

UNIVERSITY OF EDUCATION, WINNEBA

**THE INCIDENCE OF TAX EVASION ON REVENUE MOBILIZATION IN
GHANA**

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DECLARATION

Student's Declaration

I, Eyram Yaa Migbodzi, declare that this thesis, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

Signature:

Date:

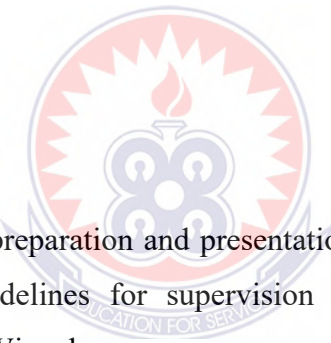
Supervisor's Declaration

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of thesis as laid down by the University of Education, Winneba.

Name of Supervisor: Madam Mavis Poggi

Signature:

Date:



DEDICATION

This work is dedicated to my dear parents, Mr. & Mrs. Migbodzi.



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I do extend my sincerest appreciation to my ever-ready-to-assist supervisor, Madam Mavis Pobbi, of University of Education Winneba, who encouraged me throughout the work and, like an angel, guided me and gave me a better insight into the study.

The fundamental of every research work is to first identify a problem. At that very fundamental stage of identifying a problem that warrants a study, he was right there and he assisted through it all till the very last sentence of this work my husband Mr. Gideon Odame Agyiri, *many thanks* for everything.

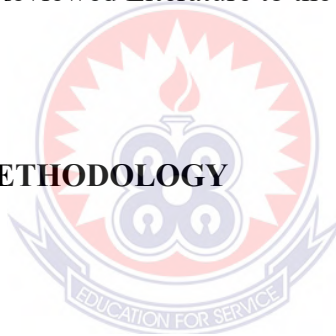
A special gratitude to my family who has supported me in diverse ways in every aspect of my life especially placing so much importance on my wellbeing and academic performance.

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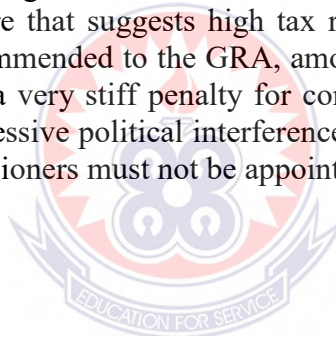
LIST OF ACRONYMS

AC	Assistant Commissioner
ANMA	Ablekuma North Municipal Assembly
ARO	Assistant Revenue Officer
CD	Customs Division
CEDM	Compliance, Enforcement and Debt Management
CEPS	Customs, Excise and Preventive Service
CFO	Central Filling Office
CIT	Company Income Tax
Covid-19	Coronavirus Disease 2019
CRO	Chief Revenue Officer
CST	Communications Service Tax
DTRD	Domestic Tax Revenue Division
EPOS	Electronic Point Of Sales Device
GETFund	Ghana Education Trust Fund
GFI	Global Financial Integrity
GoG	Government of Ghana
GRA	Ghana Revenue Authority
GRA P&P	Ghana Revenue Authority Policy and Programs
GUIN	Ghana Card Unique Identification Number
ICT	Information Communication and Technology
ID	Identification
IRS	Internal Revenue Service
KPMG	Klynveld Peat Marwick Goerdeler
LI	Legislative Instrument

LTO	Large Taxpayer Office
MMDAs	Metropolitan Municipal and District Assemblies
MSMEs	Micro Small and Medium Enterprises
MTO	Medium Taxpayer Office
NABCO	Nation Builders Corps
NBSSI	National Board for Small Scale Industries
NHIL	National Health Insurance Levy
OECD	Organisation for Economic Co-Operation and Development
PAYE	Pay As You Earn
PIT	Personal Income Tax
PRO	Principal Revenue Officer
RAA	Revenue Administration Act
RAGB	Revenue Agencies Governing Board
RGD	Registrar General's Department
RO	Revenue Officer
SMEs	Small and Medium Sized Enterprises
SPSS	Statistical Package for Social Sciences
SRO	Senior Revenue Officer
SSD	Support Services Division
STO	Small Taxpayer Office
TIN	Taxpayer Identification Number
TPS	Taxpayer Services
TRIPS	Total Revenue Integrated Processing System
TSCs	Taxpayer Services Centres
VAT	Valued Added Tax

ABSTRACT

The very basis for the survival of every state is tax revenue which has been in existence for several centuries. It is argued that Ghana is unable to meet its developmental needs due to tax revenue losses and for this reason, several research has been undertaken to unravel the very root cause. The incidence of tax evasion especially within the informal sector is a major concern for developing states. After having seen some gaps in some earlier works, it was very important to launch research to unravel the incidence of tax evasion within the context of a very typical informal sector like Abossey Okai in Accra, Ghana, and to find its effect on tax revenue mobilization. The study sought to examine the magnitude of the problem and the factors leading to the same. Since tax evasion affects revenue mobilization, it was important to examine the revenue mobilization performance in Abossey Okai, while assessing the strategies being employed by the tax authorities to reduce tax evasion. The sample size used for the study was 306 tax payers and 10 GRA tax officers. The study employed the mixed method design and also adopted a survey approach where questionnaires were administered to both taxpayers and tax officers, followed up with interviews and investigations. Data was analyzed with the use of the SPSS. Analysis of the responses demonstrated that the rate of tax evasion in that enclave is very high and the main factor leading to tax evasion is lack of enforcement of the tax laws, contrary to most literature that suggests high tax rate and/or lack of education as a major factor. It was recommended to the GRA, among others, to enforce the tax laws to the latter, to institute a very stiff penalty for contravening any section of the law and above all to stop excessive political interference where the GRA's Commissioner General and the Commissioners must not be appointed by the government of the day.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Governments around the world are losing over \$427 billion each year to tax avoidance and evasion as companies and wealthy individuals shift their money to tax havens, according to a comprehensive new report that urges an overhaul of the “broken” tax system. Poorer countries, meanwhile, are losing a larger share of their total tax revenue to abusive practices about 5.8% vs. 2.5% in high-income countries, according to the report, which analyzed data from 2016 and 2017.

The missing tax revenue is particularly harmful during the coronavirus crisis, when many countries are struggling to combat infections and support ailing economies and workers, according to the report from the Tax Justice Network, the Global Alliance for Tax Justice, and a trade-union group called Public Services International. According to the November 19, 2020 edition of the Washington Post, researchers found that Africa loses about \$25 billion a year, mostly from corporate tax abuse and tax evasion and that equals about 7% of the continent’s average tax revenue each year.

In 2018 fiscal year, the Ghanaian government planned to spend \$13.9 billion. Presenting the government’s fiscal policy to parliament, the finance minister of Ghana, said the budget, with the theme “Putting Ghana Back to Work”, would continue and expand programs that began in 2017 and initiate new strategic programs in 2018. This expenditure, the minister said, was financed from revenue and grants expected to reach 51 billion cedis in the 2018 fiscal year. Domestic revenue for 2018 was estimated at 50.5 billion cedis, representing an annual growth of 26.9 percent,

while non-tax revenue was estimated at 8 billion cedis, equivalent to 3.3 percent of GDP. From development partners, the government expected to receive 586.8 million cedis. During the period, domestic revenue fell short of the target by 13.8 percent, driven mainly by a sharp drop in tax revenue. Tax revenue fell short of the target and accounted for 75.8 percent of the drop in total revenue, caused mainly by shortfalls in income taxes and import duties.

Arguably, the most popular mantra in Ghana is –Ghana Beyond Aid” – a phrase made by Ghana’s president during his inaugural speech in 2017. Indeed, the only way any country, and for that matter Ghana can survive is to have an economy void of aid. The one and only one way to achieve that is to depend solely on the country’s tax and non-tax revenue. However, the major problem faced by many countries, Ghana inclusive, is the deficiency in mobilizing tax revenue to drive the economy and to expand development. In a country like Ghana whose economy is mainly driven by the informal sector, research has shown that tax evasion is a major setback to mobilizing tax revenue.

The problem of tax evasion within the informal economy and sector in developing countries such as Ghana has received a lot of attention nowadays and this paper seeks to review existing debates, draw attention to exactly how the state Ghana is being affected by the menace, highlight recent innovations and efforts from a state-oriented perspective and eventually conclude on how to strengthen informal sector taxation. Whether taxation of the informal economy is justified or not has been a subject of long-standing controversy. In the view of critics, the potential revenue yields are low, administrative costs are high, tax incidence is likely to be regressive, and tax enforcement risks expose vulnerable firms to harassment (Keen, 2012). However,

nowadays attention is being drawn to the potential benefits of informal sector taxation and the prospects.

The informal sector forms a large and, in many countries, a growing share of GDP, and thus represents a potentially significant source of tax revenue for cash-strapped governments (Montenegro, Schneider & Buehn, 2010; Schneider & Klinglmaier, 2004). It is therefore important to review and assess research about the potential revenue loss as a result of tax evasion, to consider alternative strategies for taxing informal sector firms which might make it difficult to evade, to explore the relevant technical and political reform that can increase voluntary tax compliance. Our ultimate interest is not primarily in bringing to light the level of tax evasion in Ghana, but rather to what extent the state is losing revenue for that area and another area alike and practical ways of raking in good tax revenue considering how the system can be made more effective and equitable.

Tax revenue mobilization is mainly achieved by the Government of Ghana through the Ghana Revenue Authority who is charged with the task of assessing, collecting, and accounting for tax revenue in Ghana. Tax officials are faced with the issue of tax avoidance and tax evasion which mostly render them ineffective in meeting revenue targets which to a large extent is a major factor to achieving the Ghana Beyond Aid agenda by the Government of Ghana.

With the urgent need to boost tax revenue collection in Ghana from the current average tax-to-GDP ratio of 13 percent to 20 percent, the Ghana Revenue Authority (GRA) has embarked on several reforms and initiatives to reduce non-compliance with tax obligations for various tax types. These include improving the effectiveness of taxpayer services and improving the business environment, albeit with slower

progress in the reformation agenda since 2014. Improvement of taxpayer services is one key area with some level of progress. A range of products, tools, and processes with varying mediums to reach taxpayers have been developed. Currently available channels of taxpayer service delivery include website, newsletters, written and email correspondence, taxpayer education brochures and publications, tax seminars, television and radio talk shows, and press releases (Sparkman, 2017). GRA has recently introduced and promoted online filing and payment to reduce both the financial and time costs of compliance for taxpayers (Keen, Gaperi, Tait, Komso & Smith, 2019). GRA has also made effort to expand the taxpayer base and has so far achieved a modest result—about 1,394,842 taxpayers were registered in 2019, increasing the number of taxpayers registered with Tax Identification Numbers (TINs) to 3,394,488 as of December 31, 2019 (World Bank, 2020).

Despite this and many interventions made and being put in place, tax evasion continues to take a center stage of non-compliance. While some have blamed the situation on the tax authorities for not living up to expectations with regards to tax administration, others attribute it to the unpatriotic attitude to the taxpayers. It was in the light of these challenging positions that this research was carried out using a survey involving tax authorities and individual taxpayers in Abossey Okai, Accra, a large informal sector.

Tax avoidance and Tax evasion are practices used to practically avoid and pay less of taxes required by persons or entities. Under U.S. law, tax evasion refers to a case in which a person, through the commission of fraud, unlawfully pays less tax than the law mandates. Tax evasion is a criminal offense under federal and state statutes, subjecting a person convicted to a prison sentence, a fine, or both (Slemrod, 2008).

