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DETERMINANTS OF TAX COMPLIANCE: A CASE STUDY OF SMALL  
TAXPAYERS IN BOLGATANGA MUNICIPALITY IN THE UPPER EAST  
REGION OF GHANA

By

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in Master of Science in Accounting and Finance

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## DECLARATION

I hereby declare that this submission is my work towards the award of Master of Science in Accounting and Finance degree and that, to the best of my knowledge and belief, it contains no material previously published by another person nor material to a substantial extent which has been accepted for the award of any degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institutions except where due acknowledgement has been made in the thesis.

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## DEDICATION

This work is dedicated to my dear husband, Cletus Zoot and my children for their  
love and support during this course of study

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## ABSTRACT

Studies on tax compliance have primarily focused on individual taxpayers instead of representative enterprises. This research work looked at the determinants of tax compliance perspective among small taxpayers in Bolgatanga Municipality of the Upper East Region of Ghana. The study employed a descriptive and explanatory research design with a sample size of 182 small taxpayers in the Municipality. The data was analysed descriptively with the aid of Statistical Package for Social Science (SPSS) software. Similarly, an ordered logistic regression was utilized to establish the determining factors of tax compliance behaviour among small taxpayers. The study found out that knowledge level among small tax payers in Bolgatanga Municipality is low. The study further found out that tax audit, tax compliance cost, tax rates and penalties are significant contributing elements of voluntary tax obedience among small tax payers in Ghana. However, morals of taxpayers, tax knowledge, business experience, and firm size are factors that do not significantly influenced voluntary tax compliance. Based on the findings, it was recommended that GRA should continue to educate the public on tax issues and existing laws through the various electronic media available in order to enhance tax compliance among the citizens. Also, the study recommends that policy makers should try to make process of tax compliance requirements easy and less complex.



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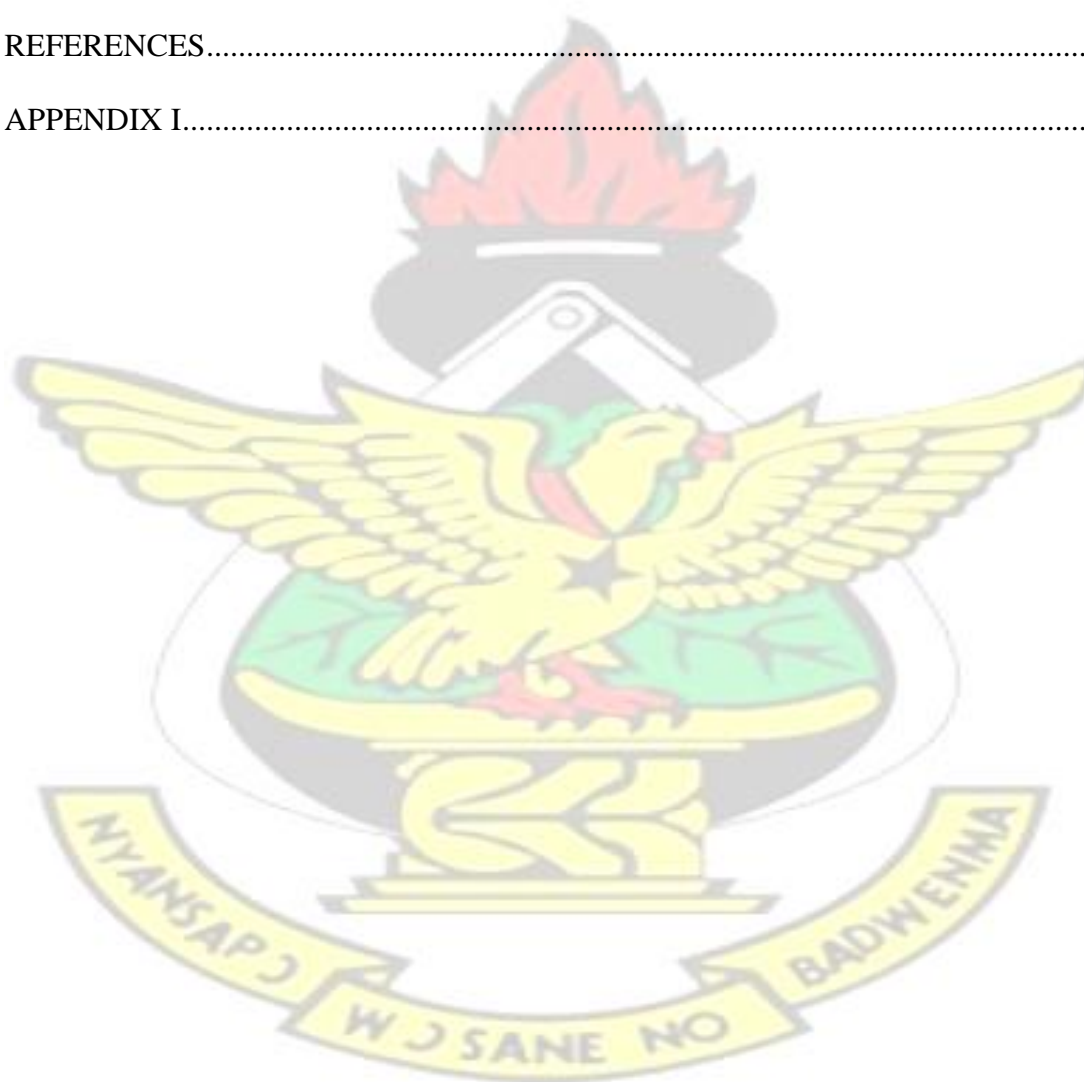
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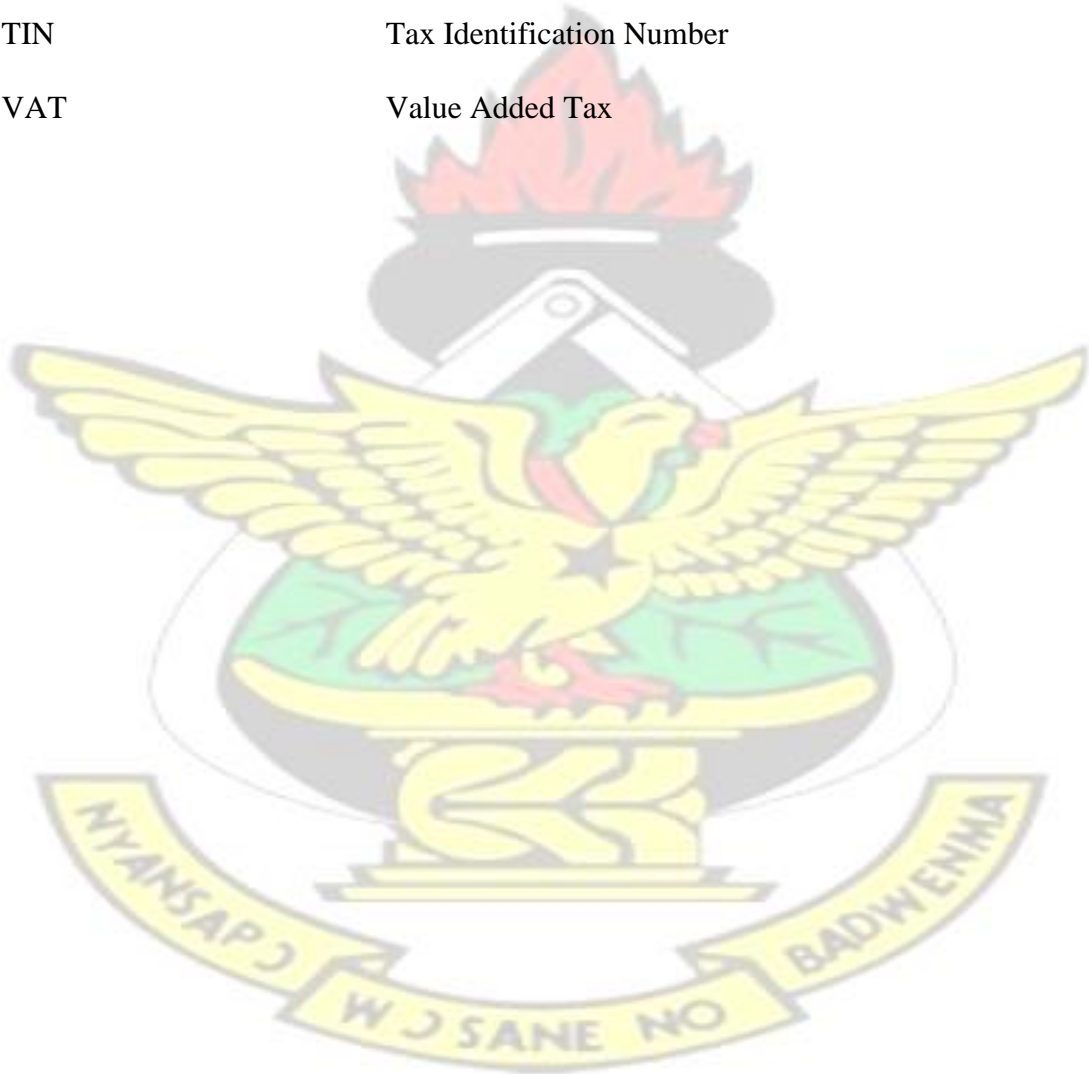
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## LISTS OF ABBREVIATIONS

COVID-19	Corona Virus Diseases – 2019
GRA	Ghana Revenue Authority
GSS	Ghana Statistical Service
PPEs	Personal Protective Equipment
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
TIN	Tax Identification Number
VAT	Value Added Tax



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Taxation is one of the significant components in overseeing national income, particularly in advanced nations and has had a significant impact in edified social orders (Lymer and Oats, 2009). Taxes are required by the state to pay salaries to workers, build infrastructure (such as roads, dams, schools, hospitals, etc.) and guarantee adequate security and good administration (Jemberie, 2020; Tessema, 2020; Ohene, 2011).

Tax income is a supporting component to financial development and improvement around the world. In Ghana, it is projected that tax income shaped about 73 percent of all out government income created in the economy in the 2007 financial year (The State of the Ghanaian Economy, 2007). Also, local income, comprised of duty and non-tax income for the time of 2014, added up to GH¢16,927.6 million as against the projected target of GH¢17,634.5 million. Taxes and tax systems is seen as requisite in nation building (Tessema, 2020).

Tax is characterized as 'an obligatory toll, forced by government or other tax raising body, on salary, consumption, or capital resources, for which the citizen gets nothing explicitly in return (Lymer and Oats, 2009). For Gitaru (2017), tax is an expense to a citizen whether as an individual or a corporate body. Kangave (2005) and Abdallah (2006) considers tax to be a sovereign right or required levy utilized by the state to move financial assets from private people to public use so as to accomplish the monetary, social and political objectives of the general public.



The sum of income made by government from taxes for its expenditures hinges on the eagerness of the citizens to wilfully agree to tax acts (Jemberie, 2020). The inability to follow the arrangements of the duty laws infers that the citizen might be demonstrating an act of resistance. Duty rebelliousness happens through inability to record tax forms, misrepresenting income and permissible deductions from available income or tax due (Serkan, Tamer and Mohdali, 2016).

As per Marti (2010), tax compliance is a mind boggling term to characterize. Simply, tax obedience alludes to satisfying all expense commitments as determined by the duty law unreservedly and totally. Marziana, Mohamed, Orkhazimah and Mohamed (2010) explained charge compliance as how much a citizen consents or fails to follow the tax rules of their nation. According to Jemberie (2020), the target of a proficient tax administration in any nation is to guarantee intentional tax obedience utilizing any lawful methods conceivable which may likewise include the utilization of authorizations.

The Internal Revenue Service Act, 2000 Act 592 characterizes tax consistence, "as the capacity and ability of citizens to agree to tax laws, declare the right pay in every year and pay the perfect measure of taxes on schedule." This involves enlisting the firm for taxation or notifying tax agencies of status as a citizen, presenting returns on tax form each year (whenever required), and lastly making instalments on the time spans given (Ming, Normala and Meera, 2005). In basic words, tax acquiescence alludes to fulfilling all tax obligations as expressed by the law uninhibitedly and totally.

Acheampong, Debrah and Yeboah (2016) posit that the perception of tax obedience shows how the citizens accommodate rules and guidelines flanking the tax

framework in a nation. Despite the fact that, the idea of tax obedience suggests differing points of view, previously mentioned studies propose that levy compliance includes the readiness of taxpaying individuals to act in accordance with the laws regarding taxation without pressure (James and Alley, 2002; Palil and Mustapha, 2011).

The state and tax agencies in the world over have been confronted with the challenge of discovering answers for rebelliousness in tax commitment particularly in less-developed nations which Ghana is not exception (Oteki, 2013). The issue of tax resistance in developing nations is chiefly because of the huge casual section of the economy and the absence of appropriate frameworks to sanction tax regulations (Aryee, 2007). It is consistently hard to persuade citizens to readily settle their taxes, and this undesirably affects the development of the country (James and Alley, 2004; Chepkurui, Namusonge, Oteki and Ezekiel, 2014).

Costs related to tax compliance are significant hindrances to inspire compliance conduct of citizens. It is likewise accepted by most tax policy specialists that compliance expenses for tariff payment are very high particularly for little and medium enterprises, which have inadequate information and aptitudes of the tax laws and guidelines (Shome, 2004). Once in a while the administration of personal income tax makes issues for businesses when it forces mandatory disclosure and record keeping demands. This has prompted increased expenses of duty for the individuals who attempt to consent to the tax law (Baurer, 2005).

The citizens' demeanour on tax submission may be swayed by various components, which over the long haul sway citizen's attitude. These dynamics which affect tax compliance or non-compliance conduct are shifting beginning with one country then

onto another and moreover beginning with one individual to another (Kirchler, 2007). Despite the considerable fall in tax compliance level, government continue to spend on new tax reforms. This brings into question of why individuals decide to evade tax in most countries.

