THE EFFECTIVENESS AND EFFICIENCY OF TAX MANAGEMENT. A STUDY OF GHANA REVENUE AUTHORITY OFFICE AT ASOKWA.

By

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A thesis submitted to the Accounting Department, University Of Education Winneba, Kumasi in partial fulfillment of requirement for the degree of Master of Business Administration (Finance option)

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DECLARATION

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

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DEDICATION

This study is dedicated to God Almighty for His guidance and protection through the entire programme

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ABSTRACT

The main aim of this study is to investigate the effectiveness and efficiency of tax management using the Ghana Revenue Authority Asokwa office as a study area. The study was descriptive in nature and employed the quantitative method in data collection and analysis. The study population was Two Hundred (200) made up of the staff and management members of Ghana Revenue Authority (GRA) at the Asokwa office in Kumasi. The researcher also adopted the stratified random sampling to select a sample size of One Hundred and Thirty-Two (132) using the formula proposed by Yamane (1967) in determining a representative sample size. Data for the study was also sourced from both primary and secondary sources. The primary data collected was quantitatively analysed using The Statistical Packages for Social Sciences (SPSS) version 20 into descriptive statistics such as frequency distribution tables, comparison of means and standard deviation and a correlation analysis. The findings revealed that GRA has put in key measures so as to achieve efficiency in tax management. Also, prudent measures have been put in place to ensure that the Asokwa division achieve effectiveness in its tax management. Further, there is a positive relationship between efficiency and effectiveness of tax management on revenue generation at GRA, Asokwa office and indicated by the correlation values. In addition, challenges some of which are insufficient administration staff with low skills, high levels of illiteracy among tax payers, lack of adequate resources to sustain and facilitate the operation of tax authorities confront the smooth flow of tax management at GRA. Based on these findings, the researcher recommended that tax authorities should ensure that laws are enforced so that defaulters are penalized. Also, there should be proper documentation of citizen's data so as to easily identify individuals who are mandated by law to pay taxes. Finally, government should adequately resource the GRA with the necessary resources so as to make them efficient and effective in their tax collection.

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

According to Dalton (1920) a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return. Tax is also defined as a compulsory monetary contribution to states revenue, as assessed and imposed by a government on the activities, enjoyment, expenditure, income, occupation, privilege, property etc. of individuals and organizations (Ochiogu, 1994). Pratt and Kulsrud (2001) see tax as an exaction to support the government, which means that tax provides a way for a government to obtain a greater portion of revenue needed to keep it in operations. It can thus far be seen that tax is not just a source of revenue; though it has become a great instrument that governments use to achieve socio-economic goals. Selma et al (1951) defined taxation as the process by which a government obtains supports from its citizens to maintain the economy. Louis (1991) is of the opinion that governments use taxation to raise money for public spending. It can thus be understood that government uses taxation to raise revenue to fund development projects in the country.

Tax is therefore a required payment made on different basis, rates, the category of the citizens that should be subjected to the payments (Ariwodola, 2005). The decision is however, based on the cost of the projects or programme government intends to execute, which is the principal determinant of the budget- size government intends also to judges the basis, rates, the category of citizens, and the time period to pay the tax, on the direction the economy desired and the government's perception of the standard of the living of the citizens. This is why tax is defined as the tool for the directing and the stabilizing the economy. Taxes are not paid directly on the basis exchange contract like any other payments except subsidies paid by government. It is paid by any citizen whether or not the citizen benefits from the government project and programmes finance by the taxes (Rosen, 2009).

Ghana made impressive progress over the early post independence years in developing its economic and social structures. Sustaining the financing of these expenditures through tax revenue has increasingly been called into question following the crisis in 1980's and 1990's (Thisen, 2003). During this period, many Sub-Saharan African (SSA) countries faced difficulties in raising the needed revenue for public purposes. This necessitated tax reforms by several Sub-Saharan African countries including Ghana within the general framework of Structural Adjustment Programmes (SAPs) in the early 1980's. The aim of these reforms was to provide countries with effective revenue mobilization mechanisms that are fairer and more economically efficient so as to increase the tax ratio to GDP, (Kusi, 1991).

There are two basic different types of tax, namely, direct taxation and indirect taxation. Direct taxes refer to that form of taxes collected from the individual or organization on which they are apparently imposed. For example, income taxes are taken from the person who earns the income or in the case of paying gift tax. Direct tax is that tax which is levied on organizations and businesses and as such is paid by such organizations. Direct tax includes capital gain tax, corporate tax, gift tax and income tax. In Ghana, the Domestic Tax Revenue Division has the authority to administer this taxation (ICAG Taxation Study Manual, 2014). Direct tax is very important given that it is a kind of progressive tax and takes more from the people who have more. According to Ali et al. (2001) this ensures a degree of flexibility in the system of tax, increasing the possibility of tax revenues rising as income increases. The progressive ability direct tax makes it ideal for developing countries. For this reason, it promotes distributive justice in developing countries. As Akakpo (2009) said, inequalities are prevalent in developing countries, and with economic development these inequalities tend to become broader. One can understand that the development of a nation relies on the citizens, though it should be based on each citizen's capability to pay tax. It is easy to determine the incidence and yield in direct tax when one makes a comparison with indirect tax. In direct that, there is that certainty which means each taxpayer clearly knows what he is expected to pay, and according to (Akakpo, 2009) yield rises automatically as wealth and population rises. Despite these positives, there is huge administration cost and also the "effect on incentive, enterprise and savings in the case of those with large income, may be considerable" (Ali, 2001).

Indirect taxes are opposite of direct taxation. Indirect taxes are collected from someone other than the person responsible for paying the taxes and are collected by an intermediary body. For example retail stores, taxes are collected through sales, during the purchases tax component from the proceeds are collated for returns. The intermediary body later files a tax return and forwards the tax proceeds to government. Simply put, indirect tax is that tax levied on expenditure. For government to gain maximum revenue from these sources, there should be a closer look at the tax management system. Proponents has it that the effectiveness and efficiency of tax management affect the revenue of government.

The concept of efficiency involves ensuring the existence of five main characteristics that a tax system should incorporate, namely; economic efficiency, administrative simplicity, flexibility, transparency and fairness (Stiglitz and Rosengard, 2015). To achieve this, many governments and local authorities focus on trying to affect larger policy and legislative changes to reform the tax system. That of tax efficiency shows to what extent the tax system has been able to use the existing capacity, therefore, tax system should do its best to achieve the objective, and hence tax efficiency is based on tax effort (Taghavinezhadian, 1990). In the words of Ogbonna and Ebimobowei (2011), due to economic and financial crisis, government at international and national levels has recognized the key role of an efficient and effective tax system in enhancing development, good governance and adequate revenue generation. According to Ogbonna and Ebimobowei (2011), the tax is an opportunity for the government to raise additional revenue apart from other sources of income, required to carry out its obligations. Consequently, the usefulness (effectiveness and /or efficiency) of taxes can be measured by several parameters, some which are its revenue generating capacity and its impact on the consumption and savings patterns in the economy. Even of the totality of the tax system cannot be comprehensively measured, the various types of tax can be subjected to this measurement. Ghana was as among the developing countries that experienced fiscal crises in the 1970s and 1980s.

These fiscal imbalances led to undesirable impacts on domestic prices, interest rates and balance of payments. There are a number of policy instruments that can be used to accelerate growth. According to Ayee (2010), tax reform constitute a major type of policy instrument used in Ghana during the last decade, the country has consistently, spent more revenue than it is able to generate. These deficits have often been financed with foreign aid which underlines the country's aid dependency. As the government needs to spend more on sectors such as health, infrastructure and education. The critical issue has being how to effectively and efficiently mobilize tax revenue using tax instruments that are least harmful to the poor. This will thus reforming the tax systems ensure efficiency. The seriousness of the problem has compelled many developing countries to reform their tax administration systems in order to improve revenue generation (Ayee, 2004).

An effective and efficient tax administration system would enable the governments to collect revenue from domestic sources, and thus reduce their dependence on the foreign aid (Di John, 2010). Tax administration problems in developing countries thus demand the design of tax reforms, as well as a way of dealing with the severe limitations imposed by administrative realities.

1.2 Statement of the Problem

Taxes are used by governments to provide social infrastructure such as roads, hospitals, schools and public services (Obeng, 2006). In Ghana, the Ghana Revenue Authority is the institution tasked to collect taxes on behalf of the government. Over the years, proponents have re-echoed the call for increased budgetary allocations to the revenue services to enable them to improve their performance to meet national aspirations. According to Osei-Dadzie (2009), even though the Ministry of Finance have supported staff by offering them the opportunity to pursue educational programmes as well as organizing management trainings for the heads of districts and sub- districts, there still exists incidences of inefficiency and ineffectiveness in revenue collection. According to the Commissioner of The Customs Exercise and Preventive Services (CEPS) it has almost become acceptable for people to dupe the system and get away with it and thus some seriousness should be made to bear on tax laws so that offenders are dealt with drastically (Osei-Dadzie, 2009). In addition, the tax system lacks qualified people such as Accountants and Auditors whose work impacts rightly on the tax administration. These people with professional competence in the field could make up integral component in raising the of tax administration (Kagina, 2012), coupled with the fact that the tax laws in the country overlap each other. Again, working conditions for employees and upgrading the offices, expanding computer services, purchasing service vehicles, and so on has not been adequate since the initial focus is mainly on internal matters, with less attention been paid to the external relations of the authority. According to Amankwa (2008), reduced motivation of staff make them susceptible to temptation to collude with tax payers to evade tax which is another major challenge faced by tax administrators, an issue, which is not often given the attention that it deserves. All these developments have accounted for some levels of inefficiency and ineffectiveness in revenue collection thus affecting the projected budgetary allocations of government. This study therefore attempt to review the efficiency and effectiveness of tax management in Ghana with the views for remedies the country's dwindling revenue potential for enhanced economic growth and development.

1.4 Objectives of the study

The main aim of this study is to investigate the effectiveness and efficiency of tax management using the Ghana Revenue Authority Asokwa office as a case study area.

The specific objectives therefore are:

1. To assess the efficiency of tax management in Ghana.
2. To assess effectiveness of tax management in Ghana.
3. To assess efficiency and effectiveness of tax management on revenue generation.
4. To investigate the challenges of tax management in Ghana

1.5 Research Questions

1. What is the efficiency of tax management in Ghana?
2. What is effectiveness of tax management in Ghana?

3. What is the efficiency and effectiveness of tax management on revenue generation?
4. What are the challenges of tax management in Ghana?

1.6 Significance of the study

The study will be beneficial for staff of GRA, Asokwa office in proposing ways by which they can ensure effectiveness and efficiency in their tax collection activities.

Also, it will assist the government through its agencies and other policy makers to formulate policies that can aid in effective and efficient tax management. It will help to strengthen the operation of the relevant government agencies such as Ghana Revenue Authority, Central Bank of Ghana (GRA). It will also be a source of reference material for the academic world and/or the general public

1.7 Limitation of the Research

A number of constraints was faced by the researcher during the course of study and these are captured as follows: the researcher will combine academic lectures and professional work with this academic work, the usual busy schedules of prospective respondents resulting in late receipt of questionnaires and/or unanswered questionnaire. Access to data can be a major problem since some officials may not be willing to give sensitive data necessary for the research. Some respondents' feedback may not be suitable for the study as individual differences and disparity can come to play. Due to lack of funds and time frame within which the task is to be carried out, the study is limited to the GRA Office in Kumasi. These constraints can be obviously predictable, but other challenges may crop up during the collection of the primary data. Among them are the misplacement of questionnaire by some respondents and the subsequent failure of some to return it or meet the submission deadline for the research.

1.8 Research Methodology

Research design is an arrangement or a structure for controlling a study (Saunders et al. 2009). It connects the objectives of the study to the data gathered. Hussy et al. (1997) came out with a number of ways of research designs by which a study can be explained or a researcher can adopt for a study and categorizes them as per aim, procedure and result of the research. To achieve the objective of this study, the descriptive design will be used. The descriptive design is chosen because it will help explain the attitude of the selected population in relation to the phenomenon being researched and according to the objectives set and based on the data to be gathered from the study.

The study also employs the case study design as that will help to test the feasibility of a happening on the ground or how it is applied in a day to day activity by applying it ti selected few from the whole. This is achieved by purposefully removing a section of a large group and testing an idea on it. Considering the fact that the study covers a vast area, not all the respondents can be included in the study. It is thus momentous to draw a sample from the population of the three branches of Ghana Revenue Authority to include all of its management and staff. Probability and non-probability methods will be used to select the study. The sample size of 132 staff of the GRA will be used for the study. In terms of the non-probability method, the purposive sampling method will be used to select management and staff of the Ghana Revenue Authority. Data will be collected from both primary and secondary sources, and the website of GRA. Primary data will be obtained for the analysis stage of this study. Primary source of information, according to Hussey and Hussey (1997) is that primary data, the researcher uses data obtained in the course of the study which are from the field survey.

Primary data to be used for this study will be collected by administering questionnaire to respondents to provide answers. The questionnaire will primarily consist of open and closed ended questions. They will be administered by the researcher who is present to help interpret issues where necessary. The questionnaire will be in four sections namely; section A for demographic information, section B to D will talk about the objectives stated above. The literature will guide the development of the questionnaire. The sections will seek to delve deep into the main purpose of study. The data to be obtained from the field will be edited, coded for its consistency and then entered in a computer using Statistical Packages for Social Sciences (SPSS) version 24 to perform descriptive statistics. The results will be organized into sample tables using frequencies, percentages, and bar charts in order to make the presentation of the information easier for understanding.

1.9 Organisation of the Study

Chapter one consists of the introduction, background of the study, statement of the problem, research objectives, research questions, significance of the study, scope and limitations, and the organization of the study.

Chapter two consists of the review of related literature where relevant books, magazine and journals will be reviewed for the study.

Chapter three touches on research methodology which entails research design, methods, population (target and accessible population) for the study, sampling techniques, data collection instruments, data collection procedure and data analysis.

Chapter four comprises the research findings of the study and analysis and interpretation or discussion of findings.

Finally, chapter five presents the summary, conclusion and recommendations of the whole study.

