, weakness in the laws against tax evaders, poor attitudes of tax collector towards tax payer, unskilled manpower / personnel to collect the tax, and poor monitoring were reasons why some taxpayers evade tax.

The study also identified that low registration rate of taxpayers, lack of efficient tax administration, inadequate resources to sustain and facilitate the operations of tax authorities, inadequate modern technology, and poor remuneration of tax administrators by management of GRA were identified as challenges to effective tax administration.

It can therefore be concluded that, tax administration challenges must be an issues to be address by organisations since it hinders the smooth operations of GRA.

5.7 Recommendation

Based on the findings of the study, the following recommendations are made;

1. The problem of tax evasion can be minimise by assigning a unique number and contact details to business owners and must be validated quarterly or yearly. Other government agencies like the police, land registrars, and licensing departments should also be involved in finding tax evaders.

2. Secondly, the study recommend that tax collectors should be motivated (provided with satisfied remuneration) 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.

3. Thirdly, 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.

4. Fourthly, 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.

5. . GRA should not sit in the office and comes out with any tax rate for businesses to pay.

6. . GRA must consult experts and also conduct research so as to combat these challenges which can lead to the attainment of set target. This study would play significant role in helping GRA meets its set tax target.

7. This is to say that organisations with the similar products, size, location etc must be treated equally. This would prevent the situation where one organisation may perceived the other is cheating.

8. Fifthly, the study recommends utilization of IT in tax system, tax promotions, training the personnel of tax system to ensure efficiency of the tax system.

9. Lastly, there should be strict enforcement of laws on taxation and severe punishment of employees who misconduct themselves in fraudulent activities. Stakeholders in the tax sector including the Ghana Revenue Authority, the Police, the Judiciary and the various Assemblies must come together and

implement joint enforcement strategies. This will go a long way to ensure that

enforcement is attained.   57

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APPENDIX

Questionnaire for Tax Payers

The questionnaire is basically to collect data on the impact of microcredit on small scale industries. Any information provided in the questionnaire would be treated very confidential. Kindly take time out of your busy schedule to complete them. Thank you.

Section 1

Socio-Demographic Factor

Please choose the option that applies to you by placing a cross [x] in the bracket of your choice. Please give only **one** answer.

1. What is your gender?   A. Male   [ ]   B. Female   [ ]

2. Which age group do you belong to?

(A) Less than 20 years [ ]   (B) 20 to 30 years   [ ]   (C) 31 to 40 years [ ]

(D) 41 to 50 years   [ ]   (E) More than 50 years [ ]

3. What is your highest educational qualification?

(A) Elementary [ ]   (B) Intermediate   [ ]   (C) High School   [ ]

(D) Diploma   [ ]   (E) Degree   [ ]   (F) other (specify)………

4. How long have you been in business? A. Less than 1 year B. 1 year to 5 years [ ]   C. 6 years to 10 years [ ]   D. 11 years to 15 years [ ]   E. 16 years and above

Reasons for tax evasion

The following are reasons why people do not pay tax. Please indicate by ticking [√]

how you perceive the following as reason why people do not pay tax, using a scale of

1 = Strongly Disagree; 2 = Disagree; 3 = Agree; and 4 = Strongly Agree.

	Statements	1	2	3	4
1	No trust in government				
2	High rate charged				
3	Unfair treatment of organisations by tax administrators				
4	Low level of knowledge on tax by tax payer				
5	Weakness in the laws against tax evaders				
6	Poor attitudes of tax collector towards tax payer.				
8	Unskilled manpower / personnel to collect the tax				
9	Poor monitoring				

Interview Guide for Senior Officials of Ghana Revenue Authority

The interview guide is to find out challenges confronting tax administration in Suame

Branch of Ghana revenue Authority

1. Good day, Sir

2. How many years have you worked with the Suame Branch, Ghana Revenue Authority?

3. What are some of the obstacles to tax policies in Suame Branch?

4. Tell me about some of the challenges that confront the Suame Branch of Ghana Revenue Authority

5. What weakness has caused you difficulty on the job?