## **1.2 Statement of the Problem**

The challenge in fulfilling tax obligation is an ancient issue as no one enjoy paying taxes (Ali-Nakyee, 2014). Low tax compliance is, thus, a worry for governments in most emerging nations which Ghana is not an exception. This is because it restrains the ability of governments to raise revenue for infrastructural development and recurring expenditures (Togler, 2007). The level of tax compliance have a direct relations with the amount of revenue generated to a country at given time (Okpeyo, Musah and Gakpetor, 2019). Thus, the key reason for tax reforms is to accomplish tax compliance.

The Ghana Revenue Authority (GRA) categorizes taxpayers into huge, medium and little taxpayers (Okpeyo et al, 2019). Tax compliance for huge taxpayers is high as they can scarcely abstain from being taken note. Organizations that are considered as large taxpayers have yearly gross revenue greater than GH¢5,000,000, medium citizens are those with yearly turnover in the scope of GH¢120, 000 to GH¢5,000,000 while little taxpayers have yearly income of under GH¢120,000.

A number of research works have been done on tax acquiescence and the variables that may perhaps sway duty consistence or dissent differs among diverse nations (Otieku, 2013; Aryee, 2007; Atawodi and Ojeka, 2012; Fauziati, Minovia, Muslim and Nasrah, 2016). Further part of previous writings has taken a gander at the expense of duty acquiescence by little and medium scale endeavours in other Africa

nations (Adebisi and Gbegi, 2013; Smulders et al., 2012; Venter and De Clercq, 2007; Abrie and Doussy, 2006; Fjeldstad and Ranker, 2003). Despite these investigations, Adebisi and Gbegi (2013) contend that there are little examinations on dynamics that represent deliberate tax compliance by little and medium endeavours. Past investigations have uncovered that varied components, for example, punishments, charge rates, cost of compliance as probable contributing elements of deliberate tax acquiescence. Different examinations have recognized the impact charge compliance to include the magnitude of the business, the sector the firm belong, and firms assets arrangement (Elmirzaev and Kurbankulova, 2016).

Similarly, specific studies carried out in Malaysia and New Zealand (Loo, 2006; Loo, Evans and McKerchar, 2012; Ritsema, Thomas and Ferrier, 2003; Saad, 2014) offered that tax understanding is the utmost significant factor in determining taxpayers' acquiescence behaviour under the self-assessment system. This is experimentally settled and upheld by a few different investigations that include, Kasippilai and Jabbar (2013), who reported that having charge information would prompt higher consistence rates.

In Ghana, earlier examinations have zeroed in on charge paying practices of citizens and how different tax changes upgrade charge obedience (Ohene, 2011; Otioku, 2013; Acheampong et al, 2016; Mbilla, Gatsi, Arhin and Ayimpoya, 2018). This investigation not at all like past examinations on the determinants of tax compliance does not zero in on all tax paying citizens however those that fall inside the characterization of GRA as small taxpayers. This examination, along these lines, look at the determining factors of tax acquiescence from the points of view of small tax paying citizens in Bolgatanga Municipality.



### **1.3 Objectives of the Study**

The foremost aim of the research is to evaluate the determinants of tax compliance in Ghana using small taxpayers Bolgatanga Municipality the Upper East region as a survey area. The specific objectives are as follows:

- i. To assess small taxpayers' knowledge on available tax acts in Ghana
- ii. To examine the effect of economic factors on tax compliance.
- iii. To assess the impact of tax knowledge on tax compliance.
- iv. To find out the impact of firm characteristics on tax obedience.

### **1.4 Research Questions**

The research questions of the study include the following:

- i. What is the knowledge level of small taxpayers on available tax acts in Ghana?
- ii. What is the effect of economic factors on tax compliance?
- iii. Does tax knowledge have an influence on tax obedience?
- iv. Do firm characteristics have an impact on tax compliance?

### **1.5 Significance of the Study**

This research aims to provide answers to an existing understudied area regarding the determining factors of tax obedience in Ghana. The implications of the study are viewed along the following strands: practices, policy and research.

In the first place, results from the study will help small taxpayers and other stakeholders in the formal and informal sector to comprehend the ethical onus behind tax instalment and the advantages of duty compliance.



As well, the investigation results will give response to GRA and administration of Ghana on strategies that ought to be taken and the expected instruction or preparations that ought to be embark to ensure deliberate duty compliance.

At last, the results of research will add to a body of knowledge by finding out the causes of tax obedience by small taxpayers in Ghana. This is relevant as prior studies in Ghana has dwelled much on the determining factor of tax compliance, especially in the northern part of the country.

### **1.6 Scope of the Study**

The research concentrated on small taxpayers (both in the formal and informal sector) in Bolgatanga Municipality. The Municipality serves as the Municipal and regional capital of the Upper East region of Ghana with most of its people mainly farmers. The study area was chosen because of two reasons: (i) the Municipality is considered as one of the neglected area when it comes to research, and (ii) because of the Municipality proximity to the researcher.

### **1.7 Limitations of the Study**

The researcher encountered the following limitations;

Coupled with the inadequacy of funds needed to conduct a more expanded research on the determinants of tax compliance in all districts in the region, the study did not cover all small taxpayers in the Upper East region. It was only limited small taxpayers in Bolgatanga Municipality. This is, therefore, a limitation for generalization purposes.

Also, the study was also marred by low response rate due to unwillingness of respondents to divulge confidential information. As a result of this, some respondents faked some of the responses to please the researcher.

Another limitation of this study was related to the mechanism used for data gathering. A structured questionnaire was utilized to collect the data. It was true that some of the technical terms especially on tax laws and regulations sounded strange to some of the respondents. This, therefore, necessitated interpreting the items into either their local languages or simple English language to enable them to understand. The process of interpreting the responses likely resulted in bias or alteration of the original meaning of some of the responses.

### **1.8 Organization of the Study**

The research is structured into five parts. Chapter one looked at the background of the study, the problem statement, and the objectives of the study, the research questions, and the significance of the study plus the scope of the research.

The second chapter reviewed the works of other researchers that are already in existence. Individually, theoretical and empirical works of prior research works relating to the study were reviewed together to aid the researcher to give a comprehensive work of the study. It focused on review of literature on the contributing factors of income tax compliance among small taxpaying citizens in Ghana.

Chapter three concentrated on the research strategies that were utilized in the study to accomplish the stated objectives. It included the study plan, the research area, the population of the study, sample size and sampling technique, the sources of

information, ethical consideration, empirical model for the study, and the techniques for data analysis.

Chapter four centred on data presentation and discussions of results coherent with the intents of the research. This offers justification for the current study.

In conclusion, section five of the research covered the summary of outcomes in the study and offers readers with comprehensive conclusion and recommendations. The recommendations for forthcoming research were also offered in this chapter.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This section involved an appraisal of prior research works of various authors on the contributing factors of tax obedience in different jurisdictions. The first section of the study looked at the history of taxation. The chapter further assess the review and definitions of concepts and the theoretical foundations of the study. Empirically, this chapter reviewed previous literature on the determining factors of tax acquiescence, both globally and in Ghana. The chapter finally looked at the conceptual framework and summarized the relationship amid important variables of the research and ends with the conclusions drawn from reviewed literature and the possible loopholes in prior writings.

#### **2.1 Conceptual Review**

##### **2.1.1 History of Taxation**

The historical backdrop of tax assessment extends a huge number of years before. Antiquated civic establishments comprising Greeks, Romans and Egyptians collected diverse duties on their kin to back military activities, open administrations and keep up key stores of food stocks, gold to make reference to however a few (Musonda, 2015).

In Africa, tax assessment began some time before imperialism. Rulers and Chiefs typically request that their subjects present a bit of their harvest or animals as a type of duty. Verifiable records show that numerous empires or kingdoms that existed in



Africa had an assessment framework that upheld or empowered these kingdoms to grow (Musonda, 2015). The Zulu kingdom in southern Africa headed by powerful rulers; for example, Shaka Zulu is an exemplary model. Zulu bosses requested consistently expanding recognition or duties from their subjects so as to command a powerful armed force that oppressed neighbouring chiefdoms, seizing animals and other significant items.

In Ghana, by then Gold Coast, tax evaluation was from the beginning started in September 1943 by the British traveller government when World War II was fuming. Prior to this, couple of tries had been made, for example, in April 1852, under the then Governor Major Hill, the poll tax statute was passed to raise money to back the extended cost of British association (Abdallah, 2006; Ali-Nakyee, 2008).

Governments during the time have reliably imagined that it was functional to use fundamental and easy to gather tax from the masses. It is no huge amazement that the essential systems of tax relied upon import and individual compensation since they were less complex to recognize and accumulate (Abdallah, 2006).

During the last bit of the medieval occasions, some European countries including Germany and Italy introduced head charge for needy individuals and total assets for the rich as a strategy for practicality with the objective that the people who could all the more probable bear the expense, pay more taxes. During the era of Major Hill in 1852, the British pilgrim experts had requested that building of schools; improvement in the legitimate system, principal human administrations and the structure must be borne by the direct and indirect taxes. This was met with unfathomable deterrent by the local people completing the cycle in the withdrawal of the direct taxes (Agyeman, 2005). As showed by Appah (2010), distinctive taxes that



have met starting battles during their presentation including the Value Added Tax (VAT), Ghana Education Trust Fund (GETFund), National Health Insurance Levy (NHIL) and the Communications Service Tax (CST).

### **2.1.2 Meaning of Taxation**

The specific meaning of tax assessment has been characterized in different dimensions. For instance, Mr. Equity Wendell Holmes (an acclaimed American Judge) said tax assessment is the cost an individual has to pay for living in a civilized society (Anyanwu, 1997; Nsor-Ambala, 2008). As indicated by Mbilla (2018), tax assessment is a necessary levy on the salaries of people and associations forced by governments to raise income to fund recurrent expenditures and capital expenditures in the country.

Stated differently, Quarshie (2009) defined taxation as the imposition of necessary commitments by state agencies having charge locale, to settle the expense of their undertakings, where no particular prize is received by the citizen. The cash gathered is utilized for the benefit of all of the populace: for the creation of specific services, which are viewed as more efficiently provided by the State instead of by people, for example, upkeep of lawfulness at home, and guard against outside foes.

Tax income is exceptionally basic to the advancement of the nation since it comprises an enormous extent of the all-out income of the nation (Ministry of Finance, 2013). In 2011, tax income spoke to 80 percent of the absolute income, and rose to 84 percent in 2012 (Controller and Accountant General, 2012). In this way, taxes are the soul of any economy (Ameyaw, Oppong, Abruquah and Ashalley, 2016).

### **2.1.3 Tax Administration in Ghana**

Tax assessment in Ghana has made considerable progress since its foundation in 1943 (Acheampong et al, 2016). The nation has relied upon enormously on levies as the most significant wellspring of developmental income. In such manner, consecutive governments have initiated different tax systems and changes to oversee and improve the tax compliance attitude of firms and the people.

The Ghana Revenue Authority (GRA) is a lawful open association commanded with the preparing and collection of tax income for the state. This contains Value Added Tax (VAT), Income Tax, Custom and Excise Duties, and Communication Service Tax among others. The Authority was set up in the year 2009 under the Ghana Revenue Authority (Act 791). It is an amalgamation of the three income associations specifically Value Added Tax Service, Custom Excise and Preventive Service (CEPS), and Internal Revenue Service (IRS).

Before the foundation of GRA, noteworthy systems to remake the tax assortments agency began in 1986 from which CEPS and IRS were devoured and made self-administering of the Civil Service. In 1986, the National Revenue Secretariat (NRS) was set up to manage income execution methods and direct the activities of the tax workplaces in the country. The VAT administration was formalized to regulate charges incorporating consumption charges in the year 1998. From arrangement of reviews, the last arrangements were made in 2009 to consolidate the organizations to shape one income authority in accordance with the current patterns in tax management. The structure drawn for the tax organization was to guarantee the greatest proficiency in income collection from the merger procedure.

To boost the smooth system of the tax administration, the GRA uses Tax Identification Number (TIN) that facilitates the position to unequivocally describe payees. Every payee holds a one of a kind number that orders the client in his or her correspondence with the authority. The nation's personal income act offers the payee a self-appraisal opportunity on all liabilities. Here, the laws present on completely limited liability firms, the self-evaluation procedures. Outside this procedure, every other payee is by law required to record their profits with fundamental archives to the authority for additional consideration. After the receipt of the vital documentations, the authorities examine the data to settle on the fundamental informed decision regarding the chargeable income due.

After this procedure, the assessment number is apportioned and given for settlement. Payment of taxes is made on the authorisation of the tax evaluators through Bank Payment Advice Form. Instalment is either made through a bank or at the premises of GRA. The consistency of the information is done through essential evaluations of the tax audit. GRA's assessing staffs is comprised of the basic field and work territory audits to broad survey staff.

#### **2.1.4 Tax Compliance**

Tax compliance has been to a great extent clarified by researchers from different field including management, financial and trade, scholastics, experts, and government offices. In pure administrative terms, tax compliance includes enlisting or letting know to tax agencies of status as a citizen, giving a tax assessment form each year (whenever required) and complying with the necessary instalment time spans (Ming et al, 2005). Young (2011) likewise characterized tax

acquiescence as detailing all things considered and paying of all taxes by satisfying the arrangements of tax laws, guidelines and court decisions.

Tax acquiescence is characterized as citizens' eagerness and capacity to consent to tax principles, state the right income, claim the right deductions and pay all expenses on schedule (Tessema, 2020). As per James and Alley (2004), the basic meaning of tax compliance is frequently given as far as how much citizens agree to tax laws. Hypothetically, it very well may be characterized by making an allowance for three unmistakable sorts of acquiescence, for example, payment compliance, filing obedience, and publicizing compliance (Brown and Mazur, 2003). Verboon and Dijk (2007) and Badara (2012) expressed that duty acquiescence is the ability of people to agree to applicable tax agencies by reporting on their tax obligations.

As indicated by Gitaru (2017), tax obedience alludes to satisfying all duty commitments as required by the tax laws. Singh (2003) opined that obedience to tax issues is an individual's demonstration of filling Income Tax Forms, declaring all available income precisely, and taking care of all tax liabilities inside the specified period devoid of waiting for follow-up activities from the tax authority. Surely, citizens need to provide all the applicable data in the Income Tax Forms in the specific time frame.