1.11 Ethical Consideration

Creswell (2013) states that ethical consideration in research are critical. Ethics are the norms or standards for conduct that distinguish between right and wrong. They help determine the difference between acceptable and unacceptable behaviours on the part of the researcher. The integrity, reliability and validity of the research findings rely heavily on adherence to ethical principles. The researcher will follow the appropriate guidelines for issues such as human rights, compliance with the law, conflicts of interest, safety, health standards and so on. The handling of these ethical issues greatly impact the integrity of the research project and can affect whether or not the project receives funding. Because ethical considerations are so important in research, many professional associations and agencies have adopted codes and policies that outline ethical behaviours and guide researchers. These codes address issues such as honesty, objectivity, respect for intellectual property, social responsibility, confidentiality, non-discrimination and many others. These codes and policies provide basic guidelines, but the researcher will still be faced with additional issues that are not specifically addressed and this will require decision-making on the part of the researcher in order to avoid misconduct. Ethical issues are important in all types of research. Regardless of the type of research, the researcher should take into consideration both general research principles and those that are more specific to the type of research.

When conducting mixed methods research, it is important to adhere to the principles of qualitative and quantitative research ethics. In quantitative research, ethical standards prevent against such things as the fabrication or falsifying of data and therefore, promote the pursuit of knowledge and truth which is the primary goal of research. In qualitative research, ethical principles are primarily centred on protecting research participants and the guiding foundation of “do no harm”.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses existing materials that are related to the topic under discussion. These materials contained previous studies done in the area of tax management. The sub sections discussed include the theoretical framework of the study, the concept of taxation, history of taxes in Ghana, the Ghana Revenue Authority (GRA), tax policy and reforms in Ghana, tax compliance, concept of tax management, effectiveness in tax management, efficiency of tax management, concept of tax evasion and challenges in tax management.

2.2 Theoretical Framework

Social contract theory is a political theory. It is a theory that stresses an understanding between the ruled and their rules, characterizing the right and obligations of everyone accordingly (Abdullahi, 2012). According to Rousseau (1762) in primitive times as indicated by the theory, individuals were naturally introduced to an anarchic state of nature, which was content or troubled as per the specific version, they then by practicing common reason framed society (Government) by means a contract between themselves. Notwithstanding comparative thoughts can be tracked back to the Greek critic social contract scholar had their most notable century in the seventeenth and eighteenth hundreds of years and are connected with so many names as (Locke, 1960; Rousseau, 1762). What differentiate these theories of the commitment from other traditions of the period was their endeavour to support political power on grounds of individuals toward oneself interest and typical assent. According to Rousseau (1762), the theory of the social varies as indicated by individual's motivation; some were intended to support the force of the saving. Then again some planned to safe monitor the individuals from persecuting by a very power full disjoining. Summarily, the social contract theory is stating that the citizens will be ready to surrender their entitlement to the government just when government guarantees them of satisfactory protection and procurement of social amenities. This is relevant to taxation in which the citizens are eager to pay their taxes just when the government guarantees them of sufficient procurement of social amenities. For example, provision of power/electricity, good roads/streets networking, schools, job opportunities, hospitals/medical facilities, security and so forth. As a rule the taxpayers are frustrated when government neglect to give these civilities regardless of tremendous tax loads that they bear. Therefore, social contact theory help the profit standards of taxation which expresses that each taxpayer ought to hold up under tax burden in connection to the benefit which he or she get from open administrations or public services.

2.3 The Concept of Taxation

From the days of Pharaohs in Egypt to modern day government, tax and taxation has always been part of society. There have being various reasons as to why taxes are being imposed. And there are various tax administration systems that have been adopted throughout history. In order to fund various government projects, tax is introduced as a compulsory charge, levied on individual and entities in a given society. There is a severe punishment for refusal to pay taxes and underpayment of taxes across all nations. Shirley and Karen (2012) defined tax is a forced payment made to a governmental unit that is unrelated to the value of goods or services provided. A tax is there a levy imposed by a government or a legal entity in a country on its citizens. Pratt and Kulsrud (2001) see tax as an exaction to support the government, which means that tax provides a way for a government to obtain a greater portion of revenue needed to keep it in operations. It can thus far be seen that tax is not just a source of revenue; though it has become a great instrument that governments use to achieve socio-economic goals. In that respect, Selma et al. (1951) defined taxation as the process by which a government obtains supports from its citizens to maintain the economy. Taxes are also the compulsory transfer of money from citizens of a country to the government as a source of revenue (Omagor and Mubiru, 2008).

Taxation is a financial charge on income levied by the Government on citizen, corporate entities, businesses or possessions that yield revenue. Similarly it is mean by the compulsory proportional donations from individuals and property possession, imposed by the Government by the virtue of its power for the funding of Government administration and general public necessities (FIRS, 2012). Being an ancient practice, taxation is a source of generating revenue by community or society that form a state to shoulder the public expenditure and improve economic, social and standard of living of the taxpayer's. Taxes are imposed on individuals and corporate income directly or indirectly. Tax that are levied on personal or corporate income of taxpayers are known as direct tax while tax that are impose on sales of good (tangible) and services (intangible) or trade which involve profit/loss is term as indirect tax. Therefore, tax is a monetary liability placed upon persons or belongings maintains to support the government, thus, tax is not a deliberate payment or contribution but rather an enforced role, obtained pursuant by legislative authority and in any contribution imposed by government (Pasher, 2005).

Balunywa et al. (2010) stated emphatically that taxes cannot be avoided without attracting punishments. Tax policies are implemented either to: finance a budget deficit, promote long run growth or counter other influences in the economy (Romer and Romer, 2010).

Taxes differ according to economic policies adopted by governments and are instruments of social engineering in stimulating economic growth (Sani, 2009).

Taxation consists of four principles which are; certainty, equality or equity, convenience and economy (Omagor and Mubiru, 2008). The observance of these rules and regulations for tax assessment, collection and implementation can be referred to as the principles of taxation (Omagor and Mubiru, 2008). These include:

Fairness: Taxes should be fair to taxpayers as well as being aligned with the benefits received by taxpayers.

Economic growth**:** Taxes paid should gear towards the achievement of goals required for the economic growth of a country.

Taxpayers' revenue and expenditure should correspond with their tax liabilities; Convenience: Systems on the manner of paying taxes should be suitable for taxpayers (Omagor and Mubiru, 2008).

The works of Louis (1991) opinioned that governments use taxation to raise money for public spending. It can thus be understood that government uses taxation to raise revenue to fund development projects in the country. There are two basic different types of tax, namely, direct taxation and indirect taxation. Direct taxes refer to that form of taxes collected from the individual or organization on which they are apparently imposed. For example, income taxes are taken from the person who earns the income or in the case of paying gift tax. Direct tax is that tax which is levied on organizations and businesses and as such is paid by such organizations. Direct tax includes capital gain tax, corporate tax, gift tax and income tax. In Ghana, the Domestic Tax Revenue Division has the authority to administer this taxation (ICAG Taxation Study Manual, 2014). Direct tax is very important given that it is a kind of progressive tax and takes more from the people who have more.

This decreases the consumption of luxury goods by the rich and facilitates the diversion of resources from luxury goods production to that of capital construction. According to Ali et al. (2001) this ensures a degree of flexibility in the system of tax, increasing the possibility of tax revenues rising as income increases. The progressive ability direct tax makes it ideal for developing countries. For this reason, it promotes distributive justice in developing countries. As Akakpo (2009) suggested inequalities are prevalent in developing countries and with economic development these inequalities tend to become broader.

One can understand that the development of a nation relies on the citizens, though it should be based on each citizen's capability to pay tax. It is easy to determine the incidence and yield in direct tax when one makes a comparison with indirect tax. In direct that, there is that certainty which means each taxpayer clearly knows what he is expected to pay, and according to Akakpo (2009) yield rises automatically as wealth and population rises. Despite these positives, there is huge administration cost and also the effect on incentive, enterprise and savings in the case of those with large income, may be considerable (Ali, 2001). Indirect taxes are opposite of direct taxation. Indirect taxes are collected from someone other than the person responsible for paying the taxes and are collected by an intermediary body. For example retail stores, taxes are collected through sales, during the purchases tax component from the proceeds are collated for returns. The intermediary body later files a tax return and forwards the tax proceeds to government. Simply put, indirect tax is that tax levied on expenditure.

Basically, this is a tax that is imposed on one person with the expectation that the tax will be transferred to another person. In this case the impact and incidence are on different persons (Akakpo, 2009). Examples of these are custom duty, excise duty and value added tax (VAT). Authorities assigned for this tax are the CEPS and VATS (Ali, 2001). It is called indirect because the tax authorities do not directly deal with the consumer as in tax collection but rather do so indirectly through importers, manufacturers or other intermediaries. The transfer of this tax liability is effected by levying the tax element on the selling price of the commodities to the next person in the commercial chain until it is finally borne by the consumer (ICAG Manual: Taxation and Fiscal Policy, 2014). With indirect tax, the value of the goods determines the rate of duty. Here, the attributes of the commodity determines the tax rate which is also based on a fixed amount (Akakpo, 2009). There are many advantages of this type of taxation. First and foremost, an increased indirect taxation allows for labour market incentives due to the fact that the government can decrease the whole tax on income and capital. This is especially true as income tax and corporate tax rates have been reduced in Ghana over the years. Most people prefer indirect tax to direct tax because they are able to retain more of their income (Ali, 2001). This explains why returns on working extra hours rise when income tax rates are reduced. However, in the case of income tax, people are able to earn a particular target post-tax income with relatively fewer working hours compared to previous working hours before the tax cut (Ali, 2001).

2.4 Brief History of Taxes in Ghana

According to Akoto (2001), income tax was introduced in Ghana when the poll tax ordinance was passed within the period 1852 and 1892. It was however abolished when the poll tax became outmoded. Sir Radford Stanley, the then governor of Gold Coast proposed the imposition of income tax at the rate of six pence in pound sterling of all incomes. The new tax did not last long as a result of serious world-wide economic depression, which made life unbearable. According to Randolph (2011), taxation was introduced in Ghana in the year 1943. Prior to its introduction in 1943, the colonial government made some attempts to introduce it at earlier date. For example, in April 1852, in order to obtain revenue to fund the increased cost of British Administration, the government introduced what it called the Poll Tax Ordinance. Men, women, and children living in districts under British protection were made to pay one shilling (1/-) per head for a year as poll tax ordinance (Akoto, 2001). Some weaknesses in the system of tax collection made these attempts of direct tax introduction fail, coupled with the fact that the first revenue collected were not used for the purpose for which they were introduced. That was how taxation begun in Ghana and since then, there have been important amendments in the tax laws over the past years. Abdallah (2008) observed that Income Tax Ordinance was introduced in 1943 and was the first income tax law. Since there was an Income Tax Act already in United Kingdom, the Ghanaian tax our ordinance was modeled on that act. The ordinance levied the tax primarily on incomes that had their source in Ghana which meant that income from foreign sources was not taxable unless it was remitted in Ghana. Our ordinance contained some numerous personal reliefs and deductions and these were important features of the ordinance. Since its inception, the Income Tax Law has seen diverse changes and modifications.

An example is the Income Tax (Amendment) Ordinance 1952. The initial consolidated edition of the Income Tax Ordinance was released in March, 1953. Subsequent to it was the amendment to the consolidated edition Act 68 in 1961. This was preceded by Act 178 and Act 197 in 1963, and Act 312 in 1965. In September 1966, the second consolidated edition, Tax Decree 1966 (No.78) was released. Again, in December 1975, the Income Tax Decree 1975, SMCD 5, the third consolidated edition was released. In the year 2000, the ruling NDC government introduced new tax laws to manage the administration of income tax, capital tax and gift tax in Ghana and thus, made tax administration generally better in Ghana. The tax policy of the government went through series of transformation until 2009 when the GRA was established under the Ghana Revenue Authority Act, 2009 (Act 791). The Act was given presidential assent on December 31, 2009. The Act was aimed at improving tax payer service and processes in Ghana tax system and custom offices as well as ensuring a high level of compliance by the taxpayer.

2.4.1 Taxation in Ghana

Before 2009, Ghana had various independent institutions and agencies in charge of tax collections and administration. However, in December 2009, the three revenue agencies that is Customs Excise and Preventive Service, Internal Revenue Service, Value Added Tax Service and Revenue Agencies Governing Board Secretariat were merged in accordance with the Ghana Revenue Authority Act, 2009 (Act 791). GRA thus replaces the revenue agencies in the administration of taxes and customs duties in the country. Rai (2004) stated that collections of taxes is mandatory responsibility for all civilized countries. The reasons why taxes should be collected includes; to meet their day-to-day expenses related to maintenance of a free and fair society, to finance developmental activities, to control the economy through fiscal measures, and to a certain extent, to change the economic behavior of people.

Tax administrations modern in era seek to optimize tax collections while minimizing administration costs and taxpayer compliance costs (Okello 2014). There is still room for improvement in the design and delivery of client-focused taxpayer service programs, and better engage with the private sector and other stakeholders. The United states Tax administration, defined tax administration as the administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws or related statutes (or equivalent laws and statutes of a State) and tax conventions to which the United States is a party; and the development and formulation of Federal tax policy relating to existing or proposed internal revenue laws, related statutes, and tax conventions. Tax administration also includes assessment, collection, enforcement, litigation, publication, and statistical gathering functions under such laws, statutes, or conventions. (GAO report 1997).

Research has shown that, tax leakages that occur in developing countries happens due to poor or under–resourced or under–trained administrators, poor tax collection systems, failure of legal enforcement mechanism for tax collection and small penalties for non-payment. These factors make openings for local and external entities to manipulate the system since tax official mostly lack the required technical skills to uncover complex international fiscal structures that are used to escape taxation, and because penalties are insufficient to stop tax evasion (Boakye, 2011). In 1970 the government of Ghana tried to regionalize tax enforcement to the local level. The aim was to achieve district focused public administration. The collection of taxes especially income taxes was hence delegated to the Metro, Municipal and District office of the Ghana Revenue Authority. The main objective of the Ghana revenue authority is ensuring compliance laws. In 2001, a new tax law, The Internal Revenue Act 2000 (Act 592), was passed to administer Direct Taxes. The Internal Revenue Regulations, 2001 (L. I. 1675) was also introduced. There have been a number of amendments to the law and regulations. Bold changes in Ghana's tax administration played a key role in improving the country's revenue mobilization and overall fiscal health (Terkper, 1993).