Tax evasion is said to occur when individuals deliberately fail to comply with their tax obligations. The resulting tax revenue loss may cause serious damage to the proper functioning of the public sector, threatening its capacity to finance its basic expenses (Slemrod, 2008). Tax Evasion is a planned and illegal means of intentionally misrepresenting the true state of taxpayers' financial affairs to reduce their tax liability. It also means, manipulating ones' financial affairs in a manner that will help him or her pay less of the tax required of them. For example, for the 2013 fiscal year, only 1.5 million taxpayers out of the estimated taxable population of 6 million pay direct taxes. This represents a significant percentage of 75% rates of evasion.

This study would therefore contribute towards investigating the incidence of tax evasion in the informal sector and how it generally affects revenue mobilization. Findings from the study could serve as a springboard for a future nationwide study regarding tax evasion and tax compliance within Ghana's informal sector in general. The Ghana Revenue Authority and the state as a whole could then draw a comparative analysis to influence policy decisions.

1.2 Statement of the Problem

Universally, tax evasion is considered a crime, which means it is an unlawful act in a global context. However, several reasons have been used to justify tax evasion in our contemporary times, such reasons include high tax rates, illiteracy, lack of proper awareness, corruption in public offices, lack of adequate training for tax officials, embezzlement of tax revenues, loopholes in the tax laws, inability to interpret complex tax laws, weak legal framework and failure on the part of the judicial system to enforce relevant statutes against tax defaulters. In whichever scenario tax evasion occurs, it is usually harmful to an economy especially the evolving economies, in

such a manner that development will keep. Tax Evasion has been a major area of concern for researchers because of a significant loss in revenue expected to be generated from taxes.

The Ghana Revenue Authority in the last five years have met its domestic revenue target thrice; in 2015 where it exceeded its target by more than GH¢600 million, 2019 after the initial target of GH¢46 billion was revised downwards to GH¢43 billion and in 2020 after it exceeded the revised revenue target of over GH¢42.7 billion by mobilizing over GH¢ 45 billion in the wake of COVID-19 pandemic. The fundamental problem of the GRA's inability to meet its target is a result of high non-compliance as several studies have shown.

According to ISODEC (2016) as cited in Oduro et al., (2018), Ghana loses about \$2.1 billion in tax revenue annually due to tax evasion activities of taxpayers. This seems to be the continuing trend since 1970 which in effect reduces government revenue, increases the taxes that compliant taxpayers face, and often reduces the public services that citizens receive.

According to IMF World Revenue Longitudinal Database for 2016 cited in the GRA Strategic plan for 2019-2021, Ghana's tax to GDP ratio was 16.3% and this means that taxes strongly contribute to the economy. The evasion of taxes generally affects the socio-economic development of every nation. The Government however imposes more or high taxes on the other sectors of the economy to raise the required capital to boost the socio-economic development of the country. Such imposition of taxes may hurt the poor thus encouraging these poor citizens to evade taxes. High tax rates or tax cuts may increase the tendency of payment or nonpayment of taxes by citizens. This

problem has a direct impact on revenue mobilization thereby hindering the Government to promote economic growth and development in the country.

Despite the introduction of the tax identification number, vehicle income tax, and value-added tax by Government as some of the measures to help mobilize enough revenue, Government still faces the issue of tax evasion. Low revenue productivity of the tax system is argued to have been attributable to mainly generous tax exemption, low compliance, and tax evasion coming both from a weak tax administration and high tax rate (Osoro, 1995).

Income tax collection from the informal sector seems to be very difficult for tax authorities in Ghana (Agyei, 1984). This difficulty has therefore resulted in high tax evasion in the informal sector. The question one may then ask is what are the reasons for high tax evasion among the informal sector of the economy?

A study by the French Ministry of Foreign Affairs (MAE) on strengthening local taxation in Africa, based on surveys in Benin, Cameroun, Ghana, Mali, and Mauritania, showed that people often refused to pay tax because they could see little in return in terms of government services or investments (OECD, 2008). In Ghana, most employers and firms within the informal sector which the study area falls evade tax. It has been observed that these firms have been issued with VAT receipts and invoices but refuse to issue to their clients after purchase and services rendered. On the other hand, most of the firms in these areas have not registered for Value Added Tax making it difficult for them to be traced when visited by Tax officials. Those who pay direct tax, pay less since their services cannot be directly accounted for because of poor records kept by the owners of the firms. This study fills the gaps left by various researches and as well as contributes to existing knowledge.

This study seeks to throw much light on tax evasion and how tax revenue can be greatly achieved. There is a lack of literature and empirical evidence on how the government can expand its revenue base. The study seeks to evaluate the incidence of tax evasion on tax revenue mobilization using Abossey Okai in the Greater Accra Region of Ghana as a study area.

1.3 Purpose of the study

The purpose of this study is to examine the incidence of tax evasion on revenue mobilization in Ghana

1.4 Research Objectives

The specific objectives of this study were:

1. Examine the extent to which taxes are evaded in Ghana
2. Assess the factors that motivate taxpayers to evade tax in Ghana
3. Examine the effects of tax evasion on tax revenue mobilization in Ghana

1.5 Research Questions

The study sought to address the following questions:

1. What is the extent of tax evasion in Ghana?
2. What are the key motivators and factors of tax evasion in Ghana?
3. What effect does tax evasion have on revenue mobilization in Ghana?

1.6 Significance of the Study

If this research is conducted into the incidence of tax evasion and its effect on revenue mobilization, it will help the relevant stakeholders such as Government, Ghana Revenue Authority, tax administrators, and lawmakers to have an in-depth understanding of tax evasion within the informal sector and how to come up with

better tax administrations, policy formulation, and strategies that will enable government capture businesses into the tax net. This to an extent will help in generating the needed revenue for the government. The work therefore will serve as a reference point for future researchers and a blueprint for policymakers.

This study seeks to identify key motivators of tax evasion by the informal sector, and assess the impact of tax evasion on revenue mobilization.

1.7 Scope and Limitation of the Study

Best and Khan (1993) defined limitation as a condition beyond the control of the researcher that restricts the validity of the study. The focus of the study will be on the key motivators of tax evasion and its effect on revenue mobilization. This will also encapsulate the challenges faced by the tax authorities in capturing the informal sector businesses into the tax net. This research will therefore be restricted to the incidence of tax evasion on revenue mobilization and Abossey Okai will be the major focus. This restriction is due to time, finance, manpower, and logistics. These are constraints outside the control of the researcher.

It may mean this study will be skewed towards the participants who will voluntarily provide information and this could lead to a particular category of participants dominating the findings.

1.8 Organisation of the Study

This work is organized into five chapters. Chapter one discussed the background of the study on the incidence of tax evasion on revenue mobilization in Ghana taken into consideration of the problem statement, objectives of study, and scope of the study. Chapter two dealt with the literature review in the context of defining taxation, its

benefits, reasons for tax evasion, principles of a good tax system, and theories on taxation. Chapter 3 also discussed the research design, study area, population, sample and sampling procedures, research approach, data collection instruments, sources of data, data analysis, validity and reliability of the instrument, and ethical consideration.

Chapter four analyzed the views of taxpayers and tax officers on the incidence of tax evasion on revenue mobilization in Ghana. Finally, chapter five discussed the summary of main findings from the analysis, and conclusions and recommendations were drawn thereafter



CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

A literature review helps the researcher to have an insight into other related research on a particular topic under study as well as provides the basis for the building of further research Saunders et al. (2009). Based on this fact, this chapter reviews some relevant literature on the topic under study.

This chapter of the study presents both theoretical and empirical literature reviews on tax evasion and its effect on the revenue collection performance put forward by different authors. The chapter also sought to discuss in detail the structure and work of the Ghana Revenue Authority and to describe into detail the Abossey Okai enclave and the informal sector as a whole. The chapter aims at identifying existing literature materials that formed the basis for further research in terms of data collection and analysis. Hence the need to look at concepts, principles and theories, models, policies, and empirical study.

2.1 Content of taxation

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. Taxes are generally the major source of revenue to the government for funding public expenditures. According to Cunyat and Sloof (2011), taxation was introduced in Ghana in the year 1943. Despite this, before its introduction in 1943, governments had made some attempts to introduce it already. For example, in April 1852, to obtain revenue to fund the increased cost of the 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 per year as a poll tax ordinance. Cooper, Krever, and Vann (2002) define tax as a compulsory contribution imposed by the government on people or companies and because of its compulsory nature, those who do not pay it are liable to being punished but it is to be paid by those who come under its jurisdiction. Bhatia (2009) suggests that tax is a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite and direct quid pro quo from the government based on tax incidence, taxes are classified into: direct taxes, indirect taxes and trade taxes.

According to the 3rd Strategic plan of GRA, Ghana's tax revenue is largely made of direct, indirect, and trade taxes. A further look into the trends of tax types as a percentage of total revenue is it noted that direct tax accounted for a greater portion of the tax revenue from the year 2015 to 2019 except for 2017 where it recorded a higher percentage of trade tax due to the introduction of the paperless clearing system at the port to promote businesses. As a result, trade tax recorded 43.26%, with direct taxes maintaining 41.03% out of the total revenue. However, among the three tax types, indirect taxes which are mainly expected from businesses like Abossey Okai spare parts dealers are not forthcoming as shown in the table below.

Figure 1: Tax types and collection

Type of Tax	2015	2016	2017	2018	2019
Direct Tax	41.03	39.49	41.03	44.16	49.74
Indirect Tax	22.05	21.42	19.74	20.71	22.85
Trade Tax	36.91	39.09	43.26	35.14	27.41

Source: GRA (2020).

The key task for Ghana Revenue Authority is to increase revenues to help the government achieve the –Ghana Beyond Aid” agenda.

2.2 Benefit of taxes

Taxes are imposed to generate revenue. However, aside from this, they are imposed to protect local industries: Higher taxes may be imposed on products from foreign firms to discourage patronage of their product. In doing this, the government protects the local industry from competition; redistribute income: Higher taxes are imposed on pro-rich sources of income as against pro-poor sources of income; discourage consumption of some commodities: Government imposes higher taxes on commodities to discourage people from buying them as it is priced expensive and stimulate economic growth: Tax incentives and reliefs are available to investors who wish to channel their investment to certain sectors of the economy. These incentives and reliefs are given to encourage participation in a particular sector of the economy.

2.3 The Informal Sector

This work has critically reviewed existing literature on the definition and measurement of the informal sector which continues to be debatable. Quite several researchers have given their working definition of the informal sector.

First, some attempts to measure the informal sector faced the problem of definition (Schneider & Enste, 2000). A commonly used working definition is all economic activities that contribute to the officially calculated (or observed) gross national product but are currently unregistered (Schneider & Enste, 2000). It may be virtually impossible to come up with a universally acceptable working definition of the informal sector.

There are also several theories propounded on the informal sector. These theories have been grouped into four schools of thought and discussed below:

2.3.1 The dualist school

This school was popularized by the International Labour Organization in the 1970s and subscribes to the notion that the informal sector is comprised of marginal activities, distinct from the formal sector, that provide income for the poor and a safety net in times of crisis (Sethuraman, 1976). From the above description, the informal sector exists to help the poor and lower class make a living. The informal sector is a buffer for laid-off workers lays in times of economic recession.

According to this school of thought, the persistence of the informal sector activities is mainly because not enough modern job opportunities have been created to absorb those surplus labor, due to a slow rate of economic growth and/or a faster rate of population growth". Tokman (1976), among others, has however expounded this theory.