The Internal Revenue Service Act, 2000 Act 592 describes tax compliance, "as the capacity and readiness of citizens to consent to tax laws, announce the right salary in every year and pay the perfect measure of tax on schedule." This involves enlisting the business for charge purposes or enlightening tax specialists of status as a citizen, presenting a tax form each year (whenever required), and lastly making instalments on the time spans given (Ming et al, 2005). In straightforward words, tax



acquiescence alludes to fulfilling all tax obligations as expressed by the law unreservedly and totally.

### **2.1.5 Determinants of Tax Compliance**

Prior researches have cited many factors as the determinants of tax compliance (Kirchler, 2007; Muliari and Setiawan, 2011; Jotopurnomo and Yenni, 2013; Otioku, 2013; Acheampong et al, 2016; Mbilla, 2018; Okpeyo et al, 2019). These factors include tax burden, income level, and source of income, tax audits, tax rates, penalties, gender, marital status, public service, tax system, tax mentality and tax morale as the factors augmenting the compliance behaviour of taxpayers globally. Despite the numerous factors believed to be the determinants of tax compliances, this research groups all these factors into two main factors believed to be the reasons for tax compliance or non-compliance in Ghana.

#### ***2.1.5.1 Economic Determinants***

Economic components are elements which have monetary consequences on the citizen. They consist of charge rates, tax reviews, expenses in complying with tax acts/principles, and punishments or fines (Okpeyo et al, 2019).

#### **Tax Audits**

Tax reviews have been discovered to be one of the methods that can be utilized to improve charge consistence by tax specialists (Loo et al., 2012). The utilization of expense review make sure that citizens make an intensive showing in filling their assessment forms as any anomaly identified through duty reviews will draw in certain punishments. Citizens who are consistently inspected by the tax authority are bound to wilfully consent as they fear they might be gotten through the review. On



the other hand, citizens whose expense forms and activities are not routinely reviewed are less inclined to consent to their assessment commitments. Past examinations show that incessant assessment review improves the degree of tax obedience (Loo et al., 2012; Sia, 2008; Sheik-Obid, 2004). In accordance with the above contentions and discoveries of prior investigations, the examination hypothesizes that:

*H<sub>1</sub>: There is a positive relationship between tax reviews and tax acquiescence in Ghana*

### **Tax Rates**

High expense rates have a propensity to dishearten exertion on businesses. Raising assessment rates will presumably encourage residents to dodge levies force on them (Ali, Cecil and Knoblett, 2001; Torgler, 2007) while cutting down duty rates does not generally improve tax obedience consistence (Trivedi, Shehata, and Mestelmen, 2004; Kirchler, 2007). As referred in Okpeyo et al (2019), Allingham and Sandmo (1972) articulate that residents may pick either to totally report compensation or report less, giving little appreciation to imposed rates.

Kirchler, Hoelzl and Wahl (2008) and McKerchar and Evans (2009) suggested that the degree of trust among citizens and the legislature has an essential part in finding the impact of tax rates on compliance. When trust is low, a high tax rate could be viewed as an off the mark treatment of residents and when trust is high, a comparable degree of evaluation rate could be made as an interpretation of commitment to the organization (Kirchler et al).

Past examinations have indicated that the rate of tax impact charge consistence (Abdul-Razak and Adafula, 2013; Atawodi and Ojeka, 2012; Loo et al., 2012; Sheik-Obid, 2004). Mohd-Hanefah (1996) contends that high assessment rates bring about high duty resistance. In accordance with the above contentions, the examination guesses that:

*H<sub>2</sub>: There is an adverse relationship between tax rates and the degree of tax consistence in Ghana*

### **Penalties**

Residents when made to pay higher fines for evading charges have the effect of keeping them from future evasion (Okpeyo et al, 2019). Empirically, the effect of fines could not by and large be strengthened. The observed impacts were more fragile than envisioned and a couple of assessments even recommend that an extension of disciplines can have terrible effect and result in more cost evading (Kirchler et al, 2008).

Alm, Jackson and Mckee (1992) underpins the evidence that fines do impact tax consistence. Anyway, the impact was basically zero. Punishments for charge rebelliousness serve as obstacle and urge little and medium enterprises and other citizens to intentionally conform to their duty commitments (Yong, 2005). Past investigations have demonstrated that there is a positive connection between punishment rate and the degree of tax consistence (Sia, 2008; Loo et al., 2006; Sheik-Obid, 2004). In accordance with the discoveries of these examinations, the exploration put forward that:

*H<sub>3</sub>: Penalties have a positive relationship with the degree of tax consistence in Ghana.*

### **Tax Compliance Costs**

The expense to the citizen to follow the tax laws in satisfying their assessment commitments as business impacts their degree of consistence. Compliance expenses can be divided into three areas: time spent, cash costs and different costs. The total time spent contains agent costs (in-house staff) and external costs (charges paid to outside clerks and various advocates). These consistence costs include costs that are brought about by an association, anyway are outside the capacity to control of its organization (Abdul-Jabbar and Pope, 2008).

Assessment compliance costs should consequently be contemplated by different governments to guarantee that the tax enactment is complied. Studies show that high consistence cost prevents citizens from charge compliance (Sia, 2008; Loo et al., 2012). In accordance with the above contentions, the examination estimates that:

*H<sub>4</sub>: There is an adverse link amid cost of tax compliance and the level of tax obedience in Ghana.*

#### **2.1.5.2 Non-Economic Determinants**

Studies on charge compliance factors have generally cantered around monetary and budgetary variables to the weaknesses of non-money related elements that can impact the degree of wilful tax consistence and rebelliousness (Niesiobedzka, 2014; Loo et al. 2012; Alabede, Ariffin and Idris, 2011). There are various non-monetary components that impact the degree of tax obedience. Various researches have been done to explain the demeanour of tax obedience under the arrangement of money

related assessment (Alm, Sanchez and DeJuan, 1995). These non-financial elements are arranged into demographic factors, mental components and institutional components.

### **Tax Knowledge**

Knowledge is the condition of comprehension, while tax assessment involves taxes; so tax knowledge is a condition of cognizance to be familiar with tax rules and regulations (Jotopurnomo and Yenni, 2013). As indicated by Muliari and Setiawan (2011), familiarity with tax collection is where an individual knows, perceives, respects and complies with the appropriate tax arrangements genuinely and wants to satisfy their tax commitments.

In general, knowledge on taxation is a comprehension of the basic tax policies executed inside a nation (Fauziati et al, 2016). A comprehension of the tax rules and principles by people in a nation decides the compliance with the tax framework. Tax information of people is a basic component in a wilful tax compliance framework, especially in deciding a precise tax obligation (Adam, 2012; Baru, 2016).

Fjeldstad and Ranker (2003) stated that citizen instruction is an apparatus intended to empower citizens to comprehend tax laws and processes. It includes preparing of unique units inside the revenue offices; for giving training, directing and backing to the citizens, through various media which incorporate papers, TV, radio projects, sites, workshops and front work area help, these make more space to disperse key information to the taxpayers. Studies attempted in the jurisdiction of Ghana (Otieku, 2013; Acheampong et al, 2016) likewise recommended that tax information is the most persuasive factor in deciding citizens' compliance conduct under the self-appraisal framework. This is experimentally settled and bolstered by a few different



examinations that include, Kuug (2016), who archived that having tax information would prompt higher acquiescence rates. His examination showed that medium taxpaying units were more tax agreeable than the little taxpaying units. Additionally, taxpaying units inside the financial service area were likewise observed to be more tax agreeable than taxpaying units in different parts like the craftsman, which are considered to be individuals with less knowledge on tax matters. In accordance with the above contentions, the examination theorizes that:

***H<sub>5</sub>: There is a positive association between tax knowledge and the level of tax compliance***

#### ***2.1.5.3 Firm Characteristics and Tax Compliance***

Research works have made known that some firm attributes impact the degree of tax consistence (Tekper, 2007). It has been pointed out that the magnitude of a company and business experience has an impact charge rates. Past investigations have set up that the size of a firm is a significant determining factor of assessment compliance (DeLuca et al., 2007). It very well may be contended that greater elements are bound to follow their duty commitment contrasted with more modest ones in view of their visibility which makes it's for all evidently hard to abstain from paying tax in secret. Additionally, bigger firms may appreciate a few advantages from paying duties which will rouse them to agree to their assessment commitments. Acheampong et al (2016) found that there is a positive connection between business experience and assessment consistence. Also, more seasoned firms have the involvement with filling their profits and as such are bound to conform to their duty commitment. In accordance with the above contentions, the exploration speculates that:



*H<sub>6</sub>: There is a positive relationship between firm size and business experience and the degree of tax consistence in Ghana.*

## **2.2 Theoretical Review**

A theoretical orientation is a structure dependent on a present theory in a field of study that is connected and replicates the hypothesis of the research work (Adom, Hussein and Adu-Agyem, 2018). This section discusses the relevance of some of the theories that have guided taxation studies over the years. This research is fastened on the economic based theory, psychology theory, and the institutional theory.

### **2.2.1 Economic Based Theory – Deterrence Theory**

The economic deterrence theory is a model under crime studies and was developed by Becker (1968). This theory is based on the impression that, if the consequence of committing a crime is greater than the benefit of the wrong doing itself, the person will be daunted from committing the crime (Musimenta, 2020; Gitaru, 2017). This theory is instituted in the idea that all persons are cognisant about the difference between rights and wrong and the consequences connected with lawless attitudes. Advocates of deterrence theory consider that persons decide on comply with or infringe the law after computing the gains and consequences of their activities.

Allingham and Sandom (1972) broadened the normal utility model of criminal activity began by Becker (1968) to the tax field. This model fuses the idea of a economically ordinary citizen who will avoid tax assessment as long as the result from sidestepping is more prominent than the foreseen cost of being caught. The financial clarification of citizen compliance sees citizens as 'totally good, chance unbiased or hazard unwilling people who search to exploit their utility, and decided

to sidestep charge on each event the likely gain outperformed the expense of non-compliance (Milliron and Toy, 1988).

As per the hypothesis, so as to improve compliance, audits and punishments for resistance ought to be improved. The hypothesis places conspicuousness on incitements. Prevention can be cultivated through various strategies, disciplinary and fitting. That is, prevention may assume the category of intensifying the likelihood of discovery, shrinking the tax rate or by the imposition of stiffer penalties (Fischer, Wartick and Mark, 1992). This hypothesis is significant in the examination as it advises the systems that can be utilized to guarantee charge compliance in an economy.

### **2.2.2 Psychology Theory- Norms Theory**

This is an arranged conduct hypothesis that relates convictions and behaviour that attempts to clarify human attitude (Musimenta, 2020; Gitaru, 2017). The hypothesis was offered by Icek Ajzen to progress on the prescient intensity of the hypothesis of reasoned action by including apparent behavioural control. As indicated by this hypothesis, the conduct of people inside the general public is affected by unmistakable components which start from specific reasons and emerge in an arranged manner (Gitaru, 2017). The capacity to play out a specific conduct relies upon the way that the individual has a reason towards that conduct (behavioural aim). Behavioural goal thusly relies upon three factors that is disposition towards the conduct, subjective standards and supposed behavioural control. These components are likewise affected by behavioural convictions, standardizing convictions and control beliefs.

The accentuation of the psychology hypothesis is on the citizen's ethics and morals. The hypothesis recommends that a citizen may agree in any event, when the likelihood of exposure is low (Gitaru, 2017). Instead of the monetary hypotheses that underscore on expanded reviews and punishments as answers for compliance issues, psychological speculations lay accentuation on changing individual perspectives towards tax arrangements.

As indicated by Kuug (2016), people who pay charge are impacted to follow their duty commitments by mental variables. These elements centre on the citizens' information level, demeanour/morals and the apparent value or decency of the tax structure. This hypothesis recommends that a citizen may consent in any event, when the likelihood of discovery is low subsequently moving individual mentalities toward tax frameworks in expanding charge compliance levels. This hypothesis is pertinent in the current examination as it tells the significance of standards and convictions impact on charge consistence in an economy.

### **2.2.3 Institutional Theory**

This institutional hypothesis mirrors the structures associations take and gives clarifications to why associations inside a specific 'authoritative field' tend to take on comparable qualities and structure (Kuug, 2016). As indicated by Scott (1995), associations adjust to institutional weights for change since they are remunerated for doing as such through expanded authenticity, assets and endurance abilities.

The job of the tax agencies in diminishing the tax loopholes and expanding deliberate compliance is obviously significant (Kuug, 2016). Hasseldine and Li (1999) was of the view that administration and the tax agency is the primary party that ideal to be continually productive in overseeing the tax framework. This can be

done through structuring a decent tax framework and a proficient and compelling implementation of tax collection per the tax enactments.

Roth, Scholz and Witte (1989) likewise recommended that so as to build obedience to the tax laws and augment tax income, state agencies responsible for tax collection should at first have an efficient tax framework, which is doable. Streamlining tax forms and tax administration possibly could assist citizens with completing their tax forms accurately and boost compliance (Richardson, 2008). What is more, Silvani and Baer (1997) stated that disentangling the tax form will urge citizens to record their tax return all alone to some degree than utilizing a tax agent and in this way shrinking compliance expenses.

### **2.3 Empirical Review**

There have been a number of studies on tax compliance which have been put forward by various researchers, both globally and in Ghana. For the purpose of the current study, empirical literature was review on the determining factors of tax compliance behavior among small taxpayers.

In guaranteeing compelling tax assessment framework vis-a-vis obedience to tax rules, the duty of the tax authorities in diminishing the tax gap and expanding intentional compliance is obviously significant (Mbilla, 2018). As indicated by Kirchler (2007) and Loo (2006), different institutional variables drive tax compliance among citizens. Kirchler (2007) and Loo (2006) recognized these institutional drivers of duty consistence, for example, the duty of the tax authority, straightforwardness of the tax framework and the likelihood of exposure.