2.4.2 The Ghana Revenue Authority (GRA)

The Ghana Revenue Authority is the Ghana Government agency responsible for the overall oversight of all the taxation agencies in the country. The authority was established in 2009 as a merger of the Internal Revenue Service (IRS), Customs, Excise and Preventive Service (CEPS), Value Added Tax Service (VATS), and the Revenue Agencies Governing Board (RAGB) Secretariat. Upon its establishment, the GRA issued a statement to the effect that the revenue agencies would therefore, cease to exist and be subsumed into the Ghana Revenue Authority with the passage of GRA Act 2009, (Act 791). This Act established the GRA as a body corporate to replace Customs Excise and Preventive Service (CEPS), Internal Revenue Service (IRS), Value Added Tax Service (VATS) and Revenue Agencies Governing Board (RAGB) for the administration of domestic tax and customs revenue in Ghana. In that regard, Mr George Blankson, the Commissioner-General of GRA explained that under the newly established GRA, the operations units of IRS and VATS had been integrated into the Domestic Tax Revenue Division (DTRD), while the operations and preventive units of the CEPS now formed the Customs Division. As such, all the finance, human resource, administration, information technology and research planning and monitoring, which all constituted the management support functions and were performed by the erstwhile CEPS, IRS, VATS and RAGB, were merged to form a new division called the Support Services Division (SSD). Each of these divisions were then headed by a Commissioner, while the remaining management support functions, including Communication and Public Affairs, Internal Audit, Internal Affairs, Modernization Program Office and Board Secretariat and Legal Affairs were headed by Deputy Commissioners, who reported directly to the Commissioner General. In accordance with the provisions of the GRA Act, 2009 (Act 791), all dealings and businesses with the former revenue agencies were to be redirected to the Ghana Revenue Authority with immediate effect.

2.4.3 Tax Policy and Reforms in Ghana

Taxation is the inherent power of the state to impose and demand contribution upon persons, properties, or rights for the purpose of generating revenue for public purposes. Ghana made impressive progress over the early post-independence years in developing its economic and social structures. Sustaining the financing of these expenditures through tax revenue has increasingly been called into question following the crisis in 1980's and 1990's (Thisen, 2003). During this period, many Sub-Saharan African (SSA) countries faced difficulties in raising the needed revenue for public purposes. This necessitated tax reforms by several Sub-Saharan African countries including Ghana within the general framework of Structural Adjustment Programmes (SAPs) in the early 1980's. The aim of these reforms was to provide countries with effective revenue mobilization mechanisms that are fairer and more economically efficient so as to increase the tax ratio to GDP (Kusi, 1991).

Appropriate policies have been made by the World Bank in reforming tax policies (World Bank Group, 2007). In creating an enabling and suitable environment for the success of businesses, governments reform taxes to garb long term economic objectives (Omagor and Mubiru, 2008). Taxation policies were passed by governments to promote and protect SMEs (Balunywa et al. 2010). According Thisen (2003) probed into tax policies by asking these three questions: How much money should government gather as taxes?; How can tax liabilities be distributed among potential taxpayers?; How can the economic cost of taxation be absorbed or minimised? Irrespective of these questions on tax policies, tax policies should create a serene environment in which SMES can expand their activities. In Ghana, tax policies and reforms have been instituted to ensure compliance to taxes. For example, the Internal Revenue Service (IRS) and the Custom Exercise and Preventive Service (CEPS) were merged into the Ghana Revenue Authority (GRA) to enhance the payments of taxes and to improve efficiency in tax systems. Furthermore, the e-government project was introduced in November 2011 by the government of Ghana to link the GRA to the Registrar General's Department (RGD) in order to electronically keep tabs on the payment of taxes from registered businesses. In 1998, an attempt for the re-introduction of VAT systems failed because of extensive public opposition in 1995. The Value Added Tax (VAT) flat rate scheme was enacted by an Act of Parliament in 2007, Act 734 and it served as an amendment to the VAT Act, 1998, Act 546. For example, the Tax Stamp instituted a flat tax on various SME retailers in Ghana. These SME retailers were grouped into three categories. Category A consists of retail trades; Category B consists of dressmakers, hairdressers, beauticians and artisans; Category C consists of butchers, individual undertakers and traditional healers. Despite these groupings, the Value Added Tax (VAT) flat rate scheme-retailers charged a flat rate of 3% without recourse to input tax.

2.5 Characteristics of Good Tax System

A good tax system is expected to be rational, fair, unbiased and even non-discriminatory in nature and practice. Therefore, a fair tax system should contained good qualities and attributes that distinguish it from bias and lack of credibility. The following attributes are suggested by national tax policies and others as in Compendium of tax and related laws (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014). These attributes are:

Neutral: A tax system that is said to be neutral is expected to be free from any bias through economic activities and hence not excessively castigate effort in support of leisure. This may also include tax income set for saving and even investment more deeply than earnings used for consumption (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Visibility: Taxpayers are always after to see the impact of their taxes to encourage them continue paying. A reasonable number among the populace are not clearly informed and aware that running public affairs by government costs money, therefore, government need monies from taxes to cut across the needs. Precautionary measures should be taking while spending collected proceeds from taxes to match its cost and benefit. This is a crucial factor in many developing nations where the public consider that tax revenues are not properly being effectively administered (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Fairness: This is simply refers to equity and fairness in the tax system. Every citizen is expected to pay tax according to his earnings unless otherwise stated. It is frequently identified as the wealthy individuals pay higher share of their income in taxes due to high earnings than the poor people who earn lower. However, sometimes certain amounts of income are exempted from tax and even individuals to shelter the destitute citizens (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Simplicity: A good tax system have to be simple so that government would easily administer and enforce, and also, less costly from the government side and the taxpayers as well. The eradication of several layers of tax also would provide a simpler tax system that should be ample and relaxed to enforce, comply to and administered. In most developing countries, these are crucial matters concerning the tax systems that need critical consideration. This is due to the facts that, most of the tax laws are complex to understand and above all too old and this allow room for different understandings as well as interpretations when come to practices (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Convenience: A convenient tax system would allow both the taxpayers and tax collectors to easily exercise their function effectively. A good tax system that is very convenient would minimized the cost of administering the collection and hence encourage compliance which in the long run cut off the level of tax evasion. Moreover, convenient tax system would also reduce time taken to collect the due taxes and facilitate the process as a whole (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Administrative Efficiency: The method of imposing and collecting taxes essentially must be administratively effective, efficient, economical and transparent without any ambiguity or distortion. Failure to administer it in an efficient manner would course the collection and enforcement of taxes to be more expensive. This may sabotage the aims of having convenient process of any good and effective tax system. It is unwise administration to spend even half of the taxes on collection and administration process talk less of beyond the half of total taxes (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

Productive: Productive tax system is the system that would provide adequate revenue to the Government. Meanwhile tax payment contains the discharge of money by the taxpayers; where some of them (taxpayers) have assumed various approaches in evading taxes. Therefore, a productive tax system should always look into the loop holes of the tax laws and block them to prevent leakage and improve the revenues due to the government (FIRS, 2012; Leyira, Chukuma and Asian, 2012; and Ovute and Eyisi, 2014).

2.6 Principle of equality of taxation

The principle of equality of taxation is one of the most important principles formulated by Adam Smith which replaced the concept of equity with the concept of equality. With the view of practical implementation of this principle, Smith (1776) merged two separate factors into one: that of benefit and that of the ability to pay. He made the taxable income the measure of these two factors. Adam Smith claimed that the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities, that is, in proportion to the revenue each of the subjects earns under the protection of the state (Gomułowicz & Mączyński, 2016). The taxpayer should primarily be paying for the guarantees of both internal and external security and for the administration of justice" (Gomułowicz & Mączyński, 2016). In the area of the ability-to-pay, considered by Adam Smith as a maxim of taxation equity, he formulated three clear thesis (Gomułowicz & Mączyński, 2016): It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion; no man should pay more in taxes than he can afford to pay; and the minimum rate of income necessary for biological survival should fall outside of taxation.

Smith (1776) clearly had in mind here this particular part of revenue which should be exempted from taxation because it is considered as the minimal necessary means of subsistence for the taxpayer. This statement is supported by yet another point made by Smith: “The necessaries of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principal expense of the rich” (Arendt 2005). Exemptions in income taxes constitute an integral element in the process of the design of a tax system. They allow the tax system to have non-fiscal functions. The scope and amount of such exemptions reflect the state’s priorities in fiscal policy. What needs to be stressed is the fact that such exemptions are primarily given to taxpayers for social and economic reasons. Apart from that, they may be aiming at greater equity in tax distribution, at the growth of businesses as well as at influencing economical decisions made by taxpayers. Independently from these aims, however, tax exemptions always result in the lowering of tax burden and a decrease in public revenues. For these reasons, they are often considered as an alternative to budget expenditure, and thus the state should be actively interested in monitoring their fiscal consequences (Hybka 2014). David Ricardo formulated the Edinburgh rule, which stated concerning the taxpayers: “leave them as you find them”. This rule may be understood to mean that “taxation should leave everyone in a relatively similar financial and proprietary situation in which they were before taxation” (Gomułowicz & Mączyński 2016). This rule illustrates the principle of inviolability of the taxpayer’s property. The sources of tax income constitute the basis for business activity. If over taxation violates or outright destroys this basis, then this will disadvantage production and obstruct the increase of general prosperity (Gomułowicz & Mączyński 2016).

Mill (1963) was another economist who discussed the principle of tax law equality. According to him, the principle of equal treatment of taxpayers means an equal financial sacrifice or an equal loss in property (Gomułowicz & Mączyński 2016). The loss in property equals in worth the loss in revenues caused by the taxes levied. The level of welfare is always correlated with revenues. For this reason, taxpayers whose revenues are equal should pay equal taxes. What logically follows is that inequality in revenues will mean inequality in taxes levied (Gomułowicz & Mączyński 2016). Equal financial sacrifice of taxpayers should result in the equal diminishment of financial advantage. Persons with the same level of revenues receive the same advantage, and this means that they should bear equal sacrifice if they pay the same tax. Mill's concept of equal sacrifice binds the principle of tax equity with the principle of the ability to pay (Gomułowicz & Mączyński 2016). Francis Ysidro Edgeworth was a continuator of Mill's thought. He linked the rate of taxation with the utility curve. In his view, tax burden should be distributed in such a manner that the marginal disutility incurred by each taxpayer should be the same (Gomułowicz & Mączyński 2016). When taxes sustain inequality in property distribution, then the tax burden is incorrectly distributed. Then it is necessary to increase taxation on high revenues with the aim to create a perfect equality in welfare distribution (Gomułowicz & Mączyński 2016).

As early as in 1880, Adolph Wagner, a representative of the socio-political school and the outstanding German scientist, put forward the thesis that proportional taxes negatively affect the lives of the taxpayers, because the same tax rate places unequal tax burdens on different payers. Therefore, the only fair taxation is progressive taxation (Povarova 2016). Adolph Wagner advocated the universality of taxation, with a simultaneous elimination of excessive welfare inequalities in a given society as well as the elimination of acute poverty and destitution, from which numerous social groups suffered, and which could not be alleviated by the market distribution of commodities and revenues. Apart from the fiscal and welfare function of taxation, Wagner saw in taxes the tools with which the state can intervene in economy and politics. This meant a rejection of economic liberalism and market automatism. These additional tasks of the state together with the realization of the ideals of welfare and social equality demanded increased state expenditure. The means for this expenditure should be provided by the universal tax and the reasonable, progressive tax rates for high revenues, with a simultaneous protection of the source of tax and a retention of the motivation to profit (Sosnowski, 2012). Table 1 depicts all of Wagner's tax law principles.

Table 2.1: The classification of tax law principles according to A. Wagner

Category	**Principles**
Fiscal	Stability Efficiency Flexibility
Economic	The inviolability of the taxpayer's property The creation of motivation The rule of one-off taxation
Social justice	Universality Equality
Technical	Low-costs of taxation Convenience Certainty Accuracy and transparency of tax law

Source: Based on Piontek (2003)

The principle of tax law equity contains the principles of vertical equity and horizontal equity. Horizontal equity means that similarly situated taxpayers should be treated equally (Owsiak, 2013). Developed by R.A. Musgrave, this principle thus has clearly a normative character. According to the principle of equity, tax burden should be equally distributed over persons in equal financial situation. Analogically, the principle of vertical equity demands that "dissimilarly situated taxpayers should be treated unequally (Owsiak, 2013).

2.7 Tax Compliance

Tax compliance has been defined differently by academics, professionals, and government agencies. Alm (1991) defined tax compliance as reporting of all incomes and paying of all taxes by fulfilling the provisions of tax laws, regulations and court judgments. Another definition of tax compliance is a person's act of filing income Tax Forms, declaring all taxable income accurately, and paying off all taxes liabilities within the stipulated period without having to wait for follow-up actions from the tax authority (Singh, 2003). Roth et al (1998) explained that taxpayers need to prepare all the relevant information in the Income Tax Forms within the period given, and the forms must report accurate tax liability in accordance with the needs of laws, regulations and court judgments.

According to Russel and Norvig (2010), improving tax compliance needs to have long-term reform efforts, that starts with strengthening the organization as well as management of the revenue agency, implementing robust collection systems notwithstanding building capacity in core tax administration functions (registration, filing and payment enforcement, debt collection, audit, taxpayer services, and processing of appeals).

Gordon (2010), further argues that the technology issue for tax authorities is regarded to be different to that of their taxpayers. There indeed appears to be a general acceptance that technology is likely to play a very essential role in tax management and as such most authorities have invested heavily in the recruitment for or developing their computer audit capabilities. There exists a number of techniques, which have been used to enhance tax compliance. One such method has been through Tax Simplification or Tax System Reform. This has been established to have a number of effects on enhancing compliance, as it helps taxpayers in avoiding inadvertent errors, while limit opportunities for tax evasion. Secondly the other technique which has also been used to enhance compliance is by through the provision of additional enforcement tools for tax authorities. Other techniques include improved taxpayer services like taxpayer education, adoption of modern technology and efficient administration by the tax authorities (Brostek, 2007).