2.3.2 The structuralist school

Led by Caroline Moser (1978) and Alexandro Portes (1989), in the late 1970s and 1980s respectively, the structuralists hold a very strong view that the informal sector should be seen as subordinated economic units (micro-firms) and workers that serve

to reduce input and labor costs and, thereby, increase the competitiveness of large capitalist firms. In this model, which is a contrast to the dualist model, different modes and forms of production are seen not just to coexist but also to be inextricably connected and interdependent (Moser, 1978; Castells & Portes, 1989). According to this school, the nature of capitalist development accounts for the high persistence, resilience, and growth of informal production relationships.

2.3.3 The legalist school

Not only did Hernando de Soto champion the legalist ideas in the late 1980s and early 1990s, but he also doubles as the pioneer of the same. He subscribes to the notion that the informal sector is made up of ‘plucky’ micro-entrepreneurs who choose to operate informally to avoid the cost, time, and effort associated with the formal business (de Soto, 1989).

According to De Soto (2000), micro-entrepreneurs will always continue to produce informally so long as government procedures remain cumbersome and costly. In his view, government rules and regulations which they consider as unreasonable are stifling the formal sector (private enterprises). There is therefore a high probability that once rules and regulations are simplified or deemed to be reasonable, the formalization process is likely to reduce the rate of informality by the entrepreneurs.

2.3.4 The illegalist school

The illegalist school, popularized by neo-classical and neo-liberal economists, subscribes to the view that informal entrepreneurs deliberately seek to avoid regulations and taxation and, in some cases, to deal in illegal goods and services (WIEGO). This school is associated with the notion that the informal economy is an underground or black economy. According to this school of thought, informal entrepreneurs choose to operate illegally – or even criminally – in order to avoid taxation, commercial regulations, electricity and rental fees, and other costs of operating formally (Maloney, 2004).

2.4 The Framework of Tax Noncompliance in the Informal Sector

–Noncompliance is said to be a product of the decisions of rule makers as of the actions of the taxpayers” (Kidder & McEwen, 2016). At any single point in time, compliance and noncompliance are the result of decisions of political, legal, and administrative actors and of the behaviour of taxpayers (Lewis, 1982). This suggests that tax noncompliance and for that matter, tax evasion is not only the function of the taxpayers but also the actions and inactions of the –powers that be” in charge of tax administration as a whole.

In studying the tax noncompliance behaviour of the Abossey Okai Spare Parts dealers, which is a subset of the informal sector, this thesis adopts the –typology of noncompliance” presented by Kidder and McEwen (2016). The noncompliance type variables have been discussed below:

2.4.1 Procedural noncompliance

This results from failure to follow rules about when to file and which forms to file. Such violations do not necessarily result in understatement of tax liability but have to

do with the procedures by which the taxpayer declares income and deductions. Compliance with IRS rules and procedures is time and resources consuming hence it is only a few informal sector entrepreneurs who can afford to comply.

2.4.2 Unknowing noncompliance

This involves underpayment of taxes through ignorance of complex, changing, and sometimes ambiguous rules. Since the enactment of the IR Act in 2000 there has been a series of amendments in every year as the government fiscal statement is presented.

2.4.3 Lazy noncompliance

This occurs when individuals discover that they cannot document legitimate expenses for business or health costs or fail to keep track of outside earnings for which there is no withholding. Indeed, recording keeping practices in the informal sector seems to be poor hence the noncompliance.

2.4.4 Asocial noncompliance

This occurs when the income earner arranges his business activities so as to be invisible to the IRS officials. This is done by transacting business in cash and moving from one place to another so as not to attract attention of the tax man. Many informal sector entrepreneurs engage in this form of noncompliance

2.4.5 Symbolic noncompliance

Takes place to protest for perceived unfairness and inequities in tax laws. Refusal to pay tax as a protest against what one perceives as unfair tax laws and abuse of tax revenue by the government officials.

2.4.6 Social noncompliance

This results from peer pressure and social influence on the taxpayer not to comply with the tax laws. This is where network of individuals collectively refuses to pay tax hence anybody in that network must conform to the group norm.

2.4.7 Brokered noncompliance

This takes place upon the advice of a knowledgeable expert such as accountant, lawyer, or bond dealer. The taxpayer is advised by the accountant hired to prepare the accounts not to pay tax and in return accountant may be compensated for nonpayment of tax.

2.4.8 Habitual noncompliance

This emerges over time as the taxpayer establishes a pattern of non-declaration of income or under declaration of income.

2.5 Reasons for Tax Evasion

Taxpayers' willingness to pay taxes differs widely across the world. It cannot be viewed as simply depending on the tax burden. Alm *et al.* (2007) indicate that, taxpayers throughout the world pay more taxes than can be explained by even the highest feasible levels of auditing, penalties and risk aversion. These high levels of tax compliance result from the tax morale of society that fosters self-enforcement of tax compliance. Tax morale is, however, not easy to establish. Especially countries without a deep-rooted 'culture' and habit of paying taxes find it difficult to establish tax morale (Alm *et al.*, 1992). The willingness of the taxpayer to pay tax is influenced by the following factors:

2.5.1 Low quality of the service in return for taxes: In general, citizens expect some kind of service or benefit in return for the taxes paid. If the governments (both central and local) fail to provide basic public goods and services or provides them insufficiently, citizens may not be willing to pay taxes and tax evasion and avoidance will be the consequence (Pashev, 2005).

2.5.2 Tax system and perception of fairness: Some studies suggest that high tax rates foster evasion. The intuition is that high tax rates increase the tax burden and, hence, lower the disposable income of the taxpayer (Chipeta, 2002).

2.5.3 High tax rate: Other Studies have shown that high tax rate is the major predictor variable of tax evasion which has a negative impact on socio-economic development. According to Ameyaw and Dzaka (2015) increases in tax rates has an effect on tax evasion. However, the level of the tax rate may not be the only factor influencing people's decision about paying taxes. In fact, the structure of the overall tax system has an impact as well. If, for example, the tax rate on corporate profits is relatively low, but individuals are facing a high tax rate on their personal income, they may perceive their personal tax burden as unfair and choose to declare only a part of their income. Tax rates and the overall structure of the tax system, therefore, have a significant effect on the disposition to evade and avoid taxes.

2.5.4 Low transparency and accountability of public institutions: Lack of transparency and accountability in the use of public funds contributes to public distrust both with respect to the tax system as well as the government. This, in turn, increases the willingness to evade taxes (Kirchler et al., 2007).

2.5.5 High compliance costs: These are the costs the taxpayer has to bear to gather the necessary information, fill out tax forms, among others, and can be an additional reason for tax evasion and avoidance. Particularly Small and Medium sized enterprises (SME) suffer from high compliance costs.

2.5.6 Inadequate tax education - Oduro, Aseidu, and Tackie (2018) have also stated that tax education has a very important role in mediating the link between tax rates, penalty for tax non-compliance and audit probability and then tax evasion.

2.5.7 Lack of permanent business establishment - Also, a lot of business within the informal sector were peripatetic as the entrepreneurs did not have a permanent place of business. The informal sector businesses sampled indicated that 63.48% of the informal sector businesses had no permanent business location while only 36.52% had a permanent business place (Ofori, 2009). Ofori, (2009) revealed that taxpayers use evasion as a form of protest against the perception of the misuse of tax revenue.

2.5.8 Asocial non-compliance - this factor of tax evasion arises from the fact that some entrepreneurs from the informal sector know that their colleagues do not pay taxes and so they would also not pay tax.

2.5.9 Poor Record Keeping - Furthermore, the dominance of accounting noncompliance variable indicates the extent of poor accounting and record keeping practices in the Ghanaian informal sector. This is largely due to the informal sector entrepreneurs not employing the services of accountants. This situation can be explained by high service fees charged and fear of embezzlement by the accountant. Also, stricter enforcement regime is likely to induce greater compliance.

2.6 Determinants of Causes of Tax Evasion

Cummings et al., (2009) in their research discovered that, one of the more vexing problems for policy makers in developing and transition economies is encouraging high levels of tax compliance. Tax revenue as a proportion of GDP is typically much lower in developing countries than in rich countries. The difference in tax revenues between the poorest and the richest nations of the world is entirely explained by the weakness of direct taxation in developing countries.

In his study on tax evasion in developed and developing countries, Herschel (1978) pointed out that in developing countries, tax evasion tends to be more widespread, since these economies are based on a few large enterprises, less wealthy people, low tax morale, reduced opportunities to resort to tax avoidance schemes and less use of tax practitioners. Schneider et al. (2001) define tax evasion as an illegal reduction of tax payment (underreporting income or stating higher deduction rates). Therefore, theoretical and empirical studies on tax evasion have shown that the factors that determine tax evasion are extremely diverse and include economic and sociological factors, psychological attitudes and administrative and legal issues, (Sookram & Watson, 2005).

The question that is asked is, Why do taxpayers evade paying taxes frequently despite the effects and consequences? Conducting research in the Wa municipality in Ghana, Nsubuga, Sai and Naatu (2017) found out that tax evasion is influenced by public knowledge and awareness of tax obligations, tax laws and reforms. One major tax evasion literature reviewed by Jackson and Milliron (1986) established fourteen (14) key determinants of tax evasion. These include: age, gender, education and occupation status (i.e., demographic determinants), income level, income source,

marginal tax rates, sanctions and probability of detection (i.e. economic determinants), and complexity, fairness, revenue authority initiated contact, compliant peers and ethics or tax morale (i.e. behavioral determinants). Richardson (2006) noted other significant determinants of tax evasion which are denoted by education, income source, fairness and tax morale.

The question asked can be answered by considering the major determinants of tax evasion previously identified in the literature by Jackson and Milliron (1986) and also in Richardson (2006) where he provided the first detailed review on the topic. This study considered the effect of ten (10) of Jackson and Milliron's (1986) key variables: age, gender, education, income level, income source, marginal tax rates, fairness, complexity, and revenue authority-initiated contact and tax morale.

In the first place, the literature revealed that, the chronological age of taxpayers is one of the most important determinants of tax evasion, (Jackson and Milliron, 1986). Studies have shown that older taxpayers are generally more compliant than younger taxpayers (Tittle, 1980 in Richardson, 2006; Feinstein, 1991).

Secondly, the gender of the taxpayers has been revealed to be important in earlier studies. For instance, Richardson (2006) shows that the compliance levels of female taxpayers are normally higher than for male taxpayers. Jackson and Milliron (1986) argue that the compliance gap between females and males is decreasing over time as new generations of liberated women are emerging. However, studies of gender and tax evasion since Jackson and Milliron (1986) tend to show that the compliance gap among females and males has been maintained.

Clotfelter (1983) researching on the topic “Tax evasion and tax rates: An analysis of individual returns” discovered that, marginal tax rates are another significant tax evasion determinant, but empirical results are mixed. In his findings, it was reported that there is a positive association between marginal tax rates and tax evasion, while Feinstein (1991) show a negative association between them. Richardson (2006) argued that not controlling for the correlation between marginal tax rates and income level may cause this variation. While Victor (1996) pointed out that whenever Tax rates are rising highly on one side the revenue increases but in the long run this would cause people not to pay taxes either through legal means (avoidance) or through illegal means.

2.7 Effects of Tax Evasion

Fjeldstad (1996) asserted that tax evasion has had a variety of fiscal effects and he cites at least three reasons for that. He first cites revenue losses which comes as a result of noncompliance and corruption. For the second effect, he then cited Shome (2005) who stressed that, an important adverse effect of tax evasion is perhaps on equity. There is horizontal and vertical inequity where in both forms of inequity, the higher-taxed person pays for the lower-taxed person since, had there been no tax evasion; the tax rates would have been lower under the premise of revenue neutrality. Third, there is a growing concern about the expanding underground economic activities, and how these activities affect economic policies (Tanzi and Shome, 1993).