Musimenta (2020) analysed the connection between information requirements, complexity nature of the tax framework and duty consistence in Uganda while investigating the indirect impacts of compliance expenses. The exploration configuration was cross sectional and correlational utilizing VAT registered withholding agents. The examination results recommend that information prerequisites do not have a critical relationship with compliance expenses. The investigation results demonstrated that citizens have adequate tax information to empower them follow tax principles however that does not preclude the way that citizens still incur the cost of complying.

Youde and Lim (2019) analysed various determinants of assessment compliance points of view among medium citizens in Siem Reap Province, Cambodia. Utilizing an ordered logit model, the outcomes of the study demonstrate that charge law implementation, punishments, tax mindfulness, trust in tax authority, and bookkeeping office are the primary determinants expanding medium taxpayers high-compliance points of view and diminishing medium-compliance viewpoints.

Abdixhiku, Krasniqi, Pugh and Hashi (2017) used the Business Environment and Enterprise Performance Survey (BEEPS) database with a sample of over 12,692 firms from 26 transition economies. Applying various modelling strategies, the study argues that tax evasion is a function of firm-level and institutional-level variables. The research also finds that the tax evasive behaviour of firms is positively influenced by low trust in government and in the judicial system as well as by higher perceptions of corruption and higher compliance costs. The study further find that smaller firms, individual businesses and firms in sectors that are less visible to the tax administration are more likely to get involved in evasive behaviour. Overall,



institutional factors play an important role in determining firms' tax evasion behaviour in transition economies.

In Malaysia, Mustafa, Ariff and Jeyapalan (2012) who contemplated citizens' discernments towards the self-evaluation framework, which was to be presented, featured the nearness of tax multifaceted nature in Malaysia, especially as far as recordkeeping, an excessive amount of detail in the duty law and vagueness. The discoveries were somewhat reliable with the six expected reasons for multifaceted nature marked as: uncertainty, calculations, changes, complexities, structures and record-keeping, recognized by Loo (2016). Such intricacy was likewise present in Australia where it powers citizens to draw in tax specialists to manage their tax matters (McKerchar et al, 2015).

An investigation of South Korea and Turkey on client assessment of tax websites was finished by Loo et al (2012), to look at the structure and the intricacy of the sites and the straightforwardness with citizens that can fill tax forms and inquiries on their duty status. While Turkey had a complex online framework, taxpayers in turkey did not find tax filing system hard to utilize. This was owing to the way that the SMEs remunerated their absence of information by utilizing bookkeeping experts.

In a fundamental paper to look at the relationship, just as the impact of tax rate on tax obedience in Africa, Mas'ud, Aliyu and Gambo (2014), utilized all the African nations as populace, whereupon a sample was chosen utilizing multi-stage approach. The discoveries demonstrated that there is a noteworthy negative relationship between tax rate and tax compliance.

Tessema (2020) studied the contributing elements of tax obedience in Ethiopia, specifically focusing on Micro and Small business enterprises operating in the

Gurage zone. The research outlined a detailed literature review and identified the variables for this research to be tax rate, tax knowledge, tax compliance expenses; the attitude of Micro and small enterprises and tax system. The research employed both descriptive and explanatory research design. A sample size of 325 was used from a population of 1726 micro and small business enterprises category “C” taxpayers in the Gurage zone. Information was collected by means of questionnaires and the structured interview. The results showed that tax rate, tax knowledge, tax compliance cost, the attitude of SME's and tax system significant determine tax compliance of taxpayers. Tax rate, tax system and compliance cost predominantly affect tax compliance.

In Nigeria, Akpubi and Igbekoyi (2019) examined the impact of level of mindfulness on electronic tax assessment on tax compliance by little and medium scale ventures in Lagos state. Information was gathered from primary data sources using an organized questionnaire administered to a sample size of 281 SMEs, at their work environment. The information gathered was examined utilizing descriptive measurements and regression. The study result reveals that the degree of awareness demonstrated noteworthy positive relationship with tax compliance. It was likewise uncovered that apparent convenience positively affects tax compliance however was statically non-critical.

According to Bird (2014), the existence of tax knowledge, which consists of general knowledge, legal knowledge and technical knowledge did not significantly affect tax compliance behaviour of SMEs. His findings indicated that knowledgeable taxpayers were not necessarily compliant taxpayers. Research conducted by Alm, McClelland and Schulze (2012) reported insignificant change in attitude toward tax and tax

behaviour due to increased level of tax knowledge among SMEs. According to Fauziati et al (2016), tax knowledge has no impact on tax compliance in Indonesia.

Maseko (2013) found no connection between knowledge on taxation and tax registration compliance yet a frail negative relationship with tax acquiescence. He asserts that the degree of tax information in SMEs has no effect on their choice to either enlist or not register for tax. Registration for pay-as-you-earn (PAYE) in Zimbabwe was subsequently relied upon by any degree of tax information. Cuccia (2013) inversely contends that higher information and comprehension of the citizen do not prompt a superior conformance with the tax guidelines. Citizens who do comprehend the tax laws are still likely not to comply with the tax. Consequently, a superior comprehension of the citizen's tax rules just prompts more attention to the approvals that will be forced when evading the tax commitments.

In addition, Widayanti and Nurlis (2012) recommend that understanding and knowledge on taxation have no noteworthy impact on the readiness to settle SME taxes. Citizens who have gone to a tax programs would be relied upon to have better tax information and tax compliance disposition in contrast with citizens who have never gone to a tax course. However, Mohd (2012) study revealed no connection between the two factors.

Palil (2010) concentrated on individual citizens' information and investigates how tax information levels impact tax compliance conduct in another self-appraisal system (SAS) in Malaysia. Data was gathered through a national postal review bringing about 1,073 reactions. The outcomes proposed that charge information significantly affects charge compliance despite the fact that the degree of tax information shifts fundamentally among respondents. The outcomes likewise show

that charge compliance is affected explicitly by likelihood of being evaluated, impression of government spending, punishments, individual money related imperatives, and the impact of referent gatherings.

Wadesango, Mwandambira, Mhaka and Wadesango (2018) assessed the effect of tax information on tax obedience amid little and medium undertakings in creating nations. The investigation built up that SMEs in this specific creating nation do not agree to tax law. They have just basic tax information and do not have a more profound comprehension of tax issues. It likewise emerged that improving tax information all alone without tending to the high tax rates and corruption will not decidedly sway on tax acquiescence conduct in the midst of small businesses.

Kuug (2016) concentrated on the variables affecting assessment compliance of little and medium ventures in Ghana. A survey was regulated to accumulate information from respondents comprised of 500 little taxpaying units and medium taxpaying units chose from three locales in Ghana. Furthermore, an interview guide was utilized to assemble data from the administration and staff of Ghana Revenue Authority (GRA). The outcomes showed that capital structure, compliance cost, charge rates, tax reviews and ethics of citizens essentially affected tax obedience.

In the Bawku West District of Ghana, Mbilla (2018) explored how tax compliance drives tax compliance behaviour among self-employed in the District. The study employed the quantitative approach with both cluster and convenience sampling technique and questionnaire as data collection instrument. The study result shows that, among the four factors, institutional, individual and social factors are the key determinants of tax compliance among self-employed. However, the study did not



find any positive relationship between economic factors and tax compliance behaviour.

Utilizing probit regression models, Acheampong et al (2016) surveyed the tax obedience level of private ventures in the Sunyani Municipality. The investigation utilizes an all-out sample size of 50 independent companies. The discoveries show that absence of tax instruction, computational issues and absence of accounting adversely impact the degree of tax compliance among private ventures in Ghana. The outcomes additionally show that age, span of business activities, risk evaluation and business incorporation are significant components that impact tax compliance among private companies. The examination inferred that ceaseless tax training at the local level would improve private ventures tax compliance level in Ghana.

Okpeyo et al (2019) analysed the elements that impact charge consistence by little and medium citizens, the distinction in the degree of consistence among little and medium citizens and procedures to improve charge consistence in Ghana. The examination through separated testing method examined 100 little and medium citizens in Accra and other GRA authorities for the investigation. The aftereffects of the examination indicated that consistence cost, charge rates, charge reviews and ethics of citizens essentially affected assessment consistence. The GRA additionally demonstrated that associations and relationship of organizations could help increment intentional expense consistence of little and medium citizens in Ghana.

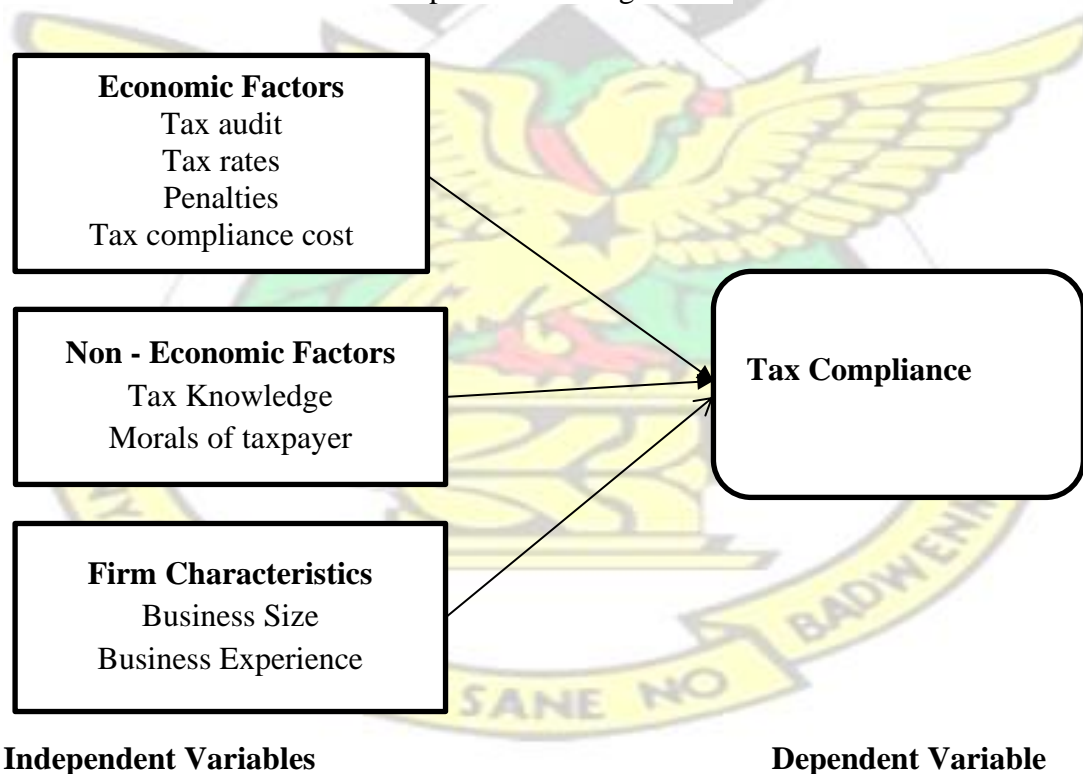
Understanding the reasons for tax avoidance, Ameyaw and Dzaka (2016) researched the elements that detrimentally affect tax avoidance in Ghana. The examination utilized different regression methods and factor analysis. The experimental outcomes got from the examination uncovered that tax collection and financial variables,



segment factors, administrative elements and financial factors are the principal factors that significantly affect the avoidance of duty.

## 2.4 Conceptual Framework

Kumar (2011) characterized a conceptual framework as a figure that spells out the connection between independent factors and dependent variable in a diagrammatic structure. In this study; the independent variable is made up of economic factors (such as tax audits, tax rates, tax compliance cost, and penalties), non-economic factors (such as morals of taxpayer and tax knowledge) and firm characteristics (such as firm size and business experience). The dependent variable was determined by the tax compliance conduct of individual citizens in the Municipality. The conceptual framework of the examination is presented in Figure 2.1.



**Figure 2.1: Diagrammatic representation showing the relationship between the study variables**

**Source: Author's Construct, 2020**

## 2.5 Chapter Summary

This chapter examined empirically the determinants of tax acquiescence. The chapter looked at the theoretical underpinnings of the study. It also covered major areas such as the meaning of taxation, tax compliance, and empirical review on the determining factors of tax compliance plus the effect of tax understanding on tax compliance.

The writing looked into unveiled that there are different variables that influence tax obedience such as, straightforwardness of the tax frameworks and likelihood of recognition (Mbilla, 2018; Kirchler, 2007; Loo, 2006; Mustafa et al, 2012). However, with respect to the influence of tax awareness on duty compliance, it was largely established tax understanding did not meaningfully affect tax obedience conduct of tax paying individuals. Nonetheless, could this be true from the Ghanaian small taxpayers' perspective.

The literature review found a research gap in Ghana where little empirical studies have been done on the Ghanaian economy. A small number of studies that have been done are also on factors influencing tax compliance (Mbilla, 2018; Kuug, 2016; Acheampong et al, 2016). This investigation, is thus, to slim the literature gap by studying the determinants of tax compliance behaviour among small taxpayers in Bolgatanga Municipality.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This segment gave the plan of the research techniques used to discover answers from respondents to the examination questions. The research approach covered the study plan, the number of people in the study, sampling and sampling methods, the sources of information just as the instruments for gathering the data. It likewise covered the data gathering procedures and data analysis procedure just as the research model.

#### **3.1 Research Design**

The investigation utilized a descriptive and explanatory study design. As per Kumar (2011), descriptive research configuration is about enquiries for phenomena or relationship among them and characterizes the information so as to make inferences about the population being examined. Explanatory research design was also incorporated in the study to find out the determining factors of tax compliance among small taxpayers in Bolgatanga Municipality.

#### **3.2 Study Area**

The study was conducted in Bolgatanga Municipality. The reason behind the choice of the Municipality is based on the fact that, it is a place of domicile of the researcher therefore the area will be accessible for data collection given the time constraint that the researcher has to complete research. Also, the Municipality serves as a regional capital of the Upper East region where there are a lot of small businesses unlike other district assemblies in the region. The Municipality is situated at the centre of

the region and is surrounded to the north by the Bongo District, to the south and east by Talensi and Bolgatanga East District respectively and to the west by the Kassena-Nankana East Municipal (Ghana Statistical Service [GSS], 2014).