2.7.1 Tax Compliance and Technology

Technological developments are without doubt what has presented governments with an opportunity to develop new guidance requisite for tax administrators, which therefore takes into account a number of wide range of new utility, which are well available to them, as well as the need to make use of these technologies in each instance with some consideration to consistency across tax jurisdictions.

These rapidly increasing pace of technological change is likely to have a significant impact, positive and also negative, direct and indirect, on tax compliance (Erard, 2002). Information technology, which encompasses telecommunications as well as computerized systems, is likely to increase tax processes substantially, with savings in time as well as money, while at the same time affording customers a better service. On the other hand, the human element is also affected by technological changes in different ways, given that it makes jobs more important for some, while at the same time posing a threat to others. All the tax information systems including data bases need to be integrated and also have available the tools required to combat tax non-compliance; facilitate tax compliance and satisfy information requirements at the operational, managerial and internal control levels for the effective management of a modern Tax Administration (Allink and Kommer, 2010). There exists a number of techniques that can be employed today by tax agencies in a bid to capture tax return as well as payment data electronically. In the same regard, electronic methods continue to be used for administrative functions, which include business tax registration among others (Erard, 2002). There is however the need to clearly address the distinctions among various electronic channel alternatives, so as to offer a clarification of the existence of a difference between the communications vehicle from the sender to the receiver, and the form that the data takes. This means that indeed choices made by a tax agency can go a long way in affecting the implementation strategy employed by the state, in no small part because of the varying capabilities of the targeted filer demographic. It follows therefore that these choices are without doubt likely to determine the timeliness with which the agency can make use of the application, as well as the degree of necessity of a commitment to working with other tax authorities.

According to Duncan (2010), technology that has been in use in tax administration varies widely in scope and complexity. Taxpayers also vary widely in their readiness to accept and utilize new technologies. For these reasons, best practices today go a long way in recognizing that indeed there is no one single technology solution for taxing authorities. The major technological advancement used in tax administration include: Internet, E-file, especially Fed/State filing programs, Interactive Voice Response (IVR), Electronic Data Interchange (EDI) and Payment Methods. In terms of tax compliance, exercising this responsibility requires taxpayers to have a systematic approach for managing tax compliance risks, aims to ensure that these risks are properly identified, assessed, prioritized and also treated (Webley, 2004). One of the ways through which to achieve cost effectiveness in tax administration is by use of technology (Bird and Casangera de Jantscher, 2012). The use of technology not only in tax administration but also in e-government as well as e-services already have a certain amount of history, having developed from just simpler past levels to the more sophisticated levels offered today. According to Reinganum and Wilde (2006), improved technology in tax administration alone is not entirely positive, however its benefits include features such as 24/7 access to taxation services, services from the comfort of one’s home, lower services costs, reduced burden on tax officers, as well as automated procedures. However, the most important negatives include high costs, additional communication channels to be managed, additional knowledge requirements, and the need for policies and plans. According to Erard (2002) planning the anticipated costs in e-tax administration, is often limited to the purchase costs for equipment, with many parties neglecting to consider the costs of maintaining and upgrading ICT, educational costs for users both tax officers and taxpayers alike, and costs for additional human resources, for management, and maintenance of ICT (or outsourcing costs).

2.7.2 Impact of Technology on Tax Compliance

The use of the system has brought about a significant improvement in the revenue collection time for tax payers (Holniker, 2005). Revenue mobilization is considered as one of the key factors for economic development of nations and links into national agenda on social wellbeing, poverty reduction and economic development of countries and their citizens. In the context of the international trade environment revenue authorities play a significant role not only in meeting the goals of the governments but also in ensuring effective controls that secure revenue compliance with national laws, ensuring security and protection of society. The efficiency and effectiveness of these authorities' procedures has an important influence on the economic competitiveness of nations and in the growth of international trade and the development of the global marketplace. As government organizations that control revenue generation, these agencies are so much in a unique position to provide increased security to the global supply chain and to contribute to socio-economic development through revenue collection and trade facilitation. According to Travis (2004), modern trading practices make it essential for administrations to offer simple, predictable as well as efficient procedures for the clearance of goods and movement of people while simultaneously tackling increasingly complicated national and international requirements to ensure compliance with national laws, international agreements and meeting security challenges. Travis (2004) also indicated that in a bid to strengthen and go beyond existing programmes and practices, revenue authorities have put in place a regime that seeks to enhance the security and facilitation of revenue collection. A framework of standards is indeed a regime that enhances the security and facilitation of international trade.

According to Sani (2009), automation system helps to improve revenue collection. This is because they are based on the electronic payment system via applications such as toll revenue collection, automatic fare collection, bus revenue system and parking system. Additionally by automating revenue collection, service providers are in better audit trail since all transactions captured can be detailed by time, whom and where. This prevents revenue loss through abuses as all moves are recorded electronically. Automation also provides huge transactions that need to be handled efficiently. According to him, automating revenue collection is key especially within the revenue collection agencies, which therefore requires fast and efficient output, as there will always be a trade-off between control and operational needs.

2.8 Technology and Tax Compliance Sustainability

2.8.1 Tax Administration

The public finance literature usually assumes that the aim of the government when formulating tax policy is mainly maximization of social welfare. This however is well achieved as a result of marginal benefit of government expenditures being equal to the marginal cost of collecting taxes, in addition to the marginal utility of income of the representative taxpayer (Kaplow, 2010). It follows therefore that maximization of societal welfare simply refers to minimization of collection costs. A higher rate of compliance helps the government to collect the same revenue with either lower tax rates and/or a reduced tax authority budget. It means that a high response is likely result from a combination of the two, however it can be assumed that the government simply reacts to a higher than expected compliance rate. Firstly, an increase in compliance results from a higher probability of detection (Kaplow, 2010). A reduction in the tax authority budget on the other hand results in the probability of detection back to its original level. In the event that increase in the audit rate is the reason behind the higher likelihood of detection, the budget cut comes into play to completely restore the initial situation, with the only gain being the reduction in administrative expenses. A higher rate of tax compliance can as well be explained by a shrewder selection of taxpayers for audit (Hunter and Nelson, 2006). It means therefore that improving the selection of taxpayers for audit provides help in collecting the same amount with lower administrative costs. It also minimizes the dispersions that can exists in the effective tax rate given that it focuses the audit efforts on individuals considered which most likely to evade. In the same reasoning, the effective tax rate among taxpayers with a lower probability of evading is likely to decrease. Finally, higher rates of tax compliance can be largely explained by a rise in non-compliance costs. The tax administration can as well increase compliance in the event that it can be more responsive to taxpayers' needs (Thurman, 2010).

2.8.2 Technology and the Taxpayer

Technology needs to make it easier for taxpayers to comply with their tax obligations if it increases the accessibility level as well as the amount of information available, widening the range of payment modalities, reducing the need for taxpayers to visit the office and shortening waiting times for those taxpayers who need help. Advanced internet options, payment via electronic banking services as well as virtual telephone have been developed to achieve these aims. The tax administration agency needs to see the taxpayer as a customer, not as someone who owes money to the Administration. Finally it can be argued that the effective cost of tax administration, collection costs are likely to be positively related to tax compliance. Such a relationship, however, depends largely on the way compliance maximization is achieved. For instance if the only target set for the tax authority is to maximize tax compliance, it will go a long way in allocating its budget such that the last amount spent on enforcement activities offers the same tax revenue as compared to the last amount spent on improving taxpayer services. Hence, it goes without saying that the unconditional maximization of tax compliance is unlikely to reduce collection costs, as well as the additional goal of minimizing compliance costs needs to be imposed explicitly.

Technology is necessary for the tax administration activity as large sets of data needs to be processed. However technology needs not be considered given that the objective, quite the opposite needs to be regarded as a means to gain efficiency. State–of–the–art technology though expensive to purchase and maintain in some cases the results are not so brilliant from the economic point of view. In order to achieve the excellence in the tax administration activity, organisations needs to focus on the customer/taxpayer. As a consequence, the most essential concepts are reducing the period of time between when the tax is generated and the moment it is paid, decreasing the number of the human errors by automating ordinary procedures, therefore making possible to pay the tax any time and almost anywhere, and therefore allowing any employee to help every customer at the office.

Bearing these objectives in mind, it is very easy to infer that indeed technology in tax administration simply means integrated software with a one-stop-shop implementation; comprehensive work flow systems in that every document or form is included in the information system; easy-to-use internet websites that have online information and payment options; customer service network which is connected by fast lines; mobility to allow service in remote areas as well as real-time process monitoring (Andarias, 2006). Most if not all revenue bodies have taken a unique approach to the selection, development and deployment of information technology software applications to support the operation and delivery of their business.

2.9 The Concept of Tax Management

In an increasingly demanding global environment, managing tax responsibilities and planning for tax issues is becoming more complex (Deloitte, 2011). Businesses regularly focus on effective use of resources due to significant resource constraints faced after global economic downturn. Expanding fiscal space and governments' attempts to bridge the fiscal gap often pose excessive tax burden to businesses and create hidden risks to fail in meeting tax compliance. In global context, financial recovery and followed uncertainty require companies to reduce costs and tax authorities to increase revenues. Cross-border transfer of potential risks and losses caused by globalization make companies centralize tax functions and improve tax accounting services, as tax authorities are demanding fair share of tax from their revenues (Deloitte, 2015). Therefore, companies are facing a growing need for adapting smoothly to this changing environment through an effective tax management and planning. In response to volatility in the world economy and its impact on international business environment, governments are changing tax policies to follow the global trends (Deloitte, 2015). Tightened market access, severe competition and narrow tax policies make businesses take prudent and flexible tax management measures to keep a stable financial profile. Approaches of enterprises to tax management are different among large companies and small and medium sized enterprises. Shareholders and boards of directors of large companies often think of reputational risk, brand management and consequent market share reduction derived from poor tax management, while small and medium sized enterprises focus on tax management to increase tax-deducted profits from the sale of goods and services (Deloitte, 2015). Size of enterprise and its operation zones plays the key role in tax management. In some economies companies are taxed in respect to the size of stock capital, number of employers or turnover. In multinational enterprises effective tax management is the central issue, as they operate in several economies and follow different taxation procedures in each economy (Deloitte, 2015).

Moreover, dual taxation brings a doubled challenge to multinational and FDI-based enterprises. Tax management has greater impact on enterprise's performance, as private entities always seek profit and try to avoid taxes by reducing taxable income. Tight fiscal policies in many economies, both developed and developing, influence on assets, liabilities, cash flow, turnover, profitability, investment return, portfolio and shareholder value of an enterprise. In all types of enterprises, managing taxable assets efficiently and smoothing impact of taxes on investment returns are of common problems (Gomułowicz & Mączyński, 2016). Another side of this double-edged problem roots back to tax systems and policies of governments. In most economies taxes are calculated and levied on different tax bases. Particular taxed are levied at the fixed rates in consistent with volume of turnover, revenue, profits from different sources and each source may be levied separately (Gomułowicz & Mączyński, 2016). Consequently, complexity in tax accounting and misreporting may cause data asymmetry in tax authorities and can be found as tax evasion (Deloitte, 2015).

2.9.1 Effectiveness in Tax Management

Tax management is often liked with corporate governance, since fiscal effects in enterprise and tax burden are seen as separate elements of effective business performance (Misrak, 2008). Several theories and concepts were proposed in several literatures which relied on diverse approaches and methodologies that brought contrasting results. The attitudes of many governments, shareholders and boards of directors to the management of tax are changing, managing tax risk and reputational issues are high on the agenda (KPMG, 2014). Large businesses have adjusted the way they approach tax management. This highlights that global business environment heightened sensitivity to financial market volatility and tax policy changes. In last decade's macroeconomic scenario, businesses hardly hit by global financial crisis and became highly vulnerable to any shifts in factors that drive business environment. These factors downsized businesses and market, in consequence, obscured adequate diversification of economic activities and adaption to crisis condition due to weakened financial structure and lowered capitalization, made them highly dependent on loans and debts, which eventually led to regular income losses (KPMG, 2014).

Although tax management has been of growing importance at global scale, business community revisited to it due to sudden explosion of both international financial and commodity markets. According to Lymer and Oats (2009), businesses in most countries confronted with a clear downturn in demand for their goods and services, increased payment delays on receivables, consequent endemic shortage of working capital, fall in liquidity, increase in reported defaults, insolvencies and bankruptcies.

Considering the truth that businesses always need a governmental support at least to survive and need a special public support framework to grow even in normal economic conditions. Loss of profit in businesses and growing unemployment rate in the economy showed a doubled effect in fiscal condition in economies: sudden and significant reduction in budget revenues and increased government spending on welfare. In that context, governments hugely attempted to bridge the fiscal gap by posing new taxes and levies or shifting the rates of existed ones (Thisen, 2003). Consequently, governments' appetite to seek revenues from taxpayers, mainly large financial and non-financial corporations, opened further. A dilemma of governments' double-edged role in business sector interaction unearthed and government support schemes were provided as a lender of last resort (Travis, 2004). Several factors in the economic environment affected the tax compliance systems, including legislation, government policy, public opinion and economic condition. These factors all impact on the compliance procedure, which got narrowed through strict taxation and administrative pressures by tax authorities. Increased attempts of tax authorities and tight tax policies to attract more revenue to bridge the fiscal gap required a careful approach to tax accounting and management. More careful to touch and prudent measures in tax compliance urged sparked the absolute need for rethinking of tax existed tax management practices and revising for coordination with current tax environment (Tanzi et al. 2000).

2.9.2 Measures of Tax Effectiveness

According to Tanzi et al. (2000), the effective factors in the power of the individuals and the society for payment of taxes are determined by two sets of factors which are structural and volitional factors.