Acts of corruption by tax collectors often play a role in promoting or sustaining underground economic activities and in facilitating tax evasion (Tanzi, 1995). Tax evasion and fiscal corruption thus contribute to undermining the legitimacy of government.

Furthermore, citizens' disrespect for the tax laws may expand disrespect for other laws. Toby (1983) affirmed that, tax evasion has undoubtedly affected adversely the government revenue generation capability and the economy as a whole and observed that, the taxpayer indulges in evasion by resorting to various practices. These practices erode moral values and build up inflationary pressures. This point can be buttressed with the fact that because of the evasion of tax, individuals and companies have a lot of money at their disposal. Companies declare higher dividends and individuals have a high take home profit. This increases the quantity of money in circulation but without a corresponding increase in the goods and services. This then build up what is known as inflationary trends where large money chases few goods.

Marion and Muehlegger (2008) added that, lack of compliance with tax laws are likely to alter the distortionary costs of raising a given level of government revenue and may affect the distributional consequences of a given tax policy. In addition to, resources spent evading taxes represent a deadweight loss to the economy.

Another effect of tax evasion is discussed by Matsaganis and Flevotomou (2010) stressed that, tax evasion raises significant issues from the point of view of efficiency. Where tax evasion exists, there is distortion of economic efficiency. In sectors that are less subject to the administrator's scrutiny as in the informal economy, there will be more investment.

Inefficiency leads to lower revenue intake for government, its functional capacity, efficiency and effectiveness suffer because of tax evasion. Capacity suffers due to lower availability of resources. Efficiency declines since important functions may have to be given less priority than others. It is noted that, effectiveness declines as compliant taxpayers realise that government is unable or unwilling to take corrective

action, and, therefore, feel increasingly comfortable in joining the rest in the act of tax evasion

2.8 Mechanism to Curb Tax Evasion

Green (2009) has simplified how to curb tax evasion in his research work titled, ‘What Is Wrong with Tax Evasion?’ where he stated that, there are presumably a lot of solution to the canker which are; simplify the tax code, making clearer the distinction between lawful and unlawful behavior; and distinguish more clearly between what constitute criminal and civil violations of the code; change our political rhetoric, attempting to educate people about the importance of tax revenues; and modify priorities for government spending; make the Code more equitable, from both a vertical and horizontal perspective; and rethink the requirements criminal intention; the thoughts and intentions behind a wrongful act (including knowledge that the act is illegal); and increase enforcement and make the level of enforcement more uniform.

Oyebanji (2014), also stated some possible solutions to tax evasion in Nigeria which are; Taxpayers should be educated on how to be compliant; Strengthen taxpayer recruitment; Bureaucratic documentation should be reduced in order to stop forgery; The activities of tax officials should be monitored to minimize the incidence of fund embezzlement; Establishment of Revenue Court; and a very stiff penalty for contravening any section of the law.

In making recommendation for the Ghana Revenue Authority in curbing tax evasion, Agyiri (2020) suggested that the Client service sub-unit of the TPS and the Compliance sub-unit of the CEDM should be empowered to go to the field and educate the public constantly; GRA should consider starting an on-boarding program for new taxpayers; GRA should grant their clients some tax amnesty periodically and

the preconditions to be granted one should not be too tough to meet; GRA should better demarcate the jurisdiction of their taxpayer offices.

Shome (2005) summed up the modalities on how to keep tax evasion in check, the tax administration must:

- (i) incorporate genuine threat of penalty but ensure due process; in order to do this, of course the tax administration should be adequately financed and structured;
- (ii) (ii) computerize as many administrative processes as possible to minimize the interface between taxpayer and tax official; and
- (iii) (iii) not remain aloof from tax policy but assist in every way possible to help design, in reflection of its field experience, a simple tax structure and its commensurate tax law.

2.9 Controlling Tax Evasion

The role of tax administration in maximizing revenue generation and minimizing tax evasion cannot be over-emphasized. These remain challenging tasks at every stage of development of a tax administration. This is because it is not just a matter of maximization or minimization but, rather, one of optimization (Shome, 2005).

The strategies which could be utilized by governments to address the problem of tax evasion, can be categorized into those who define and criminalize tax evasion (for example, anti-avoidance legislation), those which punish evasion (revenue powers), those which forgive tax evaders and allow them to re-enter the formal economy (settlements and amnesties), and those which appeal to, or seek to, create group norms of compliant behaviour (naming and shaming) (Oberholzer, 2007). Shome (2005) also stated that, there has to be a genuine threat and actual carrying out of audit, scrutiny,

investigation, penalty and punishment for an errant taxpayer. However, regarding this issue, Lewis (1982) cited in Oberholzer, (2007) is of the opinion that two major policy initiatives remain: increasing the deterrence capabilities of tax authorities and seeking an improvement in taxpayers' attitudes and perceptions vis-à-vis the government and tax authorities. He believes that what is required is compliance to rules prompted by conscience, rather than fear of punishment.

Further, Shome (2005) summed up modalities in order to keep tax evasion in check, the tax administration must: (i) incorporate genuine threat of penalty but ensure due process; in order to do this, of course the tax administration should be adequately financed and structured; (ii) computerize as many administrative processes as possible to minimize the interface between taxpayer and tax official; and (iii) not remain aloof from tax policy but assist in every way possible to help design, in reflection of its field experience, a simple tax structure and its commensurate tax law.

Chiumya (2006) has declared that, counteracting tax evasion is one of the most complex activities in tax Administration. This is because tax evasion takes many forms and facets. One of the major keys to successfully carry out such activities is to first and foremost understand the behavior of taxpayers and the reasons that cause such specific behavior. Thus, taking into consideration the emphasis by Vogel (1974) cited in Oberholzer (2007), on the importance of education and information in the process of opinion formation. A deeper understanding of the benefits provided for by taxes, as well as the technical reasons for tax laws and regulations are necessary preconditions to both positive attitudes about the tax system and appropriate fiscal behaviour

2.10 Theories on Effective Tax System

Several theories have been proposed and propounded to run an effective tax system according to its importance. Taxes are generally classified under different theories as given:

2.10.1 Ability-to-Pay theory

This theory (ability to pay) was espoused by Adam Smith, considered the father of economics, in 1776. Ability to pay is a dominant theory of taxation usually interpreted in terms of sacrifice. This theory suggests that taxation should be levied according to an individual's ability to pay. For this policy, public expenditure should come from "him that hath" instead of "him that hath not" and this is what 'progressive tax' is all about. The usual and most supported justification of ability to pay is on grounds of sacrifice. This tax is viewed as a deprivation to the taxpayer because he surrendered money to the state which he would have used for something else other than tax. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. The principle of ability to pay contains several benefits, such as:

Maintain a minimum standard of living: This principle aims to stimulate the economy and ensure every citizen has a minimum standard of living. This system increases the ability of the poor to buy everyday goods because they pay less in taxes.

Reducing the income or wealth gap: This principle's application becomes a way to redistribute income from the upper class to the lower and middle class. People on higher incomes pay more to the government. Thus, this helps to keep the income gap from widening between the rich and the poor.

Justifies social justice: Those who have low incomes should be helped by those who are more affluent. The rich should contribute more to the economy by paying higher taxes.

But, on the other hand, the application of the principle raises several criticisms, including:

Discrimination: Despite paying higher taxes, the rich receive the same benefits as those who pay lower taxes. That is unfair.

Relocation of wealth: A progressive tax system creates incentives to reduce taxable income. Those who are wealthier will tend to avoid paying higher taxes. They then divert wealth to low tax countries.

Disincentive to become wealthier: Due to discrimination, taxpayers have less incentive to earn more money, especially if their income is close to the tax rate cap. Say, the tax rate for \$10,000-\$12,000 is 15%, and for income above \$12,000 is 20%. When taxpayers have an income of around \$11,500, they may be reluctant to earn a little over \$12,000 because they will incur a higher percentage tax rate

2.10.2 Benefits-Received theory

The benefit received theory was initially developed by Knut Wicksell (1896) and Erik Lindahl (1919), two economists of the Stockholm School. This theory explains that every citizen should be called upon to pay taxes in proportion to the benefits derived by him from services provided by the Government. It is implied that the state provides certain facilities to its civilians who should, therefore, contribute to the cost or value of these facilities in proportion to benefits received by them. The more the benefit a citizen derives, the more taxes he should bear, is the main assumption of the theory.

This is more of a contractual relationship between the state and the taxpayers. Certain

goods and services are provided by the state and the cost of such goods and services are contributed proportionate to received benefits, thus, the benefits received present the basis for distributing the tax burden in specific manner. This theory overlooks the possible use of tax policy for bringing about economic growth or stabilization. Chigbu, Akujuobi & Appah (2012) see the cost-of-service theory as very similar to the benefits-received theory. The implication according to Chigbu, et.al, (2012) was that the citizens are not entitled to any benefits from the state and if they do receive any, they must pay the cost thereof. In this theory, costs of services are scrupulously recovered unlike the benefits-received theory where a balanced budget is implied. In Ghana, the parliament has introduced a new tax called the COVID-19 recovery tax. This comes after the state offered free water and a percentage of electricity in 2020. Citizens have been forced to pay back that which they had for free in 2020. Same applies to NHIL and GET Fund levies charged by the state.

This theory has its own advantages and limitations. The advantage of the benefit theory is the direct correlation between revenue and expenditure in a budget. It approximates market behavior in the allocation procedures of the public sector. Although simple in its application, the benefit theory has difficulties too. It limits the scope of government activities. Government can neither support the poor nor take steps to stabilize the economy and it is applicable only when beneficiaries can be observed directly (impossible for most public services)

2.10.3 Socio political theory of taxation

According to Ogbonna and Appah (2012) this theory is mainly about the imposition of taxes for financing state programmes and sharing the tax burden among members of the society. For them, this theory is one that cures the ills of the society in general. The tax system should be able to deal with the health of the society because individuals hold the very integral part of the whole society (Chigbu, et.al, 2012).

2.11 Modern Revenue Administration

The main focus of a modern system of revenue administration is to ensure voluntary compliance which ultimately will lead to increased revenue. Modern revenue administration aims at creating an environment that enhances taxpayers' ability and willingness to comply voluntarily with their tax obligations. Modern tax administration requires the deployment of effective tax programmes and tools to achieve its intended objective.

2.12 Principles of modern tax administration

Modern tax systems are based on self-assessment and voluntary compliance. In this context, the main functions of the revenue administration are to manage tax compliance to detect and prevent delinquent behavior and provide taxpayer service and education to help taxpayers discharge their tax obligations with ease and with the least complexity and compliance burden.

Voluntary compliance works most effectively when the revenue administrators have earned the trust of taxpayers, so they are not discouraged from providing all relevant information in their dealings with them because of a perception that revenue administrators lack integrity and will use information improperly.

To help achieve this trust, the revenue administrator of Ghana, the GRA needs to act with integrity, honesty and within legal limit, act promptly to taxpayers' request, be courteous and professional. They also have to be responsive to taxpayers' needs and circumstances, apply the law consistently and fairly, act transparently, so that the motives for its actions are not open to question. The GRA needs to be staffed with well-trained and competent personnel who have respect for confidentiality, so that information from taxpayers is kept secure, and is only used or disclosed in accordance with the law.