### **3.3 Population of the Study**

Population is the all-out number of all the individual(s) who have certain attributes and are important to a researcher (Sinyolo, 2012). The population of the study includes all little taxpayers inside the Bolgatanga Municipality. Since the populace was associated with GRA, the study zeroed in on utilizing the status of a taxpayer. Small taxpayers are citizens with yearly turnover beneath GH¢120,000. The Municipality has one small taxpayer office. Managers, accountants and owners of small taxpayers were targeted as sample respondents for the reason that they were esteemed to have the imperative information to response the questionnaire. In that regard, a total number of 725 small taxpayers form the population of the study (Bolgatanga GRA Office, 2020).

### **3.4 Sample Size and Sampling Technique**

Sampling is an essential stage in any research that involves the selection of a sample for the research. A sample is a selected group of objects from a target population on which data can be obtained (Yount, 2006). In this study, the sampling procedure that was use in the study is purposive sampling technique. As per Neuman (2005) and Kumar (2011), purposive technique is a non-probability sampling method where the participants are carefully selected for the purpose of the study. This sampling method was used to picked 258 respondents comprising of small taxpayers in Bolgatanga Municipality. The sample size was chosen from a target population of 725 of

potential respondents by the utilization of Taro Yamane's recipe of smapling (Yamane, 1967). The equation expresses that;

$$n = \frac{N}{1 + N (e)^2}$$

Where  $n$  is the sample size;  $N$  is the total population; and  $e$  stands for the level of sampling error (usually 0.10, 0.05, and 0.01 acceptable error). The study therefore used a sampling error of 5% to decide the sample proportion of the research.

$$n = \frac{725}{1+725(0.05)^2} = 257.777 = 258$$

### 3.5 Source of Data

Data for a study can be obtained from two key sources. That is, primary data and secondary data (Saunders, Lewis and Thornhill, 2009). For the purpose of this study, both primary data and secondary data were used to achieve the intents of the research. The target population containing small taxpayers were the primary source of information, while the secondary information involves research works done by others that were viewed as valuable to the investigation.

### 3.6 Data Collection Instrument

With the end goal of this investigation, the researcher used a questionnaire for the examination. The use of the questionnaire was convenient, economical and efficient in collecting data, while the anonymity of all the respondents was ensured. The questionnaire was divided into five sections (A, B, C, D, E and F): Section A was demographics test to ascertain background information of the respondents, Section B was on the nature of businesses operating in the Municipality, and Section C was on



knowledge on tax regulations while Section D was on the tax education rendered by GRA. Finally, Section E and F focused on the level of tax acquiescence and the determining elements that influence tax obedience behaviour among small taxpayers in the Municipality respectively.

The set of items were structured using the Likert-scale format with a five-point response scale and some closed-ended items. Close-finished questions are known to provide specific responses by giving unequivocal response alternatives (Borden and Abbott, 2002). The measurement scales (questions/content) reflect various literature that the researcher reviewed, thus the researcher proposed that the questions or measurement scales will help ascertain the determinants of tax compliance by small taxpayers in Bolgatanga Municipality.

### **3.7 Data Collection Procedures**

The data collection process began with a meeting with the head of small taxpaying office in Bolgatanga Municipality to tell him the purpose of the study, brief him about issues relating to the data collection and to introduce the researcher to various small taxpayers under their registry. This was possible with an introductory letter from Kwame Nkrumah University of Science and Technology (KNUST).

Once the approval was granted, the researcher looked for the assent of the respondents before giving the questionnaires to them for answering. This was done to guarantee ethical adequacy of the examination discoveries. Participants were guaranteed of privacy of data that they gave, and they would not be presented to any type of inconvenience or hazard in taking an interest in the investigation.

To ensure more remarkable response, the researcher conveyed the questionnaire by hand to each respondent. The researcher maintained social distance and proper sanitation of research questionnaires because of the Corona Virus Diseases – 2019 (COVID-19) pandemic. Also, personal protective equipment (PPEs) such as face masks, hands gloves, and hands sanitizers was use to ensure safety of both the researcher and the respondents.

### **3.8 Validity and Reliability of Data**

Validity refers to the degree of exactness of the consequences of the investigation. Legitimacy of the outcomes can either be inside or outside. Inside legitimacy alludes to the investigation of the exactness of the outcomes acquired. Outside legitimacy alludes to the investigation of the discoveries with respect to whether they can be summed up or not (Creswell, 2003). In this investigation, legitimacy was considered. For example, because that the questionnaire was built by the researcher, it is constructed on the researcher's desires corresponding to the investigation objective. Content legitimacy of the instrument was supervised by the researcher's supervisor from KNUST who took a gander at the estimating procedure and inclusion of explicit objectives secured by the investigation.

### **3.9 Ethical Consideration**

Research edifices vital segment of social work practice as information is created as an outcome. This can provoke existing practice and help to stay up with the latest for the open great (D'Cruz and Jones, 2004). The essential point is to shield respondents from analysts and incorrect data, records and introduction of individual data without composed assent (Berg, 1998). The researcher assured all the respondents that the

confidentiality of their personal data is secured by maintaining all their names anonymous.

### 3.10 Research Model

Some studies looking at the determinants of tax compliance have employed a regression analysis models. Thus, following prior studies of Musimenta (2020), Tessema (2020), Okpeyo et al (2019), Youde and Lim (2019) and Mbilla et al (2018), the study employed the following model as stated in equation 3.1:

$$\log\left(\frac{p}{1-p}\right)TC = \alpha_0 + \alpha_1TA + \alpha_2TR + \alpha_3TcC + \alpha_4P + \alpha_5TK + \alpha_6M + \alpha_7BS + \alpha_8BE + \sigma \quad (3.1)$$

where;

$p$  = the probability that a respondent pays his/her income tax regularly and voluntarily. 1 for yes, 0 otherwise.

$\alpha_0$  = the constant

$\alpha_1 - \alpha_8$  = the regression coefficient of the study variables; and

$\sigma$  = error term.

**Table 3.1: Measurement of Study Variables**

Symbol	Variable	Indicator	Measure
<i>Dependent Variable</i>			
TC	Tax Compliance	Statement on whether small taxpayers voluntarily file their tax returns	Dichotomous variable
<i>Independent Variables</i>			
TA	Tax audit	Statement on whether GRA performed tax audit	Dichotomous variable
TR	Tax rate	Statement on whether tax rate influences tax compliance	Scale of 1-5
TcC	Tax compliance cost	Estimated cost range in scale	Scale of 1-5
P	Penalties	Statement on whether penalties influences tax compliance	Scale of 1-5
TK	Tax knowledge	Statement on tax laws	Scale of 1-5
M	Morals of taxpayer	Statement on how morality influences tax compliance	Scale of 1-5
BS	Business size	Based on total turnover and classification by GRA	Dichotomous variable
BE	Business experience	Variable based on firm age	Scale of 1-5

**Source: Author's construction, 2020**

### **3.11 Data Analysis Technique**

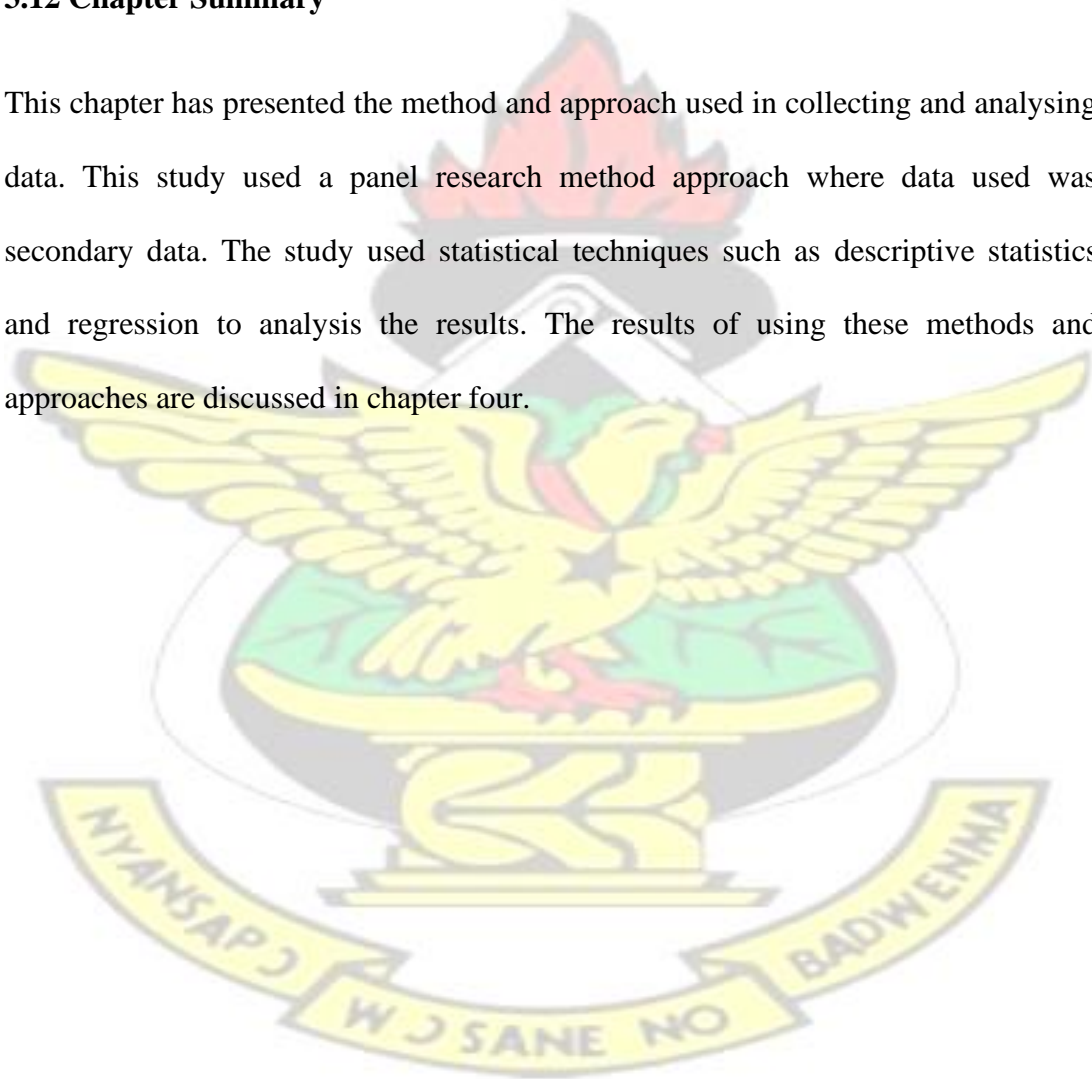
Analysis of data is a methodical procedure of choosing, sorting, looking at, blending and deciphering information to give clarification to single marvel of interest (Macmillan and Schumariacher, 1997). The reactions from the surveys were coded and gone into Statistical Package for Social Science (SPSS) version 20.0 for examination. This statistical programme is suggested for use in academic research



works (Zickmund, 2000). To begin with, SPSS was utilized in handling information to investigate the segment reactions of the respondents. This information was broke down and deciphered with descriptive measurements, for example, the utilization of mean, frequency counts (Guilford and Frutcher, 1996). Finally, a regression examination was utilized to sort out the determinants of tax consistence among little taxpayers in Bolgatanga Municipality.

### **3.12 Chapter Summary**

This chapter has presented the method and approach used in collecting and analysing data. This study used a panel research method approach where data used was secondary data. The study used statistical techniques such as descriptive statistics and regression to analysis the results. The results of using these methods and approaches are discussed in chapter four.



## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.0 Introduction

The study is to examine the contributing factors of tax compliance among small taxpayers in Bolgatanga Municipality in the Upper East Region of Ghana. This research utilizes a descriptive research configuration to gather data and analysis the results. The results are presented and the discussion is done in accordance with the research goals. The investigation focused on 258 small taxpayers from the study area. Be that as it may, 182 questionnaires were recovered speaking to 70.5% response rate.

#### 4.1 Descriptive Characteristics of Small Taxpayers

The preliminary section of this study is to identify the descriptive elements of respondents. The study asked respondents to indicate their gender, age range, educational qualification, and the operational positions in the enterprise the run. This was important in order to know how these characteristics potentially influence their tax knowledge level and tax compliance behaviour in the study area. After analysing their answers, Table 4.1 presents the outcome that was found in the study.

**Table 4.1: Descriptive Characteristics of Small Taxpayers**

Category	Number of Respondents	Percent
Gender		
Male	104	57.1
Female	78	42.9
Age range (years)		
18-25 years	19	10.4
26-35 years	64	35.2
36-45 years	32	17.6
46-55 years	52	28.6
> 55 years	15	8.2
Educational level		
No education	25	13.7
Basic education	21	11.5
Secondary Education	41	22.5
Tertiary education	95	52.3
Position in the firm		
Owner	34	18.7
Manager	112	61.5
Accountant	36	19.8
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

#### **4.1.1 Gender of Respondents**

The question about gender is asked to determine the number of males and females who does business in the Bolgatanga Municipality. This is because it is generally believed that the gender as a demographic characteristic of an individual can influence one tax compliance behaviour (Mbilla, 2018). From Table 4.1, the results revealed that 57.1% of the respondents were males while 42.9% of the respondents were ladies. This showed that majority of the respondents were males. This is in contrast with the Municipality gender distribution which is skewed towards females (GSS, 2014). This presupposes that more men are involved in the running of small businesses in the Municipality.

#### **4.1.2 Age Bracket of Respondents**

The research sought to find out the ages of respondents who took part in the study. From Table 4.1, 10.4% of the respondents were aged between 18 to 25 years of age, 35.2% of the respondents were within the age brackets of 26 to 35 years, and 17.6% of the respondents fell between the age ranges of 36 to 45 years. Other age groups in the study include those between 46 to 55 years who represents 28.6% of the respondents, those who were 56 years or more were represents 8.2% of the respondents. The above statistics shows that about 63.2% of the respondents are within the youthful age bracket between 18 and 45 years. The result means that more young men and women are involved in the running of small businesses in the Municipality.