The structural factors that determine the ability of the individuals to pay their taxes include the level of per capita income of the economic and the significance of the various kinds of economic activities as well as the macroeconomic policies adopted by the governments. Other factors include the level of development of a culture of tax payment in the society; the position that public opinion holds about the tax system; and the attitude of the citizens towards the government that may be influenced by the quality of public services and the way of allocation of the tax revenues (Tanzi et al. 2000).

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

In general, the expansion of the culture of tax payment in the society in a way that people assume the payment of taxes as their duty, and have a proper understanding of the responsibilities and duties of the government in receiving a percentage of national products and expending it on providing the requirements of the people, would effectively influence the payment of taxes. Some factors that guarantee the ability of the government to effectively collect taxes include the following:

Enactment of appropriate tax laws

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

Statutory Law: Statutory laws governing tax administration and the collection are enacted by parliament. In Ghana, the main, stature is Act 592; Act 2000 was ended by other laws like Act 644, Act 622, Act 791 and others (Terkper, 2003).

Administrative Pronouncement

Administrative authority is given to the MOF to come out with regulations to help interpret and illustrate the values contained in the internal revenue service Act 2000, Act 592 section 114. According to Joshi et al. (2006b), the IRS is also empowered to come out with private ruling private notes and procedures as guideline for enforcing and collection of tax in Ghana (Section 115 and 116).

Judicial Decisions

The other source of laws development is a case or judicial decision law. Decided case of disagreement or misunderstanding on the provision of the law that call in judgment to cases and interpretation may release as any interested person. These are decision or verdicts by the court weight and help in the administration and enforcement of the law (Joshi et al. 2006b).

The accessibility of tax bases

Tax base is highly responsive to economic activities, which is dependent on both the creation of new domestic and foreign investment and expansion of existing capital stock (business productive capacity), which depends on the ease in doing business and further on real expenditure on electricity, roads, health and education (Nwadialor, & Ekeze, 2015).

According to Nwadialor, & Ekeze (2015) tax base broadening includes bringing more of the self-employed into the tax system, subjecting employer-provided fringe benefits and allowances to personal income taxation and reducing the exemptions from value-added taxes. "Bringing more of the self-employed into the tax system", clearly suggests limiting the size of the informal sector. High rate taxes alone do not give rise to informal sector growth as the marginal production cost of the alternative to electricity and accessibility to target markets (transport) to a very significant extent encourages tax evasion and avoidance effort in the informal sector.

Tax rates

According to Stanlake and Grant (1999), the primary objectives of fiscal policy are to generate sufficient revenue to meet government expenditures, to redistribute scarce resources and to stabilize the economy and that the instrument of fiscal policy used to achieve these objectives is taxation and government expenditure. More so, fluctuations in the rates charged on taxes, adjustments in the tax bases and the income tax assessment period can significantly impact tax revenue. Thus, it is self-evident that, fiscal policies guide and direct activities within the economy toward achieving taxation objectives (Leyira, Chukuma and Asian, 2012). Tax rate is a veritable yardstick for measuring the quantum of revenue government expects to generate from taxation within a specified period. Tax rate is therefore important and necessary in an economy. According to and Ovute and Eyisi (2014), it is a fundamental tax revenue generation instrument; it affects every taxable items in the economy, as a determinant of compulsory contribution charged upon persons, properties and businesses by relevant authorities for the support of government, and is crucial to the success, not only of tax revenue generation and provision of social and economic obligations of government but also for equitable distribution of the tax burden. That is, everyone is made to pay his "fair" share (Federal Inland Revenue Service (FIRS), 2012).

Government needs to provide infrastructures such as hospitals, schools, roads, electricity, water, security and other obligations that directly impact the living standards of the people. The rates of tax charged would determine how much revenue the government generates and consequently how many of those infrastructures are provided (Ovute and Eyisi, 2014). If the tax rates are to the effect that revenue generated is not sufficient to meet government obligations, then, it could be that those obligations may not be met or government may go borrowing to finance them and that may likely affect the economy negatively. On the other hand, if the tax policies are lopsided to the effect that much of the revenue that comes from tax goes to one tier of government that control high rated taxable items, other tiers may face difficulty in meeting their obligations to the people due to inadequate funds unless the tax rates are improved (Leyira, Chukuma and Asian, 2012). According to Brennan and Buchanan (1977), the Laffer curve analysis correlates tax rates and tax bases with tax revenue and the result shows that the higher tax rate is less likely the optimum tax rate and that a lower tax rate may reasonably generate more tax revenues than the higher tax rate. Ghaus (1995) finds out that a Laffer curve estimation provides the optimal tax rate (optimal in terms of revenue maximization) and provides tax authorities with evidential convictions to either increase or reduce tax rates depending on the direction of tax policy objectives.

The number of tax sources

Denis (2014) note that the choice of tax could be a direct tax or indirect tax and as such the selection of tax result from financial constraint. All tax sources can be broadly classified into two categories; tax and non-tax. Tax has its functions and can be summarized as follows: (i) Deference and maintenance of law and order (ii) Provision of public utility services such as water and electricity supply (iii) Provision of health services, education and transport services (iv) Provision of economic development and maintenance of an efficient administrative system. Above all, apart from tax revenue other services of government revenue can be classified under administrative revenue, grants and gift, revenue from government properties and others. Ola (2001) states that the tax administrative revenue arises as a result of the administrative activities of the administration and some of these include fees, levies, rate and fines. The grant, on the other hand, refers to monetary assistance given by one government to another, usually by a government at a higher level to another. In relation to this, Okosun and Olujimi (2016) argues that the government may give grants to the state and the local government; it could also be given at the international level by the foreign government or international institution which includes the international development authority (IDA) or the international bank for reconstruction and development (IBRD).

Executive expenditures of tax collection

There are assumptions that changes in government revenues lead to changes in government expenditure. The works of Friedman (1978) developed the hypothesis stating that when government revenues are increasing, the government expenditures also get increased. This positive causality implies that an increase in tax revenues leads to budget deficit. The appropriate policy implication includes taxes reduction in order for government expenditures, and ultimately a budget deficit, to be reduced. In other words, budget deficit cannot be reduced through policies which stimulate the growth of government revenues. For Bucharan and Wagner (1977) there is a negative causality between government revenues and expenditures. The growth of government revenues can make taxpayers unsatisfied with consequent government expenditures since they are aware of the fact that they will have to bear the burden of its increase.

2.9.3 Efficiency in Tax Management

A tax organization, which collects the highest amount of taxes from the existing resources in the fastest possible time duration and with the lowest possible collection costs can be regarded as an efficient organization. It is possible to come to an efficient tax system, only if an institution obtain a scientific attitude towards whatever comes under the category of taxation. If a nation wants to have a macro-structural point of view towards theoretical issues in taxation, the best way is to carry out scientific and academic studies, collect data from tax officers or, in other words, those in charge of collecting taxes and taxpayers (Samiei, 1999).

In a reformed system, the tax rates should be appropriate and rational, the exemptions should be lower in amount, the tax collection organization should be more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense. The tax system in developing countries imposes high expenses on the society. Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources are some of the features of such systems (Farzbod, 2000). So, one can claim that in some countries, the existing tax sources are not utilized in an appropriate manner. The process of tax collection is a long and slow one and accordingly the cost of tax collection is high. In order to create a highly efficient organization, it is necessary to carry out inclusive scientific studies and researcher so as to investigate some effective factors in the efficiency of the tax system, including technology, regulations, tax encouragements and frauds, private sector services and education (Nikchehreh, 2002).

2.9.4 Measures of Tax Efficiency

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

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

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

Furthermore, the relative tax index and tax effort. The tax ratio equals the amount of taxes collected to the gross national product. The tax capacity includes the amount of taxes that the economy of a certain society may afford. Since tax capacity is directly related to the gross national product, so, tax ratio indicates the level of utilization of tax capacity. The efficiency of tax system with tax effort shows to what extent the tax system has been able to use the existing capacity, therefore, tax system should do its best to achieve the objective, and hence tax efficiency is based on tax effort. In case the index of tax attempt is lower than one, the tax system would be inefficient; and in case the ratio equals one, the tax system would be efficient (Taghavinezhadian, 1990). One of the aspects of an efficient tax system is that increase in its tax revenues should be higher and faster than the increase in gross national product. Indeed, this system should be able to appropriately respond to the increase of gross national product.

2.9.5 Efficiency and effectiveness of tax operation in terms of policy implementation

Many tax administrations globally are based on a system of self-assessment, wherein taxpayers have the responsibility to submit tax returns to the relevant tax departments. The governments' collection of revenue is therefore based on a culture of voluntary compliance. A society's tendency towards compliance is, however, largely dependent on the public's perception of the tax administration, which is influenced by the efficiency, effectiveness and equity of the administration. Individuals and companies make a rational decision in choosing whether or not to pay taxes, based on numerous factors relating to tax administration. These factors include the enforcement of tax laws, the probability of being caught if one evades, the penalty associated with the crime of evasion, and the quality of taxpayer service provided to the public. Howard (2001) thus notes that tax administration is multifaceted and inherently difficult, embracing social, economic and psychological issues.

The first such issue influencing the effectiveness of tax administration relates to the enforcement of tax laws. It is argued that tax laws must be enforced in a fair and equitable manner, and that tax administrations should ensure that the application of such laws and regulations are transparent, consistent and fair. This facilitates increased compliance, as it fosters trust of and willingness to comply with tax authorities. One important aspect of the enforcement of tax laws is the heightened probability of detection of delinquent taxpayers. Andreoni et al. (1998) highlight studies which show that the increased likelihood that a taxpayer is audited has a positive influence on compliance levels in a society. It is also argued that the penalties for evasion should be sufficiently punitive to eliminate any utility from the marginal benefit which may be gained from evading taxes. Additionally, these penalties and other provisions in the tax laws must be equitably and consistently applied across different tax types and categories of taxpayers (Howard 2001).

Both the structure and construction of a tax system are important for all countries. Clear and transparent regulations contribute to the increase in foreign investments, making the economy of a given state attractive in this respect. That is why, taking into account the development of economy, it is important to abide by some tax principles in the formulation of the system of taxation (Cuzovic, 2009). These principles have been divided into several groups. The universality of taxation may be understood to mean that taxes should have their origin directly at their economic source, that is, they should be levied on subjects earning income or possessing property. Tax is therefore a burden borne by all subjects producing the object subjected to taxation (Orłowski, 2013).

2.9.6 Efficiency and effectiveness of tax operation in terms of structure

The relatively recent emphasis on the administrative aspects of taxation conforms to the institutional approach to addressing tax evasion and low compliance levels. This approach emphasizes the role of the tax administration as a facilitator and provider of services to citizens. The ability of the tax administration to effectively fulfil its functions is therefore viewed as a vital element in the creation of a culture wherein citizens are inclined to conform to tax laws and regulations (Allink and Kommer, 2010). The threefold objectives of the tax administration are to: encourage voluntary compliance; detect and penalize non-compliance; and render quality taxpayer service. Within the last two decades numerous countries have reformed their tax administration systems with these objectives in mind (Centre for Tax Policy and Administration, 1999). However, a recent comprehensive cross-country study of tax administrations in developed and developing countries noted that a large number of countries still have relatively ineffective tax administrations and high levels of tax evasion.

This is in spite of the existence of relatively good systems and procedures, qualified staff and abundant material resources. The study notes that even after major administrative reform programmes are complete, a broad range of problems exist which prevent the tax administration from operating as effectively as it could (Silvani and Baer, 1997). The problems identified include, inter alia: weak management of the organization, inappropriate use of available technology, ineffective use of available information to control non-compliance, weak collection enforcement, poor coordination between the tax administration and other agencies, and unclear priorities. The efficiency of tax administration in any country thus hinges on the identification and removal of any such bottlenecks in the system. This, however, requires objective and critical self-assessment of the efficiency of the tax administration, as many of these bottlenecks are not visible to persons who are not integrally involved in the process.

2.9.7 Efficiency and effectiveness of tax operation in terms of revenue generation

Compliance levels are also positively impacted by the simplicity of the tax laws, regulations and processes. This is because simplicity in these areas not only improves the effectiveness of tax administrations, but also makes it easier for the public to calculate liabilities and return correct taxes without having to retain the services of accountants and other professionals. This is important, as evasion often results from frustration with complicated calculations, puzzling prescribed forms, and tax processes that make it difficult for taxpayers to fulfil their responsibilities. Frampton (1993) thus notes that simplicity in these areas increases taxpayer compliance, and also leads to a reduction in administrative costs, which result in greater effectiveness and efficiency of tax administrations. Howard (2001) further asserts that the effort to simplify tax laws should also focus on the minimization of loopholes, which encourage tax avoidance.

The effectiveness of tax administrations, and by extension, increased levels of voluntary compliance, is further enhanced by the provision of quality taxpayer service. The provision of such high levels of service is, however, dependent on the extent to which employees in tax administrations are properly educated and trained, and equipped with the necessary tools to effectively execute their duties. Howard (2001) notes that such workers should be 'trained in the relevant techniques required for tax collection, enforcement, and auditing', with emphasis being placed on training in accounting, tax law, information technology, and public administration. He argues that some of the required skills are scare in many developing countries, and highlights the need to recruit specialists from developed countries. Taxpayers should also have ready access to offices or facilities enabling the easy payment of taxes, with increasing emphasis being placed on the introduction of technology to enhance operations. Additionally, measures should be implemented to ensure that employees in tax administrations are not only competent and efficient, but are held to the highest standards of integrity. This can be facilitated by, inter alia, ensuring that taxpayers have access to information regarding their rights, obligations and responsibilities under the law (Howard, 2001).

2.10 Tax Accountability by Government

According to Alm et al. (2012), taxpayers' perception on the fairness of tax systems influences the ability to pay taxes. Revenues generated by taxpayers for the government are expected to be accounted for meaningfully by the state. There should always be a link between compliance to taxes by taxpayers and the tax accountability by the government such as securing the safety and security of individuals including taxpayers' right to property (Thorndike et al. 2009). The existence of tax accountability generally comprise of two parties; the one entrusted with something that results into accountability and the principal who gave the mandate (Moore and Rakner, 2002). Correlation was established between governance and accountability and income tax revenue performance, for example South Africa, Nigeria and Uganda had income tax ratio to good governance score as 14.4%: 69.4%; 2.5%: 49.6%; 3.8%: 57.9% respectively in 2006 (Rotberg and Gisselguist, 2009). The function of the degree to which governments can better the lots of its people is through the state political obligation (Azeez, 2009). The accountability of governments can correspond to tax payment by citizens thereby increasing the willingness to pay taxes and reducing the cost of tax collections. However, the non-accountability of government can also result in the likelihood of the demand of high taxes by the state which may also result in protest and violence by the citizens.