2.13 Principles of a good tax system

Every good tax system should have some principles. Adam Smith in his book, the Wealth of Nations stated four principles which he called —the canons of taxation (Hardwick et al., 1994). These include:

2.13.1 Equity principle

This principle has been subjected to two interpretations by Modern Economists – the benefit principle and ability-to-pay principle. The benefit principle is based on the idea that people should be taxed in proportion to the benefit they receive from the government (goods and services provided by that tax) (Strafford and LoCascio, 1995). Thus, the amount of tax paid by an individual should be directly related to the benefits, which that individual derives from government expenditure. The ability-to-pay principle on the other hand, is based on the idea that people who are better able to pay taxes should pay a larger proportion of their income or wealth than people who are less able to pay (Strafford and LoCascio, 1995). This means that taxes should be imposed on people according to what they can afford to pay. Thus, the amount of tax

paid should correlate the income available to the taxpayer. Progressive taxation supports this principle in modern day taxation

2.13.2 Certainty Principle

According to this principle, payment of taxes should be clear and certain to the taxpayer and the tax collector. Thus, both the taxpayer and the tax collecting agency should be certain about how much, when and where to pay the tax. To this end, tax laws must be made available to the citizens so that they will know their rights and obligations with regard to tax.

2.13.3 Convenience Principle

This principle explains that the method, manner, and time of payment should be convenient to the tax payer. For instance, the location of the tax offices must be at the convenience of the tax payer as well as the forms to be completed must be simple for the average tax payer to comprehend. Thus, taxes should be enforced in a manner that facilitates voluntary compliance to the maximum extent possible.

2.13.4 The Principle of Economy

This principle means that the cost of collection in relation to the tax yield should be minimal. The cost of collecting taxes falls on two parties: the government, which takes on administration costs and the taxpayer who bears the cost of compliance (Wilkinson, 1992). The administration cost includes principally the cost of running the tax authority; the largest being the salaries of all the employees. Compliance costs, on the other hand, include time spent on tax affairs, keeping records, filling in forms, money spent on professional advisers among others by the taxpayer.

2.13.5 Other Principles of Taxation

Other additional principles to guide a government in designing and implementing an equitable taxation regime. These include: -

Adequacy: taxes should be just-enough to generate revenue required for provision of essential public services.

Broad Basing: taxes should be spread over as wide as possible section of the population, or sectors of economy, to minimize the individual tax burden.

Compatibility: taxes should be coordinated to ensure tax neutrality and overall objectives of good governance.

Earmarking: tax revenue from a specific source should be dedicated to a specific purpose only when there is a direct cost-and-benefit link between the tax source and the expenditure, such as use of motor fuel tax for road maintenance.

Neutrality: taxes should not favor any one group or sector over another, and should not be designed to interfere-with or influence individual decision-making.

Restricted exemptions: tax exemptions must only be for specific purposes (such as to encourage investment) and for a limited period.

Simplicity: tax assessment and determination should be easy to understand by an average taxpayer.

2.14 Implications of the Reviewed Literature to the Present Study

All the literature reviewed in this chapter provided insight on the research topic. This chapter has discussed the literature review (both theoretical and empirical), the relationship of variables in the study to help us better understand taxation in general, tax non-compliance and for that matter tax evasion, the informal sector and the link between tax evasion and the informal sector. In the chapter, the evolution, structure

and duties of the Ghana Revenue Authority was thoroughly discussed. Having discussed these various variables in this chapter will help unravel answers to the research questions in the earlier chapter.

2.15 Empirical Review

Several studies have investigated the act of tax evasion and tax avoidance and most of these researchers investigate its effects on income inequality and economic growth in the country and other parts of the countries and they almost always come up with diverse opinions. The outcome of the investigations, however, showed that, effect of tax evasion and tax avoidance is loss of revenue to the government.

Onyeka, et al (2016) examined the effect of tax evasion and avoidance on Nigeria's economic Growth. They discovered that, tax evasion and avoidance had negative significant impact on growth of the Nigerian economy. Fagbemi, et al (2010) investigated the ethics of tax evasion; perceptual evidence from Nigeria. They found that, tax evasion is ethical sometimes is not accepted, and the level of tax evasion when government is corrupt is significantly higher than when it relates to other views expressed on government discrimination, unjust treatment and tax affordability.

Mehrara and Farahani (2016) wrote on the effects of tax evasion and government tax revenues on economic stability in OECD countries. They found that, tax evasion led to economic instability and more tax revenues will be beneficial to a better economic condition. Nyarko and Amoah (2013) investigated the effect of tax avoidance and tax evasion on personal income tax administration in Ghana. They disclosed that, enlightenment and adequate utilization of tax revenue on public goods will discourage tax avoidance and tax evasion, high tax rates encourage tax avoidance and tax evasion, personal income tax generation has not been impressive and personal income

tax rates are too high. Akinyele and Ogunmakin (2016) examined the effects of tax avoidance on government budget implementation in Southwest Nigeria for the period 1999-2014. The outcome of their results pointed that, 61% of the expected revenue of the states was hampered by avoidable consequence of tax avoidance through non-compliance with collection and remittances, and the level of tax avoidance through implementation of tax laws and policies in Southern Nigeria revealed negative performance of government budget implementation and as such affected the development of the economies of sampled states.

There have been a number of studies on tax evasion across the world and in Ghana as well. Ameyaw and Dzaka (2016), just like Soos (1991), in their study revealed the effect of Personal Income Tax (PIT) evasion on Ghana's socio-economic development - they only centered on one tax type, PIT, and also focused on socio-economic development while using the approach of administering only questionnaires to their respondents, a method which is arguably not very effective. Abdul-Razak and Adafula (2013) evaluated taxpayers' attitude and its influence on tax compliance in Tamale. The missing link is that they do not go ahead to explore the effect of the act on tax revenue mobilization nor do they put out strategies adopted by the tax authorities to solve same.

Okine (2013) examined tax evasion and tax avoidance behavior of the self – employed, using some selected districts in the geo-political zone of Ghana. The results revealed that, respondents are of the opinion that tax evasion is ethical sometimes, and there is significant relationship exists between the ethical view, mode of tax administration and cultural practices of the self-employed and tax evasion and avoidance.

Obafemi (2014) conducted study on the effects of tax avoidance and tax evasion on Nigeria economic development. He adopted survey research design and responses were obtained through a well-structured questionnaire administered to 150 Nigerians, out of which are tax payer and tax evader. He found that, tax evasion and avoidance have adversely affected economic growth and development in Nigeria. Modugu et al (2014) appraised the evasion of personal income tax in Nigeria and obtained primary data through administration of 160 questionnaires to some selected self-employed individuals in Edo State They found that, the tax payers' relationship with tax authority and weak penalties has a significant influence on tax evasion in Nigeria. Olabisi (2010) investigated the causes and effects of tax evasion and tax avoidance in Lagos state, and he obtained primary data from the total number of 127 questionnaires administered to personal income tax payers in Lagos state. He used chi-square method in analysed the data. His results revealed that, the tax administration in Lagos state is very inefficient and ineffective and there is no adequate information on the tax payers in the state.

In addition, Uadiale, et al (2010) examined the relationship between culture (represented by legal enforcement, trust in government and religiosity) and personal income tax evasion in Nigeria. They discovered that, legal enforcement and trust in government have positive impact on personal income tax evasion in Nigeria.

CHAPTER THREE

METHODOLOGY

3.0 Overview

This chapter presents the research methodology that guided this study. It comprises the following subheadings; the research design, study area, population, sample and sampling procedures, research approach, data collection instruments, sources of data, data analysis, validity and reliability of the instrument, and ethical consideration.

3.1 Research Design

Research designs are types of inquiry within qualitative, quantitative, and mixed methods approaches that provide specific direction for procedures in a research design. Research design refers to the procedures for collecting, analyzing, interpreting, and reporting data in research studies. Quantitative research approach includes survey and experimental research designs. Qualitative research approach also includes narrative, case study and phenomenological research designs.

This study used a survey design. Survey research design is defined as “the collection of information from a sample of individuals through their responses to questions” (Check & Schutt, 2012, p. 160). Survey research designs are procedures in quantitative research in which the researcher administers a survey to a sample or population to describe the attitudes, behaviors, and opinions of the population. Surveys can also elicit information about attitudes that are otherwise difficult to measure using observational techniques. It is also less expensive than other research designs. Surveys are generally standardized to ensure that they have reliability and validity. Standardization helps the researcher to generalize the results to the larger population.

The survey design is associated with some disadvantages. Bell (1996) observed that biases may occur either in the lack of responses from the intended participant or in the nature and accuracy of responses that are received. Respondents may also not feel comfortable in providing answers that present themselves in an unfavorable manner.

The above disadvantages of survey notwithstanding, the survey method was adopted because it enables the researcher the opportunity to collect large amount of data in a relatively short period on broad range of things including past behaviors, attitudes, opinions, and personal facts. There is also flexibility in asking questions and its analysis of the responses. It provides for a comprehensive examination of people's attitudes towards specific issues.

3.2 Study Area

The study area is Abossey Okai. Abossey Okai is a town in Accra which hosts the largest automobile-parts market of Ghana. This Neighborhood has variety of workshops for metal engineering and vehicle repairs. It is a vibrant economic hub for vehicle spare parts and accessories dealers in the greater Accra region of Ghana. It is mainly into imports of various spare parts from various countries across the globe. It is male dominated and one of the largest informal sectors which houses over 15,000 shops with each shop employing an average of two persons, bringing the population to about 30,000 according to the Abossey Okai Spare Part Dealers Association. The nature of the business requires them to pay Value Added Tax and Income Tax.

Neighbouring towns of Abossey Okai are; Kaneshie, Agboghloshie, Sabon Zongo, Mataheko, Sodom and Gomorah and Laterbiorkoshie. It is worth noting that is the Ghana Revenue Authority, Agboghloshie Taxpayer Service Centre is very close to Abossey Okai hence quite accessible to those traders.

The setting of this study was deliberately selected because of the nature of businesses in that area; an area known for the sale of vehicular spare parts which falls under the informal sector and in developing nations like Ghana, it is common to have tax evasion within the informal sector

3.3 Population of the Study

According to Kenton (2019), a population refers to the entire pool from which a statistical sample is drawn. Research population includes all the elements (individuals, objects and events) that meet the sample criteria for inclusion in a study. It is for the benefit of the population that researches are conducted. The entire group of individuals or objects to which the researcher would like to generalize the findings of a study to is the target population whereas the accessible population refers to a subset of the target population to which the findings of a study can be applied to (Hassan, 2019).

The researcher used 10 GRA tax officers of the Agbogbloshie TSC and those of the Accra Central Area Office together with 306 taxpayers and potential taxpayers of the Abossey Okai enclave.

3.4 Sample Size

A sample, according to Cohen *et al.* (2007), is a small group of respondents drawn from the population in which the researcher is interested in gaining information and drawing conclusions. It is a subset of the population selected for measurement. The sample size as determined dependent on certainty level of 95% using Krejcie & Morgan (1970) sample size determination table. The GRA estimates that about 1,500 taxpayers and potential taxpayers are within the Abossey Okai enclave. To determine the appropriate sample size for the study, the researcher relied on the guideline

provided by Krejcie and Morgan (1970) which has simplified the sample size decision. For the purpose of this study, 306 taxpayers and potential taxpayers as well as 10 tax officers were sampled.