#### **4.1.3 Educational Level of Respondents**

The study sought to identify the levels of education attained by entrepreneurs in order to test the association with tax compliance. In response to this question; the research found out that 13.7% of the respondents had no formal education while 11.5% of the respondents had basic education. In addition, 22.5% of the respondents had secondary level of education whereas 52.3% of the respondents had tertiary level of education. The finding depicts most entrepreneurs have secondary level of education and hence have knowledge in the type of business they are operating and have the capacity to manage their business finance and tax issues.

#### **4.1.4 Position of Respondents**

The research revealed the following information in relation to the positions of the respondents in their business; 18.7% of the respondents were owners, 61.5% of the respondents took part in the study as managers, and 19.8% of the respondents took part in the study as accountants. The result of the study reveals that tax issues of most businesses in Bolgatanga Municipality are superintended by managers.

#### **4.2 Nature of Small Enterprises in Bolgatanga Municipality**

This section of the study sought to find out the characteristics of businesses that operate in Bolgatanga Municipality. This is done in respect to the type of business, the number of years in business, number of employees in the firm as well as the ownership structure of the businesses. The result is presented in the proceeding sections.

#### 4.2.1 Number of Years in Business

The respondents were requested to give information on the operational years of the firms in the Municipality. This is to help find out whether number of years has an impact on tax compliance. Table 4.2 presents the results of the study.

**Table 4.2: Number of Years in Business**

Years	Number of Respondents	Percent
< 1	16	8.8
1– 5	40	22.0
6– 10	21	11.5
11 +	105	57.7
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

As shown in Table 4.2, it was found out that 8.8% of the respondents and 22% of the respondents indicated their enterprises have been in operation for a period less than a year and a period between 1-5 years respectively. The study further reveals that 11.5% of the respondents have their enterprises in existence for a period between 6-10 years and 57.7% of the respondents businesses had been in operation for 11 years and above. The result indicates that majority (69.2%) of the enterprises have operated for more than five years, hence they have an experience on financial and tax management decisions.

#### 4.2.2 Number of Employees

Based on the definition given by Ghana Statistical Service (2014), micro businesses are businesses that engaged less than six workers and small businesses are

businesses that employed between six and 30 employees. Also, employment capacity from 31-100 employees is categorized as medium enterprises. SMEs can be arranged into miniature, small and medium scale endeavours dependent on the quantity of workers as shown in Table 4.3.

**Table 4.3: Number of Employees**

Number	Number of Respondents	Percent
< 6	27	14.8
6-30	150	82.4
31-100	5	2.8
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

As shown in Table 4.3, 14.8% of the respondents indicated their firms had less than six workforces. However, 82.4% of the respondents said the enterprises employed between 6-30 workers while firms that had 31-100 employees represents 2.8% of the respondents. This shows that most enterprises that partake in the study are small businesses per GSS classification.

#### **4.2.3 Type of Business**

On the nature of business operated by the respondents, they were required to point out the kind of business activity and how it affects their tax compliance behaviour. The result is presented in Table 4.4.

**Table 4.4: Type of Business**

Business type	Number of Respondents	Percent
Production/ Agro-processing	6	3.3
Transport	13	7.1
Trade	107	58.8
Artisan	14	7.7
Hospitality	8	4.4
Financial services	34	18.7
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

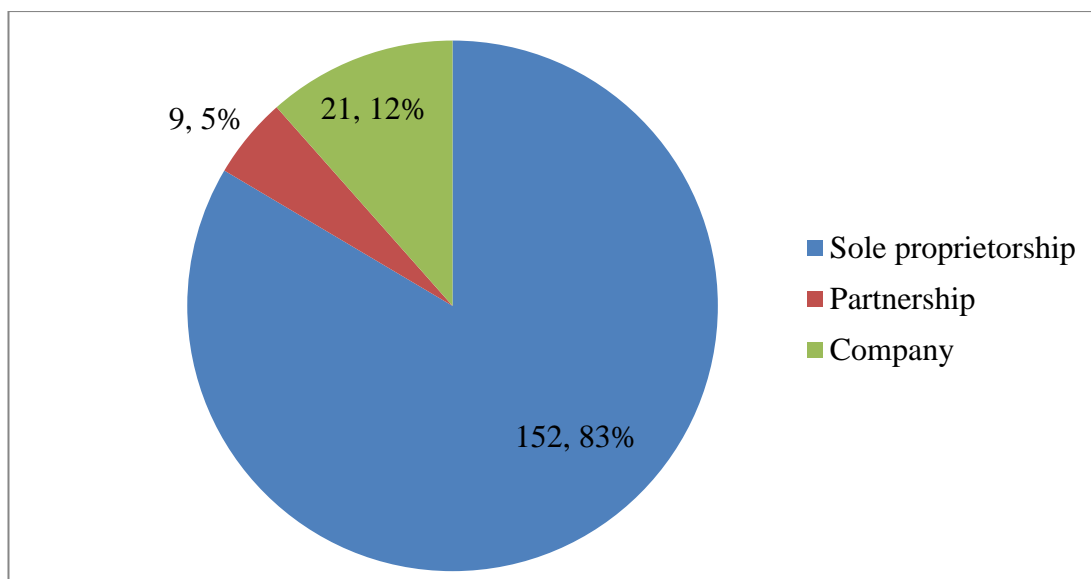
As appeared in Table 4.4, it tends to be seen that dominant part of the small taxpayers work under trade and financial services with 58.8% of the participants and 18.7% of the respondents respectively. Likewise, 7.7% of the respondents demonstrated their undertakings are into artisan and transport administrations. Then again, it was found that extremely least of small taxpayers work under agro-processing/little scope creation and the hospitality area. As introduced in Table 4.4, 3.3% of the respondents and 4.4% of the respondents demonstrated their organizations are the production and hospitality area respectively. The outcome shows that a large portion of the respondents are into retailing business. This is not supersizing as it is easy established a retail kind of business in Ghana.

#### **4.2.4 Ownership Type of Business**

The type of business ownership structure was also examined. This is to find out whether the ownership type of enterprises has any influence on tax compliance.

Figure 4.1 presents the results of the research.





**Figure 4.1: Ownership Type of Business**

**Source: Field data, 2020**

From the finding in Figure 4.1, majority of 83% of the respondents indicated their businesses are sole proprietorship type of business. This means that proper tax computation is likely to be a challenge for most enterprises in the Municipality. This is because; in sole proprietorship type of business it is normally difficult to decipher expenses relating to the firm and that of the owner(s). Alternatively, the research further discovered that 5% and 12% are partnership and company form of business respectively.

#### **4.2.5 Annual Turnover of Small Taxpayers in Bolgatanga Municipality**

The yearly sales volume of enterprises in Bolgatanga Municipality is presented in Tale 4.5. This is to determine the size of businesses according to GRA classification.

**Table 4.5: Annual Turnover of Small Taxpayers in Bolgatanga Municipality**

Classification	Number of Respondents	Percent
< GH¢120,000	169	92.9
GH¢120, 000 to GH¢5,000,000	13	7.1
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

The outcomes from Table 4.5 shows that 92.9% of the organizations examined had yearly turnover under GH¢120,000 which falls under little citizens gathering by GRA. Then again a small bunch of 7.1% of the undertakings had yearly deals volume between GH¢120,000 to GH¢5,000,000 which falls under medium citizens characterization by the GRA.

#### **4.3 Small Taxpayers Knowledge on Ghanaian Tax Laws**

There are various tax laws and regulations that have been enacted under the 1992 constitution. The underlying goal was to assess the level of tax awareness amid small taxpayers in Bolgatanga Municipality. Therefore, in an attempt to respond to this objective, the researcher questioned the respondents on various tax enactments related questions ranging from personal income tax, company tax, withholding tax etc. The outcomes are offered in Table 4.6.

**Table 4.6: Knowledge of Tax Laws**

Tax Laws Questions	True		False		Correct answer
	N	%	N	%	
Research and development expenditure is allowable for tax purpose.	29	15.9	153	84.1	True
The due date for filing of Self-Assessment returns in Ghana is ending of the month of March following the year of assessment.	128	70.3	54	29.7	True
As an incentive to hire recent graduates, an additional deduction between 10%-50% of the recent graduates' salary is allowed as a deductible expenditure depending on the percentage of recent graduates employed by the company.	61	33.5	121	66.5	True
Withholding taxes deducted by a company/business in a month must be paid latest by the 14 <sup>th</sup> day of the following month.	49	26.9	133	73.1	True
The withholding tax rate applicable to supply of services exceeding GHC 2,000 per annum is 7.5 percent.	98	53.8	84	46.2	True
It is only business organizations that are obligated to pay taxes. Employees employed by those business organizations are not supposed to pay taxes.	126	69.2	56	30.8	False
The withholding tax rate applicable to supply or use of goods exceeding GHC2,000 per annum is 3%	129	70.9	53	29.1	True
Every business is supposed to file tax returns on regularly basis even if losses are incurred.	57	31.3	125	68.7	True

**Source: Field data, 2020**

Also, as presented in Table 4.6, 15.9% of the respondents are aware that per Ghana tax laws, research and development expenditure is allowable for tax purpose. However, bulk of 84.1% of the participants is not aware that research and development expenditure is allowable for tax purposes.

As demonstrated in Table 4.6, majority of 70.3% of the respondents know that per Ghana tax laws, the due date for filing of self-Assessment returns in Ghana is ending of the month of March following the year of assessment. On the other hand, 29.7% of the respondents have no knowledge about the due date for filling self-assessment returns.

From Table 4.6, 33.5% of the respondents are cognizant that as an incentive to hire fresh graduates, an additional deduction between 10-50 percent of the recent graduates' salary is allowable for tax purposes. However, majority of the participants representing 66.5% are not aware there is an incentive for employing new graduates per Ghana tax laws.

As shown in Table 4.6, 26.9 of the respondents are aware that withholding taxes deducted by a company or a business in a month must be paid latest by the 14<sup>th</sup> day of the following month. However, majority of the respondents representing 73.1% are not aware there is a requirement like that per Ghana tax laws.

Moreover, as presented in Table 4.6, 53.8% of the respondents are aware that per Ghana tax laws, withholding tax rate applicable to supply of services exceeding GHC 2,000 per annum is 7.5%. However, some respondents representing 46.2% are not aware that withholding tax rate related to supply of services exceeding GHC 2,000 on a yearly basis is 7.5% per Ghana tax laws.



In Table 4.6, majority of the respondents representing 69.2% are aware that per Ghana tax laws, both business entities as well as the workers employed are obligated to pay taxes to the state. On the other hand, 30.8% of the respondents thought that it is companies that should pay levies but the employees are exempted to pay taxes or it is the individuals that should honor their tax obligations but not the firms.

Additionally, as presented in Table 4.6, majority of 70.9% of the respondents are aware that per Ghana tax laws, withholding tax rate applicable to supply or use of goods exceeding GH¢2,000 per annum is 3%. However, some respondents representing 29.1% have no knowledge that withholding tax rate related to supply or use of goods more than GH¢ 2,000 on a yearly basis is 3% per Ghana tax laws.

As shown in Table 4.6, 31.3% of the respondents are aware that every business is supposed to file tax returns on regularly basis even if losses are incurred. Nonetheless, majority of the respondents representing 68.7 are not aware there is a requirement like that per Ghana tax laws.

#### **4.4 Tax Education in Bolgatanga Municipality**

The underlying goal was to find out tax education in Bolgatanga Municipality. Therefore, in an attempt to respond to this objective, the researcher questioned the respondents on various tax education events in the Municipality. The results are presented in the proceeding sections.

##### **4.4.1 Tax Education by Ghana Revenue Authority**

This examination is made to learn whether tax training programs are composed for citizens in Bolgatanga Municipality. Tax training is significant in measuring the degree of tax acquiescence of the citizens. The idea of tax training requires adequate

information on current tax laws and guidelines so as to figure out real pay of an individual. This will help make genuine tax computations and payments. Table 4.7 shows the reactions given by the respondents examined on the inquiry on tax training programs.

**Table 4.7: Tax Education by Ghana Revenue Authority**

Response	Number of Respondents	Percent
Yes	182	100.0
No	0	0.0
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data 2020**

As of Table 4.7, it appears all the respondents (100%) have point out Ghana Revenue Authority (GRA) has been organizing tax education programmes in the Municipality. It is, thus, expected this result will have an influence on the tax obedience level of small taxpayers in the Municipality.

#### **4.4.2 Frequency of Tax Education**

Under this section, the respondents were required to indicate how frequent GRA has been organizing tax education programmes in the Municipality. The result on the frequency of tax education programmes is presented in Table 4.8.

**Tables 4.8: Frequency of Tax Education**

Frequency	Number of Respondents	Percent
Daily	0	0.0
Monthly	32	17.6
Quarterly	106	58.2
Annually	44	24.2
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

From Table 4.8, 176% of the participants indicated that GRA has been organizing tax education on monthly basis, 58.2% of the respondents said GRA educate the public on quarterly basis, while 24.2% of the respondents said GRA organized tax education on yearly basis. None of the respondents has seen GRA conducting tax education on daily basis. It can therefore be deduced from the above analysis that GRA has been organizing tax education for the general public on quarterly basis Bolgatanga Municipality as indicated by majority of the respondents.

#### **4.4.3 Participation on Tax Education Programs by GRA**

This section of the study tries to find out whether small taxpayers participate on tax education programmes organize by GRA. The result is obtainable in Table 4.9.

**Table 4.9: Participation on Tax Education programs by GRA**

Response	Number of Respondents	Percent
Yes	85	46.7
No	97	53.3
<b>Total</b>	<b>182</b>	<b>100.0</b>

Source: Field data, 2020

As of Table 4.9, 46.7% of the respondents indicated they do participate on tax education events organized by GRA while 53.3% of the respondents indicated they have not involved themselves on programmes conducted by GRA. The result shows that most small taxpayers in the Municipality do not honour GRA organized events, which is a bad premonition for the nation tax compliance.