2.11 The Concept of Tax Evasion

Paying taxes is not a favorite of all of citizens, but for the government, and in particular its revenue agencies, tax collection is an important activity. Understanding the spirit behind the tax payment is vital. Tax is defined as a compulsory payment to the authorized bodies and yet no implicit rewards are received by the payer (Lymer and Oats 2009). On the other hand, avoiding tax liabilities could be defined in various ways. Tax evasion or non-compliance describes a range of activities that are unfavorable to a state's tax system. These include tax avoidance, which refers to reducing taxes by legal means, and tax evasion which refers to the criminal non-payment of tax liabilities. Groups that do not comply with taxes include tax protesters and tax resisters. Tax resisters typically do not take the position that the tax laws are themselves illegal or do not apply to them, and they are more concerned with not paying for the particular government policies that they oppose. Tax protesters attempt to evade the payment of taxes by using trivial interpretations of the tax laws, whilst tax resisters refuse to pay a tax for conscientious reasons. The exact meaning of tax evasion has been defined in various ways.

Tax evasion is defined by the United States' Internal Revenue Service (IRS) as an intentional misrepresentation of material facts, performed by the taxpayer with the specific purpose of evading a tax known or believed to be owed. Tax avoidance on the other hand is defined as being intentional, since an act of compliance requires both a tax being due and owed and a fraudulent intent not to pay it (Ritsatos, 2014). Previously, James and Alley (2004) asserted that non-compliance is more than tax evasion and it also includes some forms of tax avoidance. Lewis (1982) perceived tax evasion as any legal method of reducing one's tax bill' and tax evasion is illegal tax dodging. Similarly, Kasipillai, Aripin and Amran (2003) perceived tax evasion as actions which result in lower taxes than are actually owed while tax avoidance denotes the taxpayers' creativity in arranging his tax affairs in a proper manner based on the laws and regulations so as to reduce his tax bill, and this is acceptable in the view of the tax administrator. Kasipillai et al. (2003); Webley (2004); Ritsatos (2014) and Stack (2015) express that noncompliance includes both intentional and unintentional actions. The latter are normally due to calculation errors and inadequate tax knowledge although there are other determinants.

Boll (2015) outlined two major distinctions in intentional tax evasion: Evasion by commission and evasion by omission. Evasion by commission requires an action by the taxpayer, for example claiming deductions or rebates which mean that if a taxpayer is making a false claim, he will get a tax saving (a commission on top of his evading actions). Conversely, evasion by omission is intentional and should be classified as seriously as evasion by commission (Ernawati and Purnomosidhi, 2011). This kind of evasion requires taxpayers to do nothing in the tax return; for example, one would not report his casual income or any cash-based income. Tax evasion or non-payment is also influenced by the intention to disobey (Damayanti et al. 2015; Aini et al. 2013). Defining tax evasion and tax avoidance is important as it will differentiate between legal and illegal actions taken by a person. The negative impacts of evading taxes are various, for example, the national revenues would decrease significantly and thus encouraging a hidden economy in which inequities in the economy would be derived.

2.11.1 Understanding People's Behavior toward Taxes

First and foremost, a government should understand the nation's behavior towards taxes so that the nation would willingly pay the taxes owed. Paying taxes is a voluntary act, even though it is made compulsory by virtue of the laws and regulations passed about this. As tax payments require a high financial commitment in various countries, especially in developing countries, many taxpayers are keen to evade taxes rather than paying the exact amount of tax. Although many previous studies have suggested various determinants which influenced tax evasion, tax evasion is still present in the system and this could reduce national revenues and subsequently diminish national development. Based on Kirchler (2007) the determinants of tax evasion could be divided into four main parts, namely; economic factors (tax rates, tax audits and perceptions of government spending); institutional factors (the role of the tax authority, the complexity of the tax returns and their administration, and the probability of detection); social factors (ethics and attitude, perceptions of equity and fairness, political affiliation and changes in current government policies, referent groups); and individual factors (personal financial constraints, an awareness of the offences and penalties). Kirchler (2007) divided tax evasion determinants into five categories and his study was based on psychological and the tax authority-taxpayers' views namely, the political perspectives, the social psychological perspectives, the decision making perspectives, self-employment and the interaction between the tax authorities and taxpayers.

2.11.2 Factors that Influence Tax Compliance or Evasion

According to the Australian Cash Economy Task Force, (1998) the taxpayer's compliance decision can be affected by psychological, sociological, economic and industrial factors. Jackson and Milliron (1986) listed 14 main factors age, gender, education, income, occupation, status, peers or other taxpayers influence, ethics, legal sanctions complexity, relation with tax authority (IRS), income sources, perceived fairness of tax system, possibility of being audited and tax rate; that have influenced income tax compliance. Various researchers have listed similar factors such as demographic, income, compliance cost and tax agents (Mohani and Sheehan, 2003) in addition to moral or ethical factors (Singh, 2003; Kasipillai et al. 2003). Sour, (2002) listed enforcement elements/factors (such as penalty, audit and tax rates) as having a great influence on tax compliance behaviours. None of these factors, in isolation, can significantly influence the taxpayer's compliance decision. This makes it difficult to study a taxpayer's attitude towards taxation (Fallan 1999). Income tax noncompliance (i.e. evasion) encapsulates failure to submit tax returns when legally obliged to do so, understatement of income tax returns, overstatement of deductions on tax returns, and failure to pay assessed taxes by the due date (Ali-Nakyea Abdallah, 2006). It is non-gender sensitive Friedland, Maital and Rutenberg (1978), recorded more females evading tax while Webley et al. (1992) in three out of four different studies found that men evaded more often than women.

According to Webley et al. (1991), people use the unfairness of the tax system as a justification for evasion. They also note that people who are not society oriented, young, and employed are also most likely to be associated with tax evasion behaviour. Dean et al. (1980) identified greed and financial hardship, government wastage, low chance of detection and the desire to break through the system. The study indicated that tax evasion increases if people believe that they will not be detected. Terkper (2003) identified high compliance cost, large number of entities operating in the informal sector, inadequate record keeping and non-separation of business and private transactions lack of comprehensive SMT's strategies by tax authorities and mobility problems as reasons for tax non-compliance. Bear (2002) also listed aspects of tax structure that can discourage business from joining the formal economy such as; high tax rates, complex tax systems, overly complex procedures (high compliance cost), discretionary application of the tax laws and low risk of evasion been detected. Oberholzer (2005) shows that a significant percentage of respondents believe that government should be transparent in the utilization of taxpayers' money. Delport (2003) notes that taxpayers dislike paying taxes due to the perception that the system is unfair, whiles DeVilliers (1996) postulates that one reason for millions of South Africans not paying tax may be that they are not well informed about tax issues.

2.12 Challenges in ensuring effectiveness and efficiency of tax management

While tax laws impose obligations on tax payers to contribute to government revenues, the actual amount of revenues flowing into the hands of any government depends on the effectiveness of its tax administration (Bird and Zolt, 2005). Weaknesses in revenue collections lead to inadequate tax collections. Not only do developing countries face an uphill battle in bringing individuals and businesses into the taxation process but governments face insufficient administration staff with low skills, high levels of illiteracy among tax payers, lack of logistics and lack of reliable data (Kangave, 2005). A major constraint is the lack of adequate resources to sustain and facilitate the operation of tax authorities. Resources to administer a tax can be generally divided into two categories: human resources and physical resources. Human resources is not only the number of tax officials but also the quality of tax officials. Physical resources cover a wider dimension, ranging from office buildings and office equipment to vehicles and communication systems.

These are the resources required by the human resources in order to ensure compliance with the tax laws. Due to financial constraints, many tax officials lack the accounting concepts that are essential to analyzing returns and this is worsened by lack of adequate training facilities and opportunities. Most of the training are general in nature (Tanzi et al. 2000). Lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration. Until recently, the tax agencies had to rely on manually entering taxpayer data into records books, and keeping a voluminous amount of tax information in print. The other problem is the high levels of illiteracy. According to the census GSS (2010), 51.5% of the adult population in the region is literate. The prevalence of illiteracy inevitably affects tax administration, because taxpayers are unable to file returns or record their income sources and expenditures. Hence tax authorities are usually unable to collect appropriate taxes from such people (Bird, 2003).

CHAPTER THREE

RESEARCH METHODOLOGY AND ORGANISATIONAL PROFILE

3.0 Introduction

This chapter generally seeks to provide the methodological framework around which the study was undertaken. It includes research design, population, sampling techniques, data analysis, statistical tools and techniques used. The chapter also discusses data collection methods and some ethical dimensions. The final part gives a brief profile of the case study area.

3.1 Research Design

According to Burns & Grove (2001), research design is defined as the clearly defined structures within which the study is implemented. Out of the different types of research approaches, the researcher adopted the descriptive approach in this study. This approach was adopted because the study is descriptive in nature since it was conducted to gain new insights, discover new ideas, and for increasing knowledge of the phenomenon (Burns and Groove, 2001). The study was also quantitative in nature. The researcher adopted this approach because it helps in the collection and analysis of information utilizing mathematically based methods (Aliaga & Gunderson, 2000; Muijs, 2010) which focus upon polls, or surveys focusing on gathering numerical data and generalising it across groups of people (Babbie, 2010; Blaikie, 2010).

3.2 Population

The population of the study is made up of the staff and management members of Ghana Revenue Authority (GRA) at the Asokwa office in Kumasi. The total population was therefore Two Hundred (200).

3.3 Sampling Techniques

The sampling technique provided a range of methods that enabled the researcher to reduce the amount of data collected by considering a data from a sample than all possible population or elements. In selecting the samples, the researcher adopted the stratified random sampling (which divides the population into two or more relevant and significant strata based on one or a number of attributes) was used to select the respondents in their respective divisions.

3.4 Sample Size

A sample represents the number of respondents in the population that will serve as a representative of the entire group (Saunders et al. 2009). Hence, for the purpose of this study, the sampling method by Yamane (1967) was adopted in determining the sample size. The formula is presented as; n = N/ [1+N $(e)^2$] (where n = sample size; N = sample frame; and e = margin of error/confidence level. Using a margin of error of 5%, with a population of 200, the sample is calculated below:

$$n = \frac{N}{1 + N(e)^2} = \frac{200}{1 + 200(0.05)^2} = \underline{132}$$

The sample size selected was therefore 132 out of a population of 200 from the three (3) divisions at Ghana Revenue Authority, Asokwa office.

3.5 Sources of Data

The researcher sourced primary data from the staff and management of Ghana Revenue Authority, Asokwa office. The data was sourced from members in the three (3) divisions. Thus these people helped filled the structured questionnaires administered to them. Also, secondary data was sourced and used in the analysis to give interpretation to the results from the study. This data was sourced from the internet, journals, articles etc.

3.6 Data collection

The study used structured questionnaires to collect primary data from the staff and management of the authority. Thus the data collected was mainly through structured questionnaires which were interviewee administered since all the selected respondents could read and write.

3.7 Data Analysis

The data collected from the field was analyzed quantitatively. The quantitative method produced outputs into various descriptive statistics such as frequency distribution tables, comparison of means and standard deviation and a correlation analysis. The mean and standard deviation are measures of dispersion of a set of data by means of simple or arithmetic average of a range of values or quantities, computed by dividing the total of all values by the number of values and a measure of the absolute variability of a distribution respectively. In addition, a correlation describes the relationship between two variables (Glass & Hopkins, 1996). In performing the analysis, specific methods was used for the research objectives outlined. The researcher used the outputs from the frequency distribution, mean and standard deviation for objectives one and two, also correlation analysis was used to determine the relationship between the two variables which are are efficiency and effectiveness on one side and revenue generation on the other side. Finally, the fourth objectives was answered by the use of frequency and bar charts.

3.8 Reliability and Validity of Measuring Instruments

Reliability is the measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda & Mugenda, 2012). The reliability of a quantitative study depends on the reliability of the data collection instruments used in the study (McCrae et al., 2011). Cronbach's α is the most popular measure of an instrument's internal consistency reliability (Mugenda & Mugenda, 2012). Cronbach's alpha (α) relates to the instrument's reliability and not the study's validity.

Also, validity is the extent to which a test measures what it purports to measure (Orodho, 2009). In this study, face validity, construct validity and content validity will be used to validate the research instruments. According to Ary, Jacobs and Razavieh (2010), face validity is simply a matter of the instrument appearing valid for the intended purpose and is especially important to determine because respondents are more likely to complete an instrument that appears to be meaningful and appropriate. Construct validity is the most important form of validity as it often seeks to establish what the test is really measuring (Ary, Jacobs and Razavieh, 2010). In this study, construct validity was determined by identifying the underlying sub-constructs from the literature reviewed and then placing the items into relevant constructs. A test has content validity if it measures the content that it was designed to measure (Ary, Jacobs and Razavieh, 2010). For the purposes of this study, content validity concerns the adequacy with which the sub-constructs adequately sample the content area to be measured.

3.9 Ethical Considerations

There were ethical issues which relate to the principles of voluntary participation. It will be required that people are not coerced into taking part in the research. Also, the notion of voluntary participation is the requirement of informed consent. This means that participants in the research must be fully informed about the procedures and risks involved in the research before allowing them to participate. Ethical standards required that participants are not put in situation where they might be at risk of harm, both physical and psychological, as a result of their participation (Saunders et al, 2009). To address these ethical issues, a covering letter was attached to the questionnaire, which explained the purpose of the research. Before the start of the questionnaire administration, the participants were asked for their consent and they were informed that they were free not to answer any question they were not comfortable with. Also, they were assured that, identifying information will not be made available to anyone who was not directly involved in the study.