3.5 Sampling Procedures

Sampling could broadly be categorized into two probability and non-probability sampling procedures. Sampling is done for the purpose of measuring some elements of the population and drawing conclusions regarding the entire population. Therefore, sampling is a process of selecting a given number of representatives of the target population or the universe, in such a way that they represent all major attributes of the population. The sample in Abossey Okai was selected using the simple random sampling method due to the heterogenous nature of their businesses, that is, sale of spare parts. This is the type probability sampling where every member of the population has an equal chance of being selected (McCombes, 2019). Your sampling frame should include the whole population. To conduct this type of sampling, this research used techniques that are based entirely on chance.

Purposive sampling method was also used to select GRA officers for the study. This type of non-probability sampling method, also known as judgement sampling, involves the researcher using their expertise to select a sample that is most useful to the purposes of the research. It is often used where the researcher wants to gain detailed knowledge about a specific phenomenon rather than make statistical inferences, or where the population is very small and specific. An effective purposive sample must have clear criteria and rationale for inclusion. And so, using this sample type, the researcher purposively selected the Office manager of the GRA,

Agboglobshie TSC, the Head of the Compliance unit of the same office as well as the Head of the Enforcement unit and Office manager of the Accra Central Area office.

3.6 Research Approach

Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation. The three research approaches are qualitative approach, quantitative approach and the mixed method approach. Qualitative approach helps discover and understand the experiences, perspectives, and thoughts of participants. It's useful when one wants to determine skills, opinions and knowledge capability of people because it is subjective in nature. Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. Quantitative approach is a numerical based approach and it is objective in nature. Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Mixed methods research is an approach to inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The mixed method resides in the middle of this continuum because it incorporates elements of both qualitative and quantitative approaches.

In this study, the researcher used the mixed method approach; both qualitative and quantitative approaches. According to Kombo and Tromp (2006), qualitative and quantitative research approaches have often been used together in the same research project and in many cases to obtain methodological triangulation so as to maximize

the quality of the collected data. The qualitative approaches were used to provide descriptive forms which involved conducting interviews, observation and questionnaires. The choice for qualitative approach was based on the fact that, interviews, observation and open-ended questionnaires enabled the researcher to gather detailed information on the incidence of tax evasion and its effect on tax revenue mobilization. The study also employed quantitative methods which involved constructing questionnaires with closed-ended questions. The choice for quantitative approach was based on the fact that, the researcher was able to gather broad and quantifiable data on incidence of tax evasion on revenue mobilization. Further, the findings of this study were represented by descriptive forms and statistical presentation.

3.7 Data Collection Instruments

In this study, primary data was largely used. Questionnaire and direct interview were used in collecting information from taxpayers and tax officers. The questionnaire was structured with open and closed- ended questions but most of the questions in the questionnaire were closed–ended questions. The closed ended questions enabled the researcher to obtain the exact information being sought for while the few open – ended questions were used to elicit information on opinions, attitudes and beliefs of the respondents towards taxation in the informal sector. Those who could neither read nor write were assisted to complete the questionnaire. Other information was brought up by the respondents themselves and the researcher took note of them. In order to compliment the interviews and questionnaires, the document review method was used to observe various aspects of the research.

3.7.1 Questionnaires in research

Kothari (2004) insists that questionnaires in research are instruments for gathering data beyond the physical reach of the observer. Questionnaires involve a set of questions to be used to collect information from the respondents on their attitudes, feelings or reactions to the problem under study. This method of data collection ensures that all respondents answer questions almost at the same time. Kothari (2004) goes ahead to add that, in general, the questionnaire is an economical method of data collection in terms of time and coverage as well as being free of researcher bias. Respondents are provided with the chance to give well thought-out responses and anonymous, questionnaires can easily give out even confidential information.

The questionnaire method was used to collect information from tax payers, considering the large number of tax payers needed for the study and the limited time available. Though the tax officers were interviewed, the questionnaire method was used to gather some extra information from them. The questionnaire consisted of both closed and open-ended questions. Kothari (2004) believes that both open and closed types are cost effective and efficient and can elicit a lot of different types of information.

The questionnaire method was used to collect information from tax payers, considering the large number of tax payers needed for the study and the limited time available.

3.7.2 Interviews in research

In this study, face-to-face interview was used for collecting data from GRA officers to examine tax evasion and its effects of tax evasion on tax revenue collection. The semi-structured interview involved asking structured questions, followed by

clarification of unstructured or open-ended questions. This technique was considered suitable for an intensive investigation and useful for tapping information about attitudes, likes and dislikes that were revealed by a respondent's verbal behavior with subtle gestures that might accompany it.

3.8 Sources of Data

Two main sources of data, comprising the Primary and Secondary data were used. The target population comprising auto mechanics spare part sellers, were the primary source of data, while the secondary data comprises of research works done by other people that were considered useful to the study and data from the GRA offices.

3.9 Data Analysis

Data obtained through questionnaires were coded and total scores by major sections or items representing cluster was computed. Frequencies and descriptive were analyzed through Statistical Package for the Social Sciences (SPSS). Data was computed by using SPSS and the final results summarized and presented on the tables.

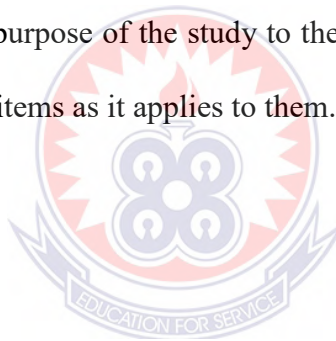
3.10 Validity and Reliability of the Instruments

The research instruments were primarily in English and some translated from English into Twi, and in few cases Ga which are the local languages for most of the taxpayers in that enclave. Before embarking on the main study, a pilot study was conducted in area. The questionnaires and interviews were tested on 10 respondents. In light of information, questions were modified accordingly so as to enhance clarity. It also helped in timing the duration that was taken in completing the questionnaire and interview sessions. Furthermore, the reliability of the instruments was conducted through the Statistical Package for Social Sciences, (SPSS) Version 15.0.

3.11 Ethical Considerations in this Study

Research ethics refers to the type of the agreement that the researcher enters with the research participants. According to Best and Khan (2006) as well as McMillan and Schumacher (2006), ethical issues in research fall into one of the five categories, which are protection from stress, harm, or danger; informed consent; right to privacy; confidentiality; and honesty with professional colleagues. Before conducting the study, research permission was secured from the University of Education, Winneba. Institutional consent also was sought from the Domestic Tax Revenue Division secretariat of the Ghana Revenue Authority.

The respondents were not coerced to complete the items on the questionnaire, the researcher explained the purpose of the study to the participants and then asked them to voluntarily answer the items as it applies to them.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter is concerned with the data presentation analysis and discussion of the various findings obtained from the field of study. Tables and charts were used to analyze the data that was obtained from the questionnaires. In all, three hundred and six (306) questionnaires were administered to respondents. Ten (10) GRA compliance officers together with the office manager and the head of compliance were interviewed and some responded to questionnaires.

4.1 Responses from Taxpayers and Potential Taxpayers

4.1.1 Demographics

This section of the chapter presents the demographics of the taxpayers: gender, age, level of education and business category.

4.1.1.1 Gender distribution

Table 1 Gender Distribution of Taxpayers

Gender	Frequency (F)	Percentage (%)
Male	92	30.1
Female	214	69.9
Total	306	100.0

Field Survey (2021)

Table 1 shows that out of the 306 respondents who answered the questionnaires, 214 of them representing 69.9% were males while 92 (30.1%) were females. Not only did more males answer the questionnaire, but considering that the samples were randomly selected, it goes to confirm a reflection of a male dominated workforce in Abossey Okai.

4.1.1.2 Age Distribution

Age composition of the various taxpayers was relevant in this study. It helped to determine the active age group among the taxpayers in the Abossey Okai.

Table 2: Age Distribution of Taxpayers

Age	Frequency (F)	Percentage (%)
Below 20	12	3.9
21-40	109	35.6
41-60	125	40.8
61 and above	60	19.6
Total	306	100.0

Field Survey (2021)

Results from the study reveals that, 12(3.9%) of the respondents were below 20 years, 109(35.6%) of them within 21-40 years of age while 125(40.8%) of them were from ages 41-60 years. The age range 61 - above recorded 60(19.6%).

From the table, respondents below the age of 20 represents teenagers who have either completed their basic education or dropped out of school and started their own business. According to the table, the active and matured workforce within the enclave ranges between age 21 to 60, giving us a percentage of 76.4%. This represents the

active and matured workforce who have established their own business. 19.6 % of the taxpayers who are above 60 are those on retirement are probably pensioners now manning their own business by themselves, a group that Feinstein (1991) believes are more compliant.

4.1.1.3 Level of education

Table 3: Level of Education of Taxpayers

Level of education	Frequency (F)	Percentage (%)
No formal education	62	20.3
Basic education	102	33.3
Secondary/Vocational/Technical	107	35.0
Tertiary	35	11.4
Field Survey (2021)		

Findings according to table 3 indicates that 33.3% of taxpayers in Abossey Okai have had basic education while 20.3% have had no formal education. Again, 35.0% of the taxpayers stated that they have had secondary education while 11.4% revealed they have had tertiary education.

It can be deduced from the table that 46.4% of taxpayers are either secondary school leavers, or are graduates of a tertiary institution. We can hence conclude that these groups of people may have a good knowledge of their tax obligation. This is possibly to state that these group of taxpayers may have knowledge on tax evasion. Again, 53.6% of the respondents, comprising of 33.3% taxpayers with basic education and 20.3% with no formal education may have little or no knowledge on their tax obligations and on tax evasion.

Table 4: Taxpayer Compliance

Compliance	Yes	No	Maybe	Total
Is your business registered?	227(74.2%)	79(25.8%)		306
Are you a registered taxpayer/ Do you have a TIN or a National ID (Ghana Card)?	267(87.3%)	39(12.7%)		306
Are you VAT registered?	139(45.4%)	167(54.6%)		306
Are you aware that you owe it a duty to pay tax on your business income?	227(74.2%)	79(25.8%)		306
Do your colleagues pay their taxes regularly?	34(11.1%)	175(57.2%)	97(31.7%)	306

Field survey (2021)

Though the Act that established the Registrar General's Department and the Local Government Service enjoins every business to be registered; first with the Registrar General and then proceed to do same with their local assembly where the business would be operated. So, the researcher sought to find out those who have done so. It was found out that 74.2% of those businesses were registered, either with the RGD or with the Local Assembly of both and indeed 25.8 were not registered at all yet were operating.

It is one thing registering a business, and it is another thing being a registered taxpayer. Section 12 (1) of the Revenue Administration Act 2016 (Act 915), a person who is liable to pay tax or who conducts official business with an institution specified

in paragraph 10 of the First Schedule shall apply to the Commissioner-General for a Taxpayer Identification Number. It was found out in the research that most of these businessmen and women are registered taxpayers. Before the National Identification Numbers were integrated into the GRA's system as TINs, about three million Ghanaians and people living in Ghana had TINs - according to Rev. Amisshadai Owusu Amoah, the CG of GRA as published by the March edition of the Business Insider – Africa. But as at April 1, 2021, the number of people with TIN had shot up to 15.5 million adults because of the integration. This reflects in the data collated as 87.3% of the dealers were registered taxpayers because they possess either a Ghana Card or the erstwhile Taxpayer Identification Number. This means that the GRA at least has the data of close to 90 percentage of the traders in that enclave.