#### 4.4.4 Specifics of Tax Training Programmes

The respondents were additionally required to show the areas trained on by GRA when they went to the GRA citizens' training. The aftereffects of the study are appeared in Table 4.10.

**Table 4.10: Specifics of Tax Training Programs**

Response	Number of Respondents	Percent
TIN registration	39	21.4
Record keeping	0	0.0
Payment of tax	101	55.5
Filing of returns	42	23.1
<b>Total</b>	<b>362</b>	<b>100.0</b>

Source: Field data, 2020



As shown Table 4.10, 21.4% of the participants indicated that the training programmes organized by GRA are on Tax Identification Number (TIN) registration and 55.5% of the respondents said training programs are normally on relevance of paying tax. Also, 23.1% of the respondents indicated the training programmes organized by GRA usually cover filling of tax returns. No respondent has seen GRA conducting tax education on record keeping. It is, thus, not surprising why TIN registration and payment of tax liabilities were confirmed by the respondents as the major areas usually covered by the GRA training programmes. This is because, TIN registration is the first point of call for tax compliance; and ensuring honouring of tax liabilities by tax payers is also seen to be the main challenge to the Authority.

#### 4.4.5 Usage and Relevance on Mode of Training

The researcher asked from the participants to state whether they knew about the citizen's data sharing strategies utilized by GRA in advancing duty compliance among citizens in the Municipality. Table 4.11 indicates the consequences of the study.

**Table 4.11: Mode of Training**

Responses	Not useful	Fairly useful	Useful	Extremely useful
Stakeholders sensitization	42 (23.1%)	39 (21.4%)	60 (33.0%)	41 (22.5%)
Print, radio & TV education	41 (22.5%)	21 (11.5%)	25 (12.7%)	95 (52.2%)
Social media	45 (24.7%)	41 (22.5%)	82 (45.1%)	14 (7.7%)
GRA brochures/newsletters	83 (45.6%)	32 (17.7%)	41 (22.5%)	26 (14.3%)

**Source: Field data 2020**

From Table 4.11, 23.1% of the respondents indicated that stakeholders' sensitization is not useful and 21.4% of the respondents said it is fairly useful. Conversely, 33% of the participants considered stakeholder sensitization to be useful while 22.5% of the respondents said it is extremely useful.

For the use of print, radio and television (TV) as a mode of tax education; it was established that 22.5% of the respondents and 11.5% of the participants point out it is not useful and fairly useful respectively. However, 12.7% of the respondents indicated that it is useful while 52.2% of the respondents said it is extremely useful.

Also, a proportion of 24.7% of the respondents indicated it is not useful, 22.5% of the respondents said it is fairly useful and 45.1% of the respondents indicated it is useful. However, 7.7% of the respondents said it is extremely useful.

Finally, 45.6% of the respondents indicated that GRA brochures/newsletters are not useful and 17.7% of the respondents said it is fairly useful. Contrariwise, 22.5% of the participants considered GRA brochures/newsletters to be useful while 14.3% of the respondents said it is extremely useful.

From the examination, it is set up that the ultimate helpful and methods for access to tax information as per the 182 participants are partners' sensitization, print/radio/TV and web-based media education. In any case, a few respondents stated that pamphlets/bulletins from GRA are fairly or not helpful to their access to tax information. This, accordingly, implies that respondents key and solid wellsprings of data and education are those that are cooperation with the general public, for example, partners sensitization, print/radio/TV and online media education. This further recommends that the duty of guaranteeing charge compliance among small

taxpayers is fundamentally reliant on the coordinated effort between the assessment authority itself and the overall population.

#### 4.5 Level of Tax Compliance

In this section of the research, the researcher seeks to find out the tax compliance level by small taxpayers in Ghana. The examination utilizes registration of business with GRA, duration before registering for tax, the possession of TIN, payment of tax, and recurrence of tax payment to evaluate the degree of tax compliance. The outcomes are introduced in the proceeding subsections.

##### 4.5.1 Registration of Business with GRA

This section of the study tries to find out whether small taxpayers have registered with GRA for tax purposes, and the outcome is presented in Table 4.12.

**Table 4.12: Registration of Business with GRA**

Response	Number of Respondents	Percent
Yes	166	91.2
No	16	8.8
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data 2020**

As of Table 4.12, 91.2% of the respondents indicated they have registered with GRA while 8.8% of the respondents indicated they are not on the records of the tax authority. The result shows that most small taxpayers in the Municipality have registered with GRA, which is a good premonition for the nation tax compliance.

#### 4.5.2 Duration before Registering for Tax

In this section of the research, the researcher sought to find out the duration before registering for tax in the Municipality, and the outcome is presented in Table 4.13.

**Table 4.13: Duration before Registering for Tax**

Response	Number of Respondents	Percent
< 1 year	66	36.3
Between 1 and 3 years	24	13.2
Between 4 and 6 years	92	50.5
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data 2020**

From Table 4.13, 36.3% of the respondents demonstrated their undertakings work inside a year prior to the period they register for tax while a large portion of the organizations (13.2%) contacted work as long as three years before they avail themselves for tax, dominant part of 50.5% of the organizations work as high as long as six years before they registered for charge commitments.

From the investigation, it was distinguished that organizations inside the Bolgatanga Municipality work for a base period of three years before they formally register for charge commitments. This could be inferred that deliberate duty consistence by little citizens is not encouraging as the greater part of the organizations beat charge commitments insofar as even six years. Clearly, the reason to this tax disregard by organizations could likewise be because of helpless organization information combined with helpless tax law enforcement in Ghana.



### 4.5.3 Tax Identification Number

Ghana Revenue Authority (GRA) presented another tax framework requiring each resident or corporate entity to sign up for a TIN by April 1, 2018. This is to guarantee more tight controls to ensure that taxes are paid on all earnings. In this section, the study tried to find out whether small tax payers have registered for TIN or not. The outcome is displayed in Table 4.14.

**Table 4.14: Tax Identification Number**

Response	Number of Respondents	Percent
Yes	178	97.8
No	4	2.2
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

From Table 4.14, 97.8% of the participants indicated they have registered for TIN while 2.2% of the respondents point out they do not have TIN. The result shows that small taxpayers would readily accept any new tax system and honour their tax obligations, when they have ample level of understanding about the system. Thus, tax education is needed to enhance voluntarily tax compliance in Ghana.

#### 4.5.4 Payment of Tax

The findings on the payment of tax on business income are showed in Table 4.15.

**Table 4.15: Payment of Tax**

Response	Number of Respondents	Percent
Yes	176	96.7
No	6	3.3
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

As indicated in Table 4.15, 96.7% of the participants indicated they have been paying their taxes while 3.3% of the respondents showed they do not pay any form of tax to the state. The result shows that most small taxpayers in the Municipality have been paying their taxes to the state, which is a good sign for the Nation's development.

#### 4.5.5 Frequency of Tax Payment

This section of the study finds out the frequency of tax payment to tax authorities. Table 4.16 depicts findings related to tax paying frequency of small businesses in the Municipality.

**Table 4.16: Frequency of Tax Payment**

Response	Number of Respondents	Percent
Monthly	52	28.6
Quarterly	113	62.1
Annually	17	9.3
<b>Total</b>	<b>182</b>	<b>100.0</b>

**Source: Field data, 2020**

From Table 4.16, 28.6% of the respondents indicated they usually pay their taxes to GRA on monthly basis while majority of 62.1% of the respondents indicated they pay their taxes on quarterly basis. However, 9.3% of the respondents noted they make arrangement with GRA to pay taxes on annual basis to the state.

#### 4.6 Factors that Influence Tax Compliance

In addition to other things, one of the aims for the investigation is to decide the driving elements that impacted wilful duty consistence among little citizens in the Bolgatanga Municipality of Ghana. Various techniques were delineated and respondents' perspectives were gathered on them. Table 4.17 gives a synopsis perspective on respondents' impression on the elements that improved duty compliance.

**Table 4.17: Factors that Influence Tax Compliance**

Factors	Minimum	Maximum	Mean	Interpretation
Tax training/ knowledge	1.000	4.000	2.171	Fairly High
Tax compliance costs	1.000	5.000	3.318	High
Size of business	1.000	4.000	1.572	Low
Penalties	1.000	5.000	3.776	High
Tax Rates	1.000	4.000	2.536	Fairly high
Tax Audits	1.000	4.000	2.533	Fairly high
Moral reasons	1.000	4.000	1.445	Low

Notes: mean values of 0.00-1.00= Very Low; 1.10-2.00= Low; 2.10-3.00= Fairly High; 3.10-4.00= High; 4.10-5.00= Very High

**Source: Field data, 2020**

From Table 4.17, eight items in the questionnaire were deployed to examine the elements that sway tax obedience level in the midst of small taxpayers in Bolgatanga Municipality. It was found out that the highest mean recorded was 3.776 (tax penalties) followed by tax compliance costs with a mean value of 3.318. This means that the level of tax compliance by tax payers is highly influenced by tax compliance expenses and the penalties GRA imposed if they default on tax payment.

Tax training/knowledge as a factor that influence tax compliance level among taxpayers in the Municipality records a mean value of 2.171, tax rates had a mean value of 2.536, and tax audits had a mean value of 2.533. This means that the level of tax compliance is fairly influenced by tax training/ knowledge, tax rates, and tax audits.

It was further found out that the lowest mean recorded was 1.445 for moral reasons and 1.572 for size of the business. This means that moral reasons and business sizes are least motivational factors for tax compliance in Bolgatanga Municipality. The study can conjecture that for the tax authorities to ensure voluntary tax compliance they should not consider the size of enterprises and the moral intuitions of small taxpayers.

#### **4.6.1 Determinants of Tax Compliance among Small Taxpayers**

The main goal was to find out the effect of economic factors, tax knowledge, and firm characteristics on deliberate tax acquiescence among small tax payers in Bolgatanga Municipality of Ghana. The dependent variable is denoted by a score for tax obedience determined by the possession of a TIN while the measurement of the independent variables can be seen in Table 3.1. The study used a regression to



examine the impact, and the results from the regression analysis are offered in Table 4.18.

**Table 4.18: Determinants of Tax Compliance among Small Taxpayers**

Variable	Coefficient	Standard Error	p-value
TA	0.166***	0.404	0.007
TR	-0.146**	0.409	0.038
TcC	0.235**	0.451	0.001
P	-0.059*	0.413	0.057
TK	0.067	0.340	0.341
M	0.462	0.402	0.254
BS	-0.038	0.052	0.470
BE	-0.082	0.058	0.158
Constant	1.086***	0.259	0.000
Observations	182		

Notes: TA = tax audit; TR = tax rate; TcC = tax compliance cost; P = penalties; TK = tax knowledge; M = morals of taxpayer; BS = business size; BE = business experience

\*\*\* p<0.01, significant at 1% level; \*\* p<0.05, significant at 5% level; \* p<0.10, significant at 10% level

**Source: Field data, 2020**

As shown in Table 4.18, tax audit was found to have a positive and significant effect on tax compliance ( $\alpha = 0.166$ ; p-value = 0.007). This result indicates that a unit increase in tax audit will significantly and increase the likelihood of tax compliance among small taxpayers in Bolgatanga Municipality by 16.6% which is in line with the hypothesis that there is a positive relationship amid tax appraisals and tax obedience in Ghana. The result of the current study supports prior studies of Okpeyo et al (2019), Loo et al (2012), Sia (2008), and Sheikh-Obid (2004) as their studies

show that tax payers who are on a regular basis checked by the revenue authorities are more probable to willingly obey as they fear they might be caught through the audit. Similarly, Kuug (2016) study findings showed that tax reviews are among other issues that essentially affect tax obedience amid small and medium enterprises in Ghana.

Tax rate was found to have an adverse and significant consequence on tax compliance ( $\alpha = -0.146$ ; p-value = 0.038). The outcomes point out that a one-unit increase in tax rate would significantly reduce the likelihood of tax compliance in Bolgatanga Municipality by 14.6% which is in line with the hypothesis that there is a adverse link amid tax rates and the level of tax obedience in Ghana. The negative effect of tax rate on tax compliance perspectives verifies both theoretical assumptions and the empirical findings of tax compliance studies (Ali, Cecil and Knoblett, 2001; Torgler, 2007; Trivedi, Shehata and Mestelmen, 2004; Kirchler, 2007). In the same way, Kuug (2016) and Okpeyo et al (2019) study findings showed that tax rates are among other factors that essentially affect tax compliance among tax payers in Ghana.

The study result further reveal that tax compliance cost has a positive and significant consequence on tax compliance ( $\alpha = 0.235$ ; p-value = 0.001). The results indicate that a one-unit increase in tax compliance cost would significantly increase the likelihood of tax compliance in Bolgatanga Municipality by 23.5% which is in contrast with the hypothesis that there is an adverse relationship between charge consistence cost and the degree of duty consistence in Ghana. The positive effect of tax compliance expenses on tax obedience perspectives confirms empirical findings of tax compliance studies such as Kuug (2016) and Okpeyo et al (2019) as their

studies established that tax compliance cost are among other factors that essentially affect tax compliance among tax payers in Ghana.

In addition, the results demonstrate a negative effect and significant effect of penalties on tax compliance ( $\alpha = -0.059$ ;  $p\text{-value} = 0.057$ ). The results indicate that increasing penalties by one unit could reduce the likelihood of small taxpayers' compliance by 5.9%. This finding suggests that imposing a penalty could pose a threat to taxpayers who intend to violate tax laws and could promote tax compliance perspectives. Thus, the hypothesis is opposed by the adverse association between penalties and the level of tax obedience in Ghana. The result supports prior studies of Youde and Lim (2019) as the find penalties to be among the contributing factors increasing medium taxpayers' compliance attitude.

The study result again show that tax knowledge has a positive but insignificant effect on tax compliance ( $\alpha = 0.067$ ;  $p\text{-value} = 0.341$ ). The results indicate that a one-unit increase in tax awareness would increase the tendency for small taxpayers' compliance by 6.7% but it will be insignificant. The result is in tandem with previous studies of Tessema (2020) and Akpubi and Igbekoyi (2019) as their studies find tax knowledge to be a positive determinant of tax compliance. However, prior studies conducted by Bird (2014), Fauziati et al (2016), Maseko (2013), and Acheampong et al (2016) found an adverse relationship between tax knowledge and tax compliance.