3.10 Organizational Profile of Ghana Revenue Authority

The Ghana Revenue Authority (GRA) is a semi-autonomous public institution established by law as a body corporate, to replace the Customs, Excise and Preventive Service (CEPS), Internal Revenue Service (IRS), Value Added Tax Service (VATS) and the Revenue Agencies Governing Board Secretariat (RAGB) for the administration of taxes and custom duties in Ghana. This represents a change in identity for the revenue agencies – CEPS, IRS and VATS. It also means a unitization of the administration of taxes and customs duties in Ghana. The merger of the three revenue agencies into an integrated and modernized revenue authority is part of a worldwide trend in which separate revenue agencies are brought together to achieve efficiency and effectiveness. The GRA as a revenue authority is very strategic in the achievement of national goals. Therefore one important objective of the integration and modernization process is the review and modernization of processes and procedures with the view of improving the quality of service delivery to taxpayers and the general public, create a customer-oriented revenue authority and enhance voluntary tax compliance.

Brief History

In December 2009, the three tax revenue agencies, the Customs, Excise and Preventive Service (CEPS), the Internal Revenue Service (IRS), the Value Added Tax Service (VATS) and the Revenue Agencies Governing Board (RAGB) Secretariat were merged in accordance with the Ghana Revenue Authority Act 2009, Act 791. The Ghana Revenue Authority (GRA) thus replaces the revenue agencies in the administration of taxes and customs duties in the country.

Legal Basis

The passage of the GRA Act in December, 2009 provides the legal framework for the rebirth of Ghana's revenue system through integration and modernization. The establishment law is the Ghana Revenue Authority Act, 2009 (Act 791). This law was passed in December 2009 to achieve three main things:

- Integrate the management of Domestic Tax and Customs
- Modernise Domestic Tax and Customs operations through the review of processes and procedures.
- Integrate Internal Revenue Service (IRS) and Value Added Tax Service (VATS) into domestic tax operations on functional lines.

Divisions of GRA

GRA has three main divisions: Customs Division, Domestic Tax Revenue Division and Support Services Division. The three-winged structure designed to ensure maximum efficiency in the Authority's core business of revenue mobilization merges the management support services of finance, administration, human resource, and research of the erstwhile agencies under one Support Services Division, leaving the Customs Division and the Domestic Tax Revenue Division unencumbered by peripheral functions to focus entirely on revenue collection with Support Services Division supporting them with the required management services.

Vision

To be a world class revenue administration recognised for professionalism, integrity and excellence.

Mission

To mobilise revenue for national development in a transparent, fair, effective and efficient manner.

We will achieve this through:

- Professional and friendly client services
- Promotion of voluntary compliance
- Application of modern technology
- Effective border protection
- A well trained, disciplined and highly motivated staff

Core Values

- Integrity and fairness in our service delivery
- Teamwork, innovation and professionalism are our hallmarks

Motto

Governance Structure

- The GRA Board is responsible for policy formulation, direction and governance.
- The Authority is headed by the Commissioner-General, who is responsible for the strategic direction and day to day management of the Authority's affairs.
- The three Divisions are headed by three (3) Commissioners.

The GRA is responsible for the administration of the following Acts:

- ♣ Internal Revenue Act, 2015, Act 896
- ♣ Taxpayers Identification Numbering System Act, 2002, Act 632.
- ♣ Stamp Duty Act, 2005, Act 689.
- ♣ Internal Revenue (Registration of Businesses) Act, 2005,Act 684.
- ♣ Petroleum Income Tax Act (PNDCL 188 of 1987).
- ♣ Casino Revenue Tax Act (NRCD 200 of 1973).
- ♣ Airport Tax Act, 1963, Act 209.
- ♣ Customs, Excise and Preventive Service (Management) Act. (PNDCL330 of 1993).
- ♣ Gambling Machines Act (NRCD 174 of 1973).
- ♣ Value Added Tax Act, 2013, Act 870.
- ♣ Communications Service Tax Act, 2008, Act 754.
- ♣ Ghana Education Trust Fund Act, 2000, Act 581.
- ♣ Customs House Agents Licensing Act 1978 (SMCD 188)
- ♣ Customs and Excise (Petroleum Taxes and Petroleum Related Levies) Act 1985 (Act 685)
- ♣ Customs and Excise (Duties and Other Taxes) Act 1996 (Act 512)
- ♣ Special Petroleum Tax 2014 (Act 879)
- ♣ The Debt Recovery (Tema Oil Refinery Company) Fund Act 2003, (Act 642)
- ♣ Special Import Levy Act 2013 (Act 861)
- ♣ National Fiscal Stabilization Levy Act 2013 (Act 862)
- ♣ Excise Tax Stamp Act 2013 (Act 873)
- ♣ Excise Duty Act 2014 (Act 878)

Objects of GRA

The objects of the Authority are to:

1. Provide a holistic approach to tax and customs administration;
2. Reduce administrative and tax compliance cost and provide better service to taxpayers;
3. Promote efficient collection of revenue and the equitable distribution of tax burden and ensure greater transparency and integrity.
4. Ensure greater accountability to Government for the professional management of tax administration;
5. Improve information linkage and sharing of information among the Divisions of the Authority;
6. Provide a one-stop-shop service for taxpayers for the submission of returns and payment of taxes;
7. Provide common tax procedures that enable tax payers to be governed by a single set of rules: and
8. Provide for other matters related to the improvement of revenue administration.

Functions

Core Functions of the Domestic Tax Revenue Division

- To identify all domestic taxpayers.
- Assess the taxpayer to tax.
- Collect the tax and penalties assessed.
- Pay all amounts collected into the Consolidated Fund.

Core Functions of the Customs Division

- To collect and protect revenue
- To facilitate trade

- To protect public health and safety
- To contribute to National Security

Core Functions of the Support Services Division

- To manage the Human resource
- To provide financial support
- To provide information technology services
- To build and manage the capacity of human resource
- To undertake research, planning and monitoring (GRA, 2018).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.0 Introduction

This chapter analysed the information on data collected from the respondents. The analysis was done by means of Statistical Package for Social Services (SPSS) version 20 and Microsoft Excel. Frequency distribution tables, comparism of mean and standard deviation and a regression analysis were used to give more meanings to the raw data gathered. In all a total of 132 questionnaires were administered to the respondents and the researchers successfully retrieved 130 which were used in the analysis giving a recovery rate of 98.5% percent.

4.2 Demographic Information

This section discussed the demographic information of the respondents used in the study. Key areas discussed include gender, age, highest educational level, division at GRA that respondent works and length of time respondents have been working with GRA.

Table 4.1 Demographic Information

DEMOGRAPHICS		
Gender	**Frequency**	**Percentages (%)**
Male	80	61.5
Female	50	38.5
Total	**130**	**100**
Age		
Less than 30 years	28	21.5
30 - 40 years	54	41.5
41 - 50 years	33	25.5
51 years and above	15	11.5
Total	**130**	**100**
Highest Educational Level		
SSSCE/WASSCE/GCE 'O'/'A'/ Level	14	10.8
HND/Professional Diploma	38	29.2
Bachelor's Degree	54	41.5
Master's Degree	24	18.5
Total	**130**	**100**
Division of GRA respondent works		
Customs Division	45	34.5
Domestic Tax Revenue Division	63	48.5
Support Services Division	22	17.0
Total	**130**	**100**
Length of time with Ghana Revenue Authority		
Less than 1 year	13	10.0
1-10 years	49	37.7
11-20 years	43	33.1
21 years and above	25	19.2
Total	**130**	**100**

Source: Field Data (2019)

Table 4.1 above explained demographic information that relates to respondents used in the study. From the table, results on gender revealed that 80(50%) and 50(35%) of the respondents were males and females respectively which implied that the results were male dominated since the number of males outweighed females. The age of the respondents also revealed that 28(21.5%), 54(41.5%), 33(25.5%) and 15(11.5%) are less than 30 years, between 30-40 years, 41-50 years and 51 years and above respectively. In relation to the respondents' highest educational level, 14(10.8%), 38(29.2%), 54(41.5%) and 24(18.5%) possess SSSCE/WASSCE/GCE 'O'/'A' Level, HND/Professional Diploma, Bachelor's Degree and Master's Degree respectively. Furthermore, 45(34.5%), 63(48.5%) and 22(17.0%) of the respondents work at the Customs Division, Domestic Tax Revenue Division and Support Services Division respectively. Finally, the respondents of used in for the study have been working with GRA for some number of years ranging from less than a year to over 20 years. From the results, 13(10.0%), 49(37.7%), 43(33.1%) and 25(19.2%) indicated that the respondents have been working with GRA for less than a year, between 1-10 years, between 11-20 years and 21 years and above respectively.

4.3 The efficiency of tax management in Ghana

Table 4.2 The efficiency of tax management in Ghana

	N	Mean	Std. Deviation
GRA collects increasing higher amount of taxes year by year	130	3.476	1.60188
GRA collects adequate taxes from its existing resources within the shortest possible time	130	4.766	1.48611
GRA ensures the lowest possible collection costs of taxes	130	3.082	.81226
GRA ensures that its tax rates are appropriate and rational to taxpayers	130	2.841	.86342
GRA ensures that tax exemptions are lowered especially in amounts paid	130	3.883	1.68215
Valid N (listwise)	130		

Mean score range: 4.51–5 Strongly Agree; 3.51-4.50 Agree; 2.51-3.50 Moderately Agree; 1.51-2.50 Slightly Agree; 1.00-1.50 Disagree
Source: Field Data (2019)

The Table 4.2 above explained the efficiency of tax management in Ghana.

From the table, the statement "GRA collects increasing higher amount of taxes year by year" scored a mean of 3.476 standard deviation of 1.60188. This revealed that about

69.5% of the respondents moderately agree that GRA exhibits efficiency by collecting increasing amount of taxes on year to year basis. This result correspond with the assertion by Taghavinezhadian (1990) that the efficiency of a tax system is its ability to increase revenue compared to that of the previous year.

Also, the statement 'GRA collects adequate taxes from its existing resources within the shortest possible time' scored a mean of 4.766 and a standard deviation of 1.48611. This revealed that about 95.3% of the respondents strongly agreed with the fact that GRA strives to collect adequate taxes from its existing resources within the shortest possible time which is a key measure of their efficiency. This finding is in line with that of Taghavinezhadian (1990) who suggested that GRA amasses adequate taxes from its existing resources within the shortest possible time.

Furthermore, the statement 'GRA ensures the lowest possible collection costs of taxes' scored a mean of 3.083 and a standard deviation of 0.81226 indicating that 61.7% of the respondents moderately agreed that GRA ensures cost minimization in tax collection. This finding correspond with that of Samiei (1999) which suggested that the lowest possible collection costs of taxes can be assumed that the organisation is efficient.

In addition, the statement 'GRA ensures that its tax rates are appropriate and rational to taxpayers' scored a mean of 2.841 and a standard deviation of 0.86342 indicating that a good number of respondents moderately agreed that an efficient tax collection system ensures the organisation makes sure its tax rates are appropriate and rational to taxpayers. This finding agrees with the assertion of Samiei (1999) that in a reformed tax system, the tax rates should be appropriate and rational in order for it to be considered efficient.

Consequently, the statement 'GRA ensures that tax exemptions are lowered especially in amounts paid' scored a mean of 3.883 and a standard deviation of 1.68215. This means that 77.8% of the respondents agreed that tax exemptions are lowered especially in amounts paid by taxpayers in order to enhance efficiency in tax collection. This results corresponds with that of Farzbod (2000) who suggested that as a measure of tax efficiency, exemptions should be lower in amount, the tax collection organization should be more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense.

4.4 The effectiveness of tax management in Ghana

Table 4.3 The effectiveness of tax management in Ghana

Descriptive Statistics

	N	Mean	Std. Deviation
GRA has easily created a fair and equitable tax base among taxpayers	130	3.517	1.60188
Government has put in place prudent measures of spending tax revenue	130	2.855	1.48611
GRA has increased the number of tax sources	130	3.214	.81226
Government has enacted of appropriate tax laws	130	3.021	.86342
GRA has developed commensurate tax rates so as to capture all citizens in the tax net	130	3.240	1.68215
Valid N (listwise)	130		

Mean score range: 4.51–5 Strongly Agree; 3.51-4.50 Agree; 2.51-3.50 Moderately Agree; 1.51-2.50 Slightly Agree; 1.00-1.50 Disagree

Source: Field Data (2019)

Table 4.3 delved into the effectiveness of tax management in Ghana. In that regard, the statement 'GRA has easily created a fair and equitable tax base among taxpayers' scored a mean of 3.517 and a standard deviation of 1.6018. The score showed that the respondents agreed to this statement as a measure of effectiveness based on the mean range score. This measure of achieving effectiveness corresponds with that of Howard (2001) who argued that tax laws must be enforced in a fair and equitable manner, and that tax administrations should ensure that the application of such laws and regulations are transparent, consistent and fair.

Also, the statement “government has put in place prudent measures of spending tax revenue’ scored a mean of 2.855 and a standard deviation of 1.48611. This means that about 57% of the respondents moderately agreed that government prudence in tax revenue expenditure has ensured the tax authorities exercised much effectiveness in revenue generation.

Further, the statement ‘GRA has increased the number of tax sources’ scored a mean of 3.214 a standard deviation of .8123. This indicated that majority of the respondents representing 64.3% moderately agreed that the multiple sources of taxes help in consolidating tax effectiveness. This finding corresponds with the assertion by Denis (2014) who noted that the choice of tax could be a direct tax or indirect tax sources. These cuts across areas such as administrative revenue, grants and gift, revenue from government properties and others. Ola (2001) further added that the tax administrative revenue arises as a result of the administrative activities of the administration and some of these include fees, levies, rate and fines.

In addition, the statement ‘government has enacted of appropriate tax laws’ scored a mean of 3.021 and a standard deviation of .8634. This means that 60.4% of the respondents moderately agreed that the various laws have been enacted by government to ensure that taxpayers pay appropriate taxes. In the context of Ghana, the collection or levying tax is governed by laws and such laws are developed from three main sources, which are statutory, statutory laws and judicial decisions. All these laws are backed by Acts of Parliament.

Finally, the statement 'GRA has developed commensurate tax rates so as to capture all citizens in the tax net' scored a mean of 3.240 and a standard deviation of 1.68215. This means that majority respondents 65% moderately agreed that taxes are designed to match all categories of citizens so as to capture everyone in the tax net. This finding corresponds with that of Ariwodola (2005) who suggested that tax is required payment made on different basis, rates, the category of the citizens that should be subjected to the payments.

4.5 The efficiency and effectiveness of tax management on revenue generation.

Table 4.4 Correlation coefficient of relationship between efficiency of tax management and revenue generation

Correlations

		Revenue Generation	Efficiency of tax management
Revenue Generation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	130	
Efficiency of tax management	Pearson Correlation	.172	1
	Sig. (2-tailed)	.050	
	N	130	130

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Field Data (2019)

The correlation co-efficient of 0.172 means that, there is a positive relationship between efficiency in tax management and revenue generation. This however, is between 0.50 which indicated that the relation between the two is weak even though positive. This implies that even though some measures for tax efficiency has proven to yield the necessary results, its full impact has not been realized. There is a need to consider the whole concept of efficiency in the tax administration system. This positive relationship corresponds with the summation of in the words of Ogbonna and Ebimobowei (2011), that due to economic and financial crisis, government at international and national levels has recognized the key role of an efficient tax system in enhancing development, good governance and adequate revenue generation.

Table 4.5 Correlation coefficient of relationship between effectiveness of tax management and revenue generation

Correlations

		Revenue generation	Effectiveness of tax management
Revenue generation	Pearson Correlation	1	.
	Sig. (2-tailed)		
	N	130	
Effectiveness of tax management	Pearson Correlation	.841**	1
	Sig. (2-tailed)	.000	
	N	130	130

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Field Data (2019)

The Pearson Correlation results in the Table 4.5 above showed the type and strength of relationship between effectiveness in tax management and revenue generation. The fact that GRA puts in measures to ensure effectiveness which automatically results in improved revenue generation have a correlation of .841 indicating a positive and a large relationship between effectiveness of tax management and revenue generation. A significance level of .000 showed a strong significance level since the value is less than 0.01. This results corresponds with that of Howard (2001) who summed it up by stating that the effectiveness of tax administrations provide high levels of service, thus the tax administrations are properly educated and trained, and equipped with the necessary tools to effectively execute their duties which eventually results in revenue generation.

4.6 The challenges in ensuring effectiveness and efficiency of tax management in Ghana

Table 4.6 Challenges in ensuring effectiveness and efficiency of tax management in Ghana

Descriptive Statistics

	N	Mean	Std. Deviation
GRA has insufficient administration staff with low skills.	130	2.239	1.06242
There are high levels of illiteracy among tax payers	130	3.431	1.10628
GRA lacks adequate resources to sustain and facilitate the operation of tax authorities	130	3.169	1.10066
GRA lack reliable data of the citizenry in order to properly determine their tax obligations	130	3.431	1.26331
GRA official lack the needed accounting concepts that are essential in analyzing returns	130	2.469	1.18248
GRA officials lack adequate training facilities and opportunities for further training	130	3.285	1.27124
GRA lacks modern technology that can aid in effective and efficient tax administration	130	3.385	1.08109
Valid N (listwise)	130		

Mean score range: 4.51–5 Strongly Agree; 3.51-4.50 Agree; 2.51-3.50 Moderately Agree; 1.51-2.50 Slightly Agree; 1.00-1.50 Disagree
Source: Field Data (2019)

The table 4.5 above assessed the challenges in ensuring effectiveness and efficiency of tax management in Ghana.

The statement 'GRA has insufficient administration staff with low skills' scored a mean of 2.239 and a deviation of standard deviation of 1.06242 indicating that 44.8% of the respondents slightly agreed this is a challenge that confronts effectiveness and efficiency of tax management in Ghana. This finding also corresponds with the findings of Kangave (2005) who suggested that developing countries face an uphill battle in bringing individuals and businesses into the taxation process since governments face insufficient administration staff with low skills which hinders effectiveness and efficiency.

Also, the statement 'there are high levels of illiteracy among tax payers' scored a mean of 3.431 and a standard deviation of 1.1063. This means that 68.6% of the respondents moderately agreed that illiteracy among tax payers affect effectiveness and efficiency in its payment and collection. This finding agrees with that of Kangave (2005) in developing countries staff with low skills, high levels of illiteracy among tax payers

Furthermore the statement 'GRA lacks adequate resources to sustain and facilitate the operation of tax authorities' scored a mean of 3.169 and a standard deviation of 1.10066. This means that 63.4% of the respondents moderately agreed GRA lacks the necessary resources to sustain and facilitate tax operations. This finding correspond with that of Kangave (2005) who stated that major constraint is the lack of adequate resources to sustain and facilitate the operation of tax authorities. These resources to administer a tax can be generally divided into two categories: human resources and physical resources. Human resources is not only the number of tax officials but also the quality of tax officials. Physical resources cover a wider dimension, ranging from office buildings and office equipment to vehicles and communication systems.

In addition, the statement 'GRA lack reliable data of the citizenry in order to properly determine their tax obligations' scored a mean of 3.431 and a standard deviation of 1.26331. This means that 68.6% of respondents moderately agreed that non documented data of citizen impedes effectiveness and efficiency of tax management. This finding corresponds with the fact that the prevalence of illiteracy inevitably affects tax administration, because taxpayers are unable to file returns or record their income sources and expenditures. Hence tax authorities are usually unable to collect appropriate taxes from such people (Bird, 2003).

The statement 'GRA official lack the needed accounting concepts that are essential in analyzing returns' scored a mean of 2.469 and a standard deviation of 1.18248. This means that 49.4% of the respondents slightly agreed that they lack the necessary financial concepts that are necessary in analyzing tax returns. This finding corresponds with that of Tanzi et al. (2000) who suggested that due to financial constraints, many tax officials lack the accounting concepts that are essential to analyzing returns.

The statement 'GRA officials lack adequate training facilities and opportunities for further training' scored a mean of 3.285 and a standard deviation of 1.27124. This reveals that 65.7% of respondents moderately agreed that there insufficient training facilities and training for staff. This finding corresponds with that of Tanzi et al. (2000) who suggested that lack of adequate training facilities and opportunities impedes the effectiveness and efficiency of tax management.

Finally, the statement 'GRA lacks modern technology that can aid in effective and efficient tax administration' scored a mean of 3.385 and a standard deviation of 1.08109. This means that 67.7% of respondents moderately agreed that there are insufficient technology and equipment needed to aid taxation. This results tallies with that of Tanzi et al. (2000) who suggested that lack of modern technology, especially computers, to facilitate the taxation process is another impediment to effective tax administration.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study explored the summary of findings, recommendations that are stated based on the study and conclusion of the study.

5.2 Summary of Findings

The summary of findings is captured under the objectives which are stated below.

5.2.1 The efficiency of tax management in Ghana

In assessing the efficiency of tax management, statements such as GRA collects increasing higher amount of taxes year by year, GRA collects adequate taxes from its existing resources within the shortest possible time, GRA ensures the lowest possible collection costs of taxes, GRA ensures that its tax rates are appropriate and rational to taxpayers and GRA ensures that tax exemptions are lowered especially in amounts paid all scored higher means indicating that majority of respondents agreed that these statements are measures of efficiency in tax management.

5.2.2 Effectiveness of tax management in Ghana

In understanding the effectiveness of tax management in Ghana, statements such as GRA has easily created a fair and equitable tax base among taxpayers, government has put in place prudent measures of spending tax revenue, GRA has increased the number of tax sources, government has enacted of appropriate tax laws and GRA has developed commensurate tax rates so as to capture all citizens in the tax net all scored high means indicating that majority of respondents agreed that these statements are measures of effectiveness in tax management.

5.2.3 Efficiency and effectiveness of tax management on revenue generation

The Pearson Correlation results showed the type and strength of relationship between efficiency in tax management and revenue generation. The fact that GRA puts in measures to ensure efficiency which automatically results in improved revenue generation have a correlation of .172 indicating a positive and a large relationship between efficiency of tax management and revenue generation. A significance level of .050 showed a weak significance level since the value is more than 0.01. Also, the fact that GRA puts in measures to ensure effectiveness which automatically results in improved revenue generation have a correlation of .841 indicating a positive and a large relationship between effectiveness of tax management and revenue generation. A significance level of .000 showed a strong significance level since the value is less than 0.01.

5.2.4 Challenges of tax management in Ghana

In terms of challenges, whilst the statement 'GRA official lack the needed accounting concepts that are essential in analyzing returns' scored a mean of a low mean indicating only minority of the respondents view this as a challenges. The other statements such as GRA has insufficient administration staff with low skills, There are high levels of illiteracy among tax payers, GRA lacks adequate resources to sustain and facilitate the operation of tax authorities, GRA lack reliable data of the citizenry in order to properly determine their tax obligations, GRA officials lack adequate training facilities and opportunities for further training and GRA lacks modern technology that can aid in effective and efficient tax administration all scored high means indicating that majority of the respondents agreed that these are majority challenges that affect efficiency and effectiveness of tax management.

5.5 Conclusion

Tax is one of the major sources of government revenue which is paid compulsorily by taxable persons in every system of government, taxes are levied not only for the purpose of generating more revenue; it can also be used to stabilize the economy so that macroeconomics objectives of the government can be achieved. As the government needs to spend more on sectors such as health, infrastructure and education. The critical issue has being how to effectively and efficiently mobilize tax revenue using tax instruments that are least harmful to the poor. This will thus reforming the tax systems ensures efficiency and effectiveness. In order to achieve this effectiveness and efficiency in tax management, it is important that the relevant authority enforce tax laws and put in measures to block seepages as well properly document the citizenry in order to realize the ideal revenue needed for development.

5.6 Recommendations

Based on the findings, the researchers recommend that:

- Tax authorities should ensure that laws are enforced so that defaulters are penalized. This is serve as a deterrent to other taxpayers to honour their tax obligations.
- Also, there should be proper documentation of citizen’s data so as to easily identify individuals who are mandated by law to pay taxes.
- Further, government should adequately resource the GRA with the necessary resources so as to make them efficient and effective in their tax collection.

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QUESTIONNAIRES

UNIVERSITY OF EDUCATION WINNEBA – KUMASI

SCHOOL OF BUSINESS

QUESTIONNAIRE FOR STAFF OF GHANA REVENUE AUTHORITY

Dear Respondent,
This research is being undertaken as part of the requirement for the award of a Masters' degree in Finance. The research seeks **to assess the effectiveness and efficiency of tax management in Ghana.** The research is strictly for academic purposes, hence information volunteered would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

Please tick (√) the appropriate response that best answers each question

PART A **Demographics**

1. Gender Male [ ] Female [ ]

2. Age Less than 30 years [ ] 30 - 40 years [ ] 41 - 50 years [ ]
51 years and above [ ]

3. Highest Educational Level SSSCE /WASSCE/G.C.E. '0' and 'A' level [ ]
H.N.D. / Professional Diploma [ ] Bachelor's Degree [ ]
Master's Degree/PhD [ ]
Other, please specify……………………………………………………

5. Which division of GRA do you work Customs Division [ ]

Domestic Tax Revenue Division [ ] Support Services Division [ ]

6. How long have you been working with the Ghana Revenue Authority?
Less than 1 year [ ] 1-10 years [ ] 11-20 years [ ] 21 years above [ ]

PART B The efficiency of tax management in Ghana

With regards to **the efficiency tax of management in Ghana**, please tick **(√)** the appropriate response that best answers each question from a scale of 1 to 5, where: **1= Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree**

S/N	**The efficiency of tax management in Ghana**	**1**	**2**	**3**	**4**	**5**
7	GRA collects increasing higher amount of taxes year by year					
8	GRA collects adequate taxes from its existing resources within the shortest possible time					
9	GRA ensures the lowest possible collection costs of taxes					
10	GRA ensures that its tax rates are appropriate and rational to taxpayers					
11	GRA ensures that tax exemptions are lowered especially in amounts paid					

PART C The effectiveness of tax management in Ghana

With regards to the **effectiveness of tax management in Ghana**, please tick **(√)** the appropriate response that best answers each question from a scale of 1 to 5, where:
1= Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree

S/N	**The effectiveness of tax management in Ghana**	**1**	**2**	**3**	**4**	**5**
12	GRA has easily created a fair and equitable tax base among taxpayers					
13	Government has put in place prudent measures of spending tax revenue					
14	GRA has increased the number of tax sources					
15	Government has enacted of appropriate tax laws					
16	GRA has developed commensurate tax rates so as to capture all citizens in the tax net					

PART D Revenue generation

With regards to **revenue generation**, please tick **(√)** the appropriate response that best answers each question from a scale of 1 to 5, where: **1= Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree**

S/N	**Revenue generation**	**1**	**2**	**3**	**4**	**5**
17	GRA has introduced simple ways by which the public can calculate tax liabilities due them					
18	GRA has simplified tax administration resulting in reduced administrative costs					
19	GRA has minimization loopholes in its systems which has lessened encourage tax avoidance.					
20	GRA employee has been properly educated and trained, and equipped with the necessary tools to effectively execute their duties					
21	GRA ensures that taxpayers have ready access to offices or facilities enabling the easy payment of taxes					

PART E The challenges in ensuring effectiveness and efficiency of tax management in Ghana.

With regards to **the challenges in ensuring effectiveness and efficiency of tax management in Ghana**, please tick **(√)** the appropriate response that best answers each question from a scale of 1 to 5, where: **1= Strongly Agree 2=Agree 3=Neutral 4=Disagree 5=Strongly Disagree**

S/N	**The challenges in ensuring effectiveness and efficiency of tax management in Ghana**	**1**	**2**	**3**	**4**	**5**
22	GRA has insufficient administration staff with low skills.					
23	There are high levels of illiteracy among tax payers					
24	GRA lacks adequate resources to sustain and facilitate the operation of tax authorities					
25	GRA lack reliable data of the citizenry in order to properly determine their tax obligations					
26	GRA official lack the needed accounting concepts that are essential in analyzing returns					
27	GRA officials lack adequate training facilities and opportunities for further training					
28	GRA lacks modern technology that can aid in effective and efficient tax administration					

Thank you so much for your cooperation