According to section (1) of the VAT Act 2013, Act 870, Value Added Tax (VAT) ought to be charged on the supply of goods or services made in the country other than exempt goods or services; and import of goods or import of services other than exempt import. Indeed, the first schedule of the said Act tabulates exempt supplies, however, vehicles and spare parts are not listed as exempt supplies for which reason traders in Abbosey okai so long as they meet the threshold ought to register and pay VAT. According to section 6 the VAT Act, the registration requires a person who is engaged in a taxable activity to register if at the end of any period of twelve or less months, the person made, during that period, taxable supplies exceeding one hundred and twenty thousand Ghana Cedis; or at the end of any month, there are reasonable grounds to expect that that person will make taxable supplies in the next twelve or less months exceeding one hundred and twenty thousand Ghana Cedis. From the table, 45.4% of the traders answered that they are VAT registered. Indeed, it is

reflexive in the kind of business they are engaged in as well as their threshold and profit they make.

Out of 306 respondents, 74.2% are aware of their civic responsibility to pay taxes and 25.8% are not aware of their tax obligation. Considering the level of education of the respondents, it means that even respondents with no education or just basic education may still know their civic responsibilities of paying taxes.

However, it is interesting to note that majority of the respondents (57.2%) believe that their colleagues do not pay taxes, 31.7% believe that their colleagues probably do or do not pay their taxes and just a handful, (11.1%) believe their colleagues pay taxes.

Table 5: The use of cashless system and online filing

	Yes	No	Maybe	Total
Have you taken advantage of the GRA cashless system by paying your taxes via the banks and mobile money?	82(26.8%)	183(59.8%)	41(13.4%)	306
Are you able to file your taxes online	74(24.2%)	190(62.1%)	42(13.7%)	306

Field Survey (2021)

In the wake of a cashless society, the GRA introduced a cashless system in order to rake in more revenue even from traders whose businesses are not officially registered at the RGD. The researcher wanted to know how that is affecting revenue mobilization and decreasing evasion.

It was found out that, 26.8% had taken advantage of the cashless system in one way or the other whereas the other percentage had no or less clue nor had taken advantage of same.

24.2% of the respondents are so far able to file their returns online. This is woefully inadequate because now the only means of paying taxes at the GRA is via online and cashless yet most of these taxpayers and potential taxpayers have no clue about this new means of paying taxes hence they hide behind so-called ignorance to evade taxes.

Table 6: Reasons for tax evasion

	Strongly Agree	Agree	Disagree	Strongly Disagree	Total
Not aware they are supposed to pay	69(22.5%)	74(24.2%)	132(43.1%)	31(10.1%)	306
It is intentional /deliberate	56(18.3%)	138(45.1%)	84(27.5%)	28(9.2%)	306
Tax assessment is too huge	135(44.1%)	116(37.9%)	45(14.7%)	10(3.3%)	306
Business not profitable	60(19.6%)	168(54.9%)	66(21.6%)	12(3.9%)	306
Distance difficulty in paying tax	38(12.4%)	88(28.8%)	135(44.1%)	45(14.7%)	306
Tax officials don't come around for collection	33(10.8%)	102(33.3%)	139(45.4%)	32(10.5%)	306
Unnecessary use of tax revenue by government	175(57.2%)	104(34.0%)	19(6.2%)	8(2.6%)	306

Field Survey (2021)

Generally, people evade taxes for a number of reasons; the researcher in the questionnaire sought to find out the degree of reason for which they evade taxes.

It was found out indeed whether educated or not, the general public and for that matter taxpayers and potential taxpayers know that they ought to pay taxes to the state. Because 43.1% of the respondents disagree that the reason for evasion is because the people are not aware they are supposed to pay and in addition 10.1% of them even strongly disagree with that assertion. Less than 50% believe in that assertion.

Also, more than 50% of them agree and strongly agree that it is deliberate on the part of the traders to evade taxes. About 75% of them believe that once business is not profitable, it means that they do not have to pay taxes. 60% disagree that the people in that enclave evade tax because of the distance of the tax office. Indeed, it reflects the true nature of that area because the tax office located at the heart of Agbogbloshie is very close to Abossey Okai and hence one cannot make an excuse that the tax office is too far. About 56% strongly disagree that people evade taxes because tax officials don't come around to collect taxes. Indeed, GRA officials no longer even go to shops to take taxes because of the introduced cashless system, hence taxpayers ought not complain of distance nor tax officers not coming round to take taxes simply because they have the internet at their full disposal to file and pay taxes. It is worth noting that more than 90% of the respondents attribute tax evasion to the unnecessary use of tax revenue by the government.

In general, it can be concluded that indeed the people of Abossey Okai know and acknowledge that it is their Civic responsibilities to pay taxes yet they still will deliberately not pay their taxes because they believe very strongly that the

government does not channel the proceeds to development and projects that will be beneficiary to the taxpayers and the citizenry.

4.1.2 Tax Payment

Figure 2: Institutions to whom taxes are paid

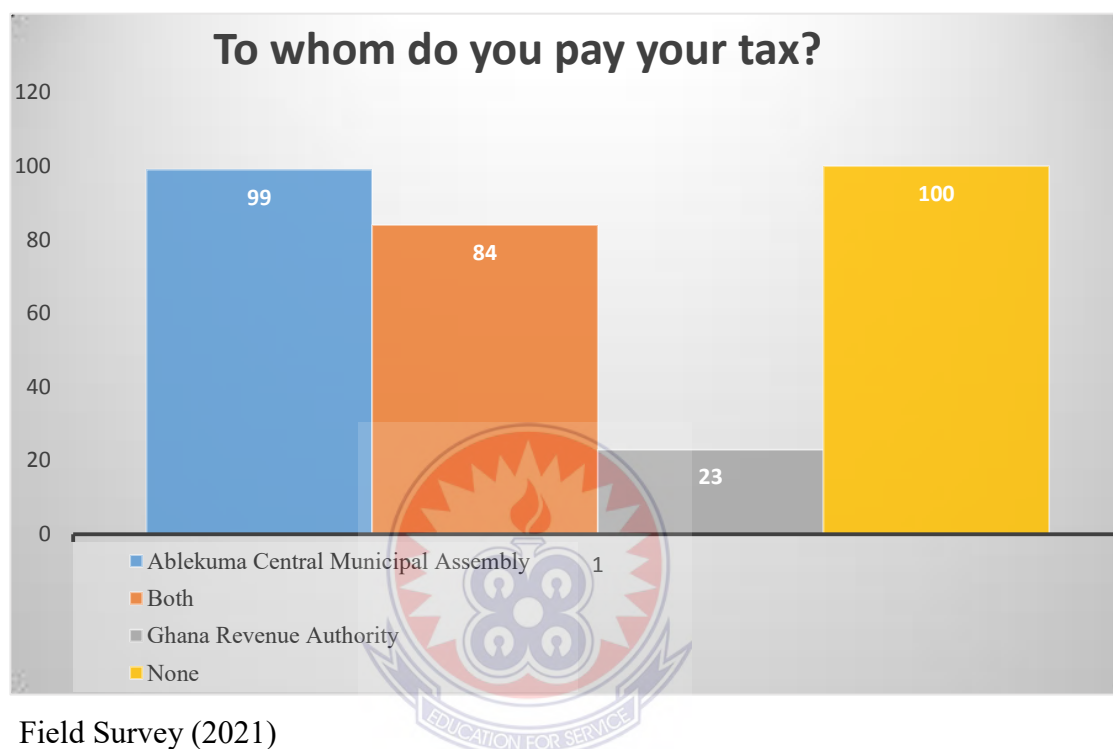


Table 7: To whom do you pay your taxes?

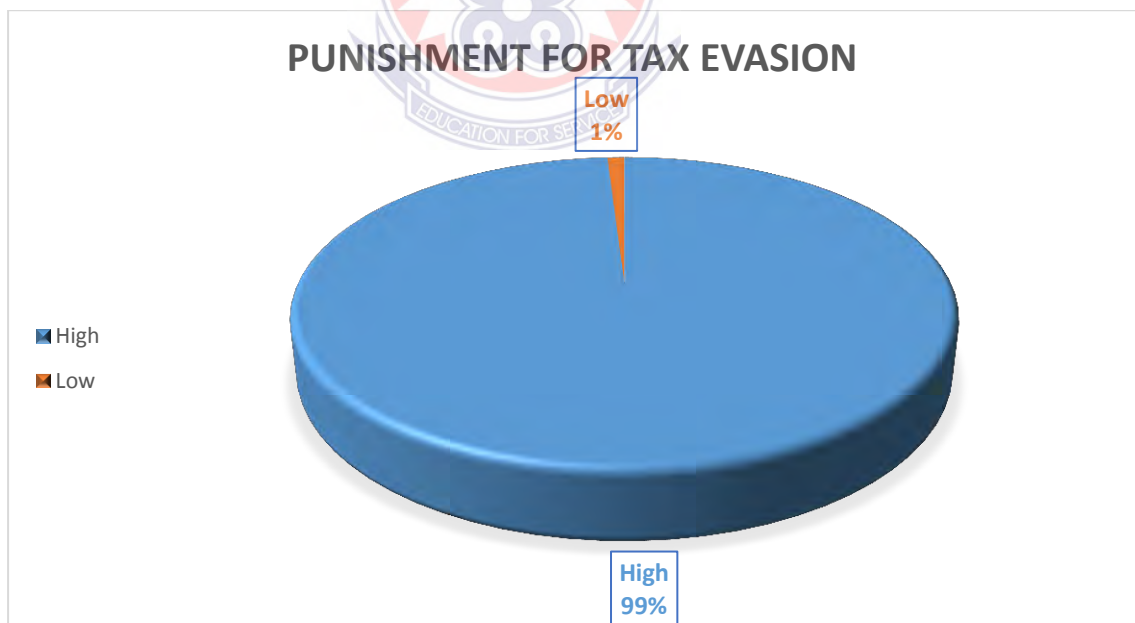
	Frequency	Percentage (%)
Ablekuma Central Municipal Assembly	99	32.4
Both/ Any	84	27.5
Ghana Revenue Authority	23	7.5
None	100	32.7
Total	306	100.0

From Figure 1, the researcher was able to identify the institution to whom the various taxpayers pay their tax. Surprisingly, only 7.5% of taxpayers pay their taxes to just the GRA while 32.4% of them pay to the ACMA only. According to 27.5% of the

taxpayers, they pay to either of the two institutions, the GRA or ACMA, all they know is that they pay their tax, but to whom they pay to, they don't know. It is rather unfortunate that these taxpayers cannot tell the different between agents of the central and local government. Yes, it may be because of their educational background but it also confirms that these people largely do not receive enough education on tax revenue and the need to pay rates and tax to both the local government and the central government respectively.

32.7% of taxpayers do not pay taxes to neither GRA or ACMA. A whopping 65.1% of these spare parts dealers do not pay tax to the state at all; this comprise of the 32.4% that pay to only ACMA and the 32.7% who do not pay at all. That is the height of non-compliance and evasion.

Figure 3: Punishment for tax evasion



Field Survey (2021)

From figure 4.2, 99% of the respondents comprising of taxpayers and potential taxpayer claim that they always go unpunished for tax evasion and for non-compliance in general.

According to Section 66(1) of the RAA, Act 915, a person who impedes or attempts the administration of a tax law commits an offence and is liable on conviction where the offence involves fraud or undue force, to a fine of twice the amount sought to be evaded or recovered or two hundred penalty units, whichever is greater, or to a term of imprisonment of not less than two years and not more than four years or to both; and In any other case, to a fine of not less than ten penalty units and not more than two hundred penalty units or to a term of imprisonment of not less than three months and not more than two years or to both. In addition to the punishment specified in subsection (1), any goods used by the offender in the commission of the offence shall be forfeited. And in subsection (3), “impeding administration of a tax law” includes, the intention of evading an obligation under a tax law, knowingly dealing with or using a document or asset that is false or misleading in a material particular; in a way that makes the document or asset false or misleading in a material particular; or so that the document or asset contains or produced information that is false or misleading in a material particular; Contravening section 18; Evading tax or knowingly being concerned in or taking steps with a view to evading tax, including accepting goods knowing or believing that tax due with respect to the goods has not and will not be paid or will be falsely reclaimed; Dealing with an asset charged under section 52 so as to prevent seizure; etc.

Knowing very well that the tax laws give the state and GRA all the powers to convict people for tax evasion, what would cause them not to activate the laws on these tax

evaders? Could that be the reason why they feel emboldened to be non-compliant and evade taxes even the more? Some of such answers will be known after interview with the GRA officials.

4.2 Responses from Tax Officials

For the purpose of this study, 10 compliance officers of the Agbogbloshie TSC were interviewed together with the Office manager and the head of compliance.

4.2.1 Understanding the term tax evasion

The tax officers responded that tax evasion is an illegal activity in which a person or entity deliberately avoids paying a true tax liability. Those caught evading taxes are generally subject to criminal charges and substantial penalties. They further explained that to willfully fail to pay taxes is a criminal offense under the Revenue Administration Act 2016 (Act 915). To understand the term better, they explained that tax evasion applies to both the illegal non-payment as well as the illegal underpayment of taxes. Even if a taxpayer fails to submit appropriate tax returns, the GRA can still determine if taxes were owed based on the information required to be sent in by third parties, such as information from a person's employer. Generally, a person is not considered to be guilty of tax evasion unless the failure to pay is deemed intentional. An example is given of an individual or a company who has registered their business with the Registrar General's Department yet has not registered with the GRA for the purposes of tax. When it comes to the known of the GRA, that individual or company would have to pay all their tax liabilities from the very day they began operations till date.

4.2.2 Factors that lead to tax evasion

The response from the tax officers have been amalgamated into the following points.

The factors that cause tax evasion, as outlined by the officers include the following;

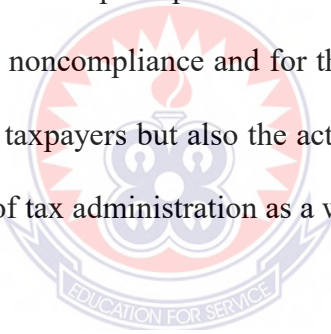
- The very structure of the countries' tax system where we are in the self-assessment regime and taxpayers are supposed to assess themselves. Considering the fact that tax audits are hardly done, most taxpayers under assess themselves and for years they are not audited and this raises their guts to evade taxes even more.
- Low educational level of the people as spelt out by the tax officers is a major factor leading to tax evasion in the municipality and generally in Ghana. They are of the view that it is much easier to preach taxes to people who have had at least secondary and tertiary level education that to do so to those who have had just basic or none at all. This corroborates strongly with the finding from the area as 33.3% of the respondents have had basic education and 20.3% had had none at all.
- Lack of simplicity and accuracy of the tax legislation is another factor leading to tax evasion. Already it has been established that the level of education has a negative impact on tax revenue mobilization, but to have a tax regulation that does not even have an abridged version makes things even worse to be understood and if it is not accurate and is in tandem with the 1992 constitution of Ghana, then it becomes even much worse.
- A significant informal economic nature of the traders in Abossey Okai is a factor that cannot be overlooked, according to the tax officers. Activities of traders at Abossey Okai are purely informal. The situation of Abossey Okai best for the theories of both the legalist and illegalist school as far as the

informal sector is concerned. De Soto (2000), who refers to those in the informal sector as micro-entrepreneurs, suggests that such people will always continue to produce informally so long as government procedures remain cumbersome and costly. The illegalist school, popularized by neo-classical and neo-liberal economists, subscribes to the view that informal entrepreneurs deliberately seek to avoid regulations and taxation hence will prefer to operate illegally – or even criminally (Maloney, 2004).

- Lack of citizens' tax integrity could not be overlooked as a factor as the tax officers shared their experience. That, because most people in that enclave do not have formal education or have just had basic, they simply do not know it is an obligation and duty to pay taxes.
- Geographical location or Institutionalization is another reason for tax evasion; once one person isn't paying others don't pay because they find themselves at a common place with common and similar activities and this corroborates the response from the taxpayers where about 60% perceive that their colleagues evade taxes and to wit they are most likely to evade too.
- According to the tax officers, people also evade because of competition. Those who charge the VAT tend to have higher prices than those who do not charge. Hence same product, same quality yet once a particular trader charges VAT, his total pricing will most definitely be higher than those that do no charge hence that agent of VAT is likely to stop the VAT issuance in order not to lose customers thereby joining the law breakers – the tax evaders.
- General apathy and disregard for tax laws were cited as another factor of tax evasion; In Africa and Ghana for that matter, we have a very poor culture of

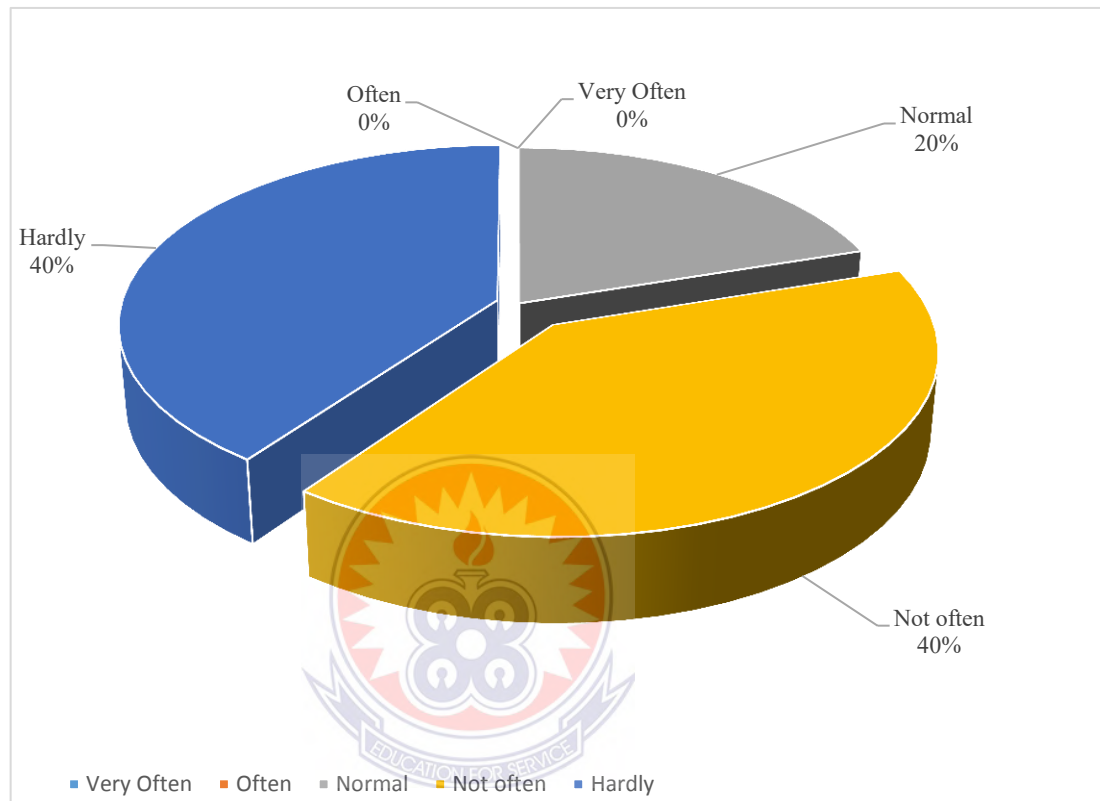
maintaining law and order and doing right as stipulated by law and one of such disregards is tax non-compliance.

- There is also a general perception that politicians are corrupt and monies are not used for intended purposes and this is a major factor for tax evasion. This also corroborates the response from the taxpayers where about 95% cites this point as their reason for tax evasion.
- Also, there are very strong ties between the taxpayers in Abossey Okai and powerful politicians or government officials. The tax officials bemoan that whenever they intend to take a strong enforcement action, they are disallowed from embarking on same for apparent reasons, the politician don't want to be unpopular amongst the spare parts dealer. This buttresses Lewis' (1982) suggestion that tax noncompliance and for that matter, tax evasion is not only the function of the taxpayers but also the actions and inactions of the powers that be" in charge of tax administration as a whole.



4.2.3 How often the tax office undertake compliance exercises at Abossey Okai

Figure 4: How often does your tax office undertake compliance exercises at Abossey Okai?



Source: Field Survey (2021)

Compliance and Educational visit which is an efficient and effective tool for follow-up visits to evaluate compliance level, ascertaining and addressing teething compliance difficulties encountered by registered taxpayers and potential taxpayers have been a shortfall on the part of the tax officers hardly and less often undertake compliance activities in that area. When asked, they attributed it to lack of logistics and personnel. The officers bemoan that when they direct NABCO and National Service Personnel to the field to undertake that exercise, it is usually not very fruitful.

4.2.4 Revenue Performance

4.2.4.1 Effects of Tax Evasion on the Performance of Revenue Mobilization

Tax evasion definitely has an impact on Revenue Mobilization. Hence the research sought to find out how much revenue the Agbogbloshie TSC are able to collect from Abossey Okai only and to what extent tax evasion in that enclave affect their target.

Table 8: Tax Evasion and Revenue Performance

Question	Very much	Much	Normal Little	Little Total	V.
How much tax revenue does your tax office accrue from Abossey Okai?	0	0	2(20%)	4(40%) 10	4(40%)
To what extent does tax evasion within Abossey Okai affect the overall target of your tax office?	4(40%)	3(30%)	3(30%)	0 10	0

Source: Field survey (2021)

From the response of tax officers shown in the table, they accrue virtually little from Abossey Okai to add up to their pool of collection. Tax officers are of the view that their inability to accrue tax revenue from the enclave is affecting their collection.

In addition to the survey, practical official data from the office indicates that they accrue very little from Abossey Okai. The table below shows the areas that fall under the office's jurisdiction and the taxes accrued from each of them as against their target. This is based on location of the business premises and addresses provided at the Registrar Generals'.

The areas under the Agbogbloshie TSC are: Okaishie, Agbogbloshie, Odorna, Korle Bu, Abossey Okai, Jamestown, STC area, Graphic Road, Lartebiorkoshie.

4.2.5 Collection Vrs Target

Table 9: Collection vrs Target (GHC mil) and Deviation Jan to Dec 2019 of Agboglobshie TSC

S/NO	SUB AREA	SUM OF COLLECTION	SUM OF TARGET	DEVIATION
1	Okaishie	4.86	3.30	1.56
2	Agboglobshie	3.03	2.00	1.03
3	Odorna	1.61	1.04	0.57
4	Korle Bu	3.11	2.25	0.86
5	Abossey Okai	1.01	2.30	-1.29
6	Jamestown	1.04	2.05	-1.01
7	STC Area	3.05	2.10	0.95
8	Graphic Road	5.06	2.20	2.86
9	Lartebiorkoshie	4.57	2.15	2.42
Total		27.34	19.39	7.95

Source : GRA AGBO TSC (2020)

The set target for the Agboglobshie TSC, then Agboglobshie STO, for the year 2019 was GHC 19.39 million. However the office was able to exceed this target by GHC 7.95 million, representing 41%. Indeed, though arguably, that same year 2019, the GRA exceeded its target after the initial target of GH¢46 billion was revised downwards to GH¢43 billion.