Furthermore, morals of the citizen likewise contributed decidedly to the clarification of tax obedience by the small taxpayers ( $\alpha = 0.462$ ) but statistically insignificant with a  $p\text{-value}$  of 0.254. This result indicates that a unit increase in tax audit will insignificantly increase the likelihood of tax compliance among small taxpayers in

Bolgatanga Municipality by 25.4%. The study result is in line prior studies of Kuug (2016) and Okpeyo et al (2019) as they indicated that morals and ethics of citizens essentially and positively affected tax obedience among a section of people in Ghana.

On the relationship between business experience and tax compliance, it was established that number of years in business has a negative and insignificant effect on tax compliance ( $\alpha = -0.038$ ;  $p\text{-value} = 0.470$ ). The results indicate that the length of time in business operation in the Municipality does not have any positive and significant bearing on tax compliance.

Finally, in attempt to find the relationship between firm size and tax compliance it was found out that business size has a negative and insignificant effect on tax compliance ( $\alpha = -0.082$ ;  $p\text{-value} = 0.158$ ). The results indicate that the size of enterprises in the Municipality does not have any positive and significant bearing on tax compliance. Notwithstanding, the aftereffects of the investigation negates earlier investigations of Tekper (2007), DeLuca et al (2007), and Acheampong et al (2016) as they found that there is a positive association between business experience and assessment consistence. Besides, more settled firms have the involvement in filling their incomes and as such will without a doubt conform to their commitment obligation.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This part is a synopsis of discoveries, conclusion and suggestions to the examination. The part is divided into four segments. In the first part, the summary of findings is presented identifying with the study objectives. This is followed by conclusion of the study. The final sections seals with the recommendations to the study and recommendations for future exploration.

#### **5.1 Summary of Findings**

The main aim of the research is to evaluate the determinants of tax compliance in Ghana using small taxpayers Bolgatanga Municipality the Upper East region as a survey area. The summary of the key results are presented as follows:

The results also indicated that the Ghana Revenue Authority (GRA) organized a quarterly tax education programmes to taxpayers in the Municipality. The results also showed that citizens will willingly consent with any new tax system presented; on condition they have sufficient information to comprehend the scheme. As a result, education programs organized by GRA are needed to boost taxpayers' capacity to apprehend the relevance of tax compliance and to upsurge their confidence in fulfilling their responsibilities as taxpayers. The results shown that the most useful mode of training usually adopted by GRA in training tax payers on tax laws are stakeholders sensitization, print, radio and TV education and social media.

On the influence of monetary issues on tax acquiescence, the results from the research revealed that at 5% significance level; tax audit, tax rates and tax compliance cost are significant determinants of tax compliance among small taxpayers in Bolgatanga Municipality while penalties is a significant determinant of tax compliance, but at 10% significance level.

The result from the study revealed that most small tax paying businesses in Bolgatanga Municipality had little knowledge on some existing tax laws in Ghana. The implication is that most tax payers are likely not to act in accordance with their tax obligations. This is, thus a concern for tax authorities to deploy strategies that will ensure that small taxpayers are abreast with existing tax rules. The results further revealed that tax awareness has an optimistic but insignificant effect on tax obedience.

The research further revealed that firm characteristics such as business experience and business size have an adverse effect on tax compliance.

## **5.2 Conclusion**

Countries on the planet depend on tax collection to produce resources to meet the administration spending and furthermore to redeploy the wealth of the state. The examination surveyed the determinants of tax compliance among small taxpayers in Bolgatanga Municipality in the Upper East locale of Ghana. To accomplish the purpose of the study, the research adopted a descriptive and explanatory research method to find out the determinants of tax obedience.

The knowledge level among small tax payers in Bolgatanga Municipality is low which approve the contention by the GRA and aforementioned studies on the subject

matter in other jurisdictions. The outcomes also exhibited momentous variance in tax obedience among small tax payers. The study concludes that tax audit, tax compliance cost, tax rates and penalties are significant contributing elements of deliberate tax obedience among small tax payers in Ghana. However, morals of taxpayers, tax knowledge, business experience, and firm size are factors that do not significantly influenced voluntary tax compliance.

### **5.3 Recommendations to the Study**

In view of the conclusion and discoveries of the study, the investigation set forward the accompanying commendations;

First, stakeholder sensitization, print/radio/TV, and social media are modes of tax education were found to be most tax compliant drivers. It is therefore recommended that GRA should continue to education the public on tax issues and existing laws through the various electronic media available in order to enhance tax compliance among the citizens.

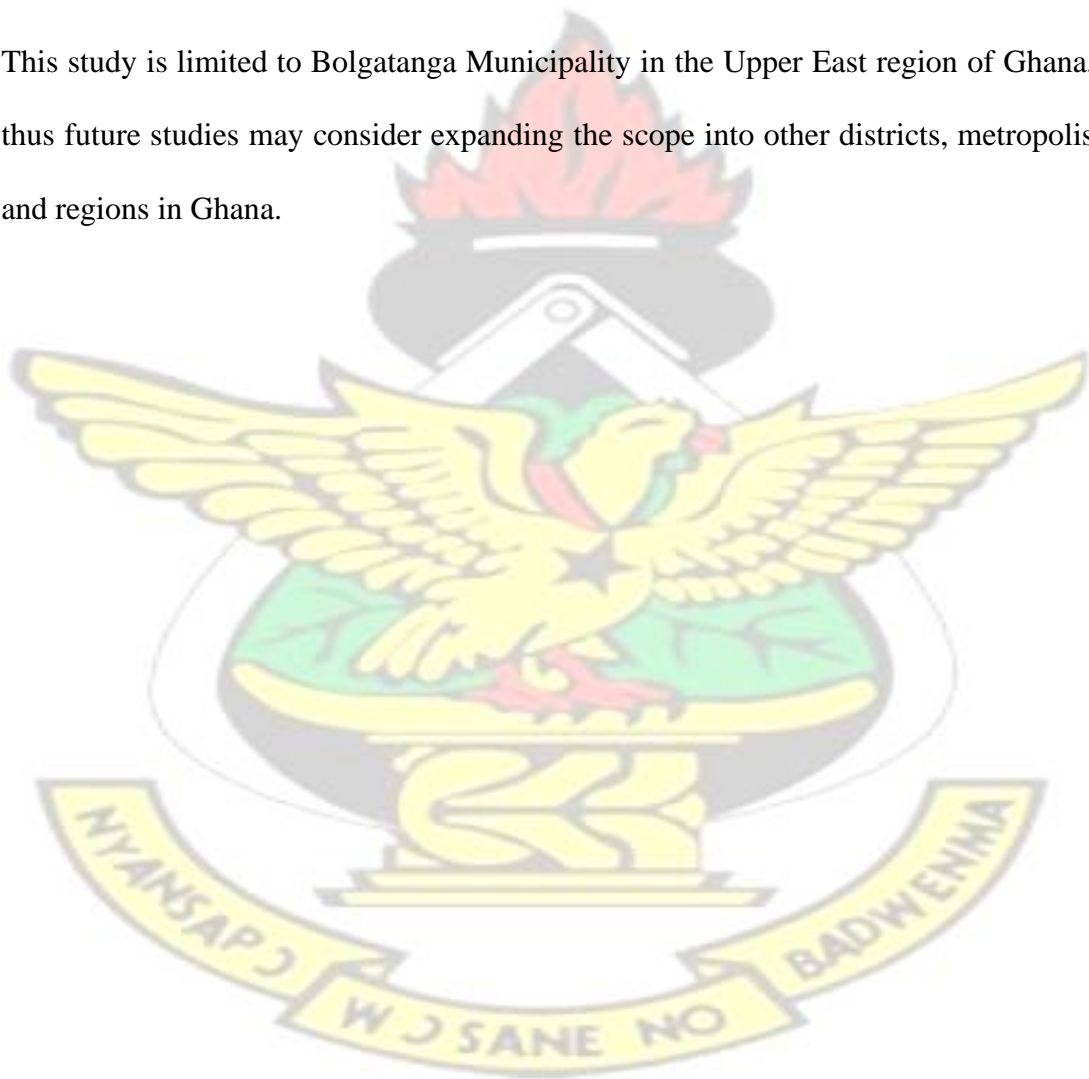
Also, as the examination uncovered, some small taxpayers are unconscious of the tax framework in Ghana. For example, most small taxpayers do not have the idea that withholding taxes deducted by a company/business in a month must be paid latest by the 14<sup>th</sup> day of the following month. It is thusly suggested that the GRA ought to teach people in general on understanding the tax framework, tax reliefs and impetuses, record keeping, the premise of processing their assessment obligation and all the more significantly the need to pay personal expense for national development and improvement in addition to other things in order to guarantee full comprehension of the expense framework by the residents. These can be accomplished through duty

training workshops and talks composed at occasional spans and such media, as TV, banners, radio, handbills and portable vans ought to be utilized to help charge battles.

The examination finds solid help for the contention that charge compliance costs profoundly sway charge obedience levels. Therefore, strategy makers should try to make the way toward consenting to tax requirements easy and less exorbitant.

#### **5.4 Recommendation for Further Research**

This study is limited to Bolgatanga Municipality in the Upper East region of Ghana, thus future studies may consider expanding the scope into other districts, metropolis and regions in Ghana.





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## APPENDIX I

### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

#### DEPARTMENT OF ACCOUNTING AND FINANCE

This questionnaire is designed to collect data on the topic “**Determinants of Tax Compliance: A Case Study of Small Taxpayers in Bolgatanga Municipality in the Upper East Region of Ghana**”. Please answer all the questions to the best of your ability. You are assured that all your responses will be treated with utmost confidentiality and be used for research purposes only.

#### Section A: Demographic Data

1. Gender	Male [   ]	Female [   ]			
2. Age	18-25 years [   ]	26-35 years [   ]	36-45 years [   ]	46-55 years [   ]	Above 55 years [   ]
3. Educational level	No formal [   ]	Basic Education [   ]	Secondary Education [   ]	Tertiary education [   ]	
4. Position in the firm	Owners [   ]	Managers [   ]	Accountants [   ]		

#### Section B: Nature of Business

Please, answer the following basic questions on nature of business.

5. Number of years in business	< 1 year [   ]	1– 5 years [   ]	6– 10 years [   ]	11 year s and above [   ]				
6. Number of employees	< 6 [   ]	6-30 [   ]	31-100 [   ]	> 100 [   ]				
7. What	Agro	Manufact	Transpo	Trade	Artis	Hosp	Real	Finan

type of SME?	processing [ ]	mining [ ]	transport [ ]	[ ]	manufacturing [ ]	information technology [ ]	real estate [ ]	financial services [ ]
8. Ownership type of business	Sole proprietorship [ ]	Partnership [ ]	Company [ ]					
9. Annual Turnover	Less than GH¢120,000 [ ]	GH¢120,000 to GH¢5,000,000 [ ]	More than GH¢5,000,000 [ ]					

### Section C: Knowledge of Tax Laws

Please, answer the following basic questions on knowledge of tax laws.

	True	False
10. Research and development expenditure is allowable for tax purpose.	[ ]	[ ]
11. The due date for filing of Self-Assessment returns in Ghana is ending of the month of March following the year of assessment.	[ ]	[ ]
12. As an incentive to hire recent graduates, an additional deduction between 10%-50% of the recent graduates' salary is allowed as a deductible expenditure depending on the percentage of recent graduates employed by the company.	[ ]	[ ]
13. Withholding taxes deducted by a company/business in a month must be paid latest by the 14 <sup>th</sup> day of the following month.	[ ]	[ ]
14. The withholding tax rate applicable to payment for a service is 7.5 %.	[ ]	[ ]
15. It is only business organizations that are obligated to pay	[ ]	[ ]

taxes. Employees employed by those business organizations are not supposed to pay taxes.		
16.The withholding tax rate applicable to payment for goods is 3%	[ ]	[ ]
17.The current corporate tax rate for businesses operating in Ghana is 25%	[ ]	[ ]
18. Every business is supposed to file tax returns on regularly basis even if losses are incurred.	[ ]	[ ]

#### Section D: Tax Education

19.Have your business registered with GRA	Yes [ ]	No [ ]		
20.What is the duration before registering for tax	< 1 year [ ]	Between 1 and 3 years [ ]	Between 4 and 6 years [ ]	
21. Does Ghana Revenue Authority provide education on your tax obligation?	Yes [ ]	No [ ]		
22. If yes to Question 21, How often do GRA does the education?	Daily [ ]	Monthly [ ]	Quarterly [ ]	Annually [ ]
23. Have you attended any of the tax payer education programs?	Yes [ ]	No [ ]		
24. What do GRA train you on?	TIN registration [ ]	Record keeping [ ]	Payment of tax [ ]	Filing of returns [ ]
25. What is the mode of training?	Not useful	Fairly useful	Useful	Extremely useful
Stakeholders sensitization				



Print, radio & TV education				
Social media				
GRA brochures/newsletters				

### Section E: Level of Tax Compliance

26.Do you have Tax Identification Number (TIN)?	Yes [ ]	No [ ]	
27.Have you been paying your income tax regularly?	Yes [ ]	No [ ]	
28.If yes to Question 25, how often do you pay your tax?	Monthly [ ]	Quarterl y [ ]	Annually [ ]

### Section F: Factors that Influence Tax Compliance

To what extent does the following influence tax compliance (5 means “Very Highly”, 4 means “Highly”, 3 means “Fairly Highly, 2 means “Low” and 1 means “Very Low”)

29.Tax Training/ Knowledge	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
30.Tax compliance costs	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
31.Size of Business	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
32.Penalties	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
33.Tax Rates	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
34.Tax Audits	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]
35.Moral reasons	[ 5 ]	[ 4 ]	[ 3 ]	[ 2 ]	[ 1 ]

*Thank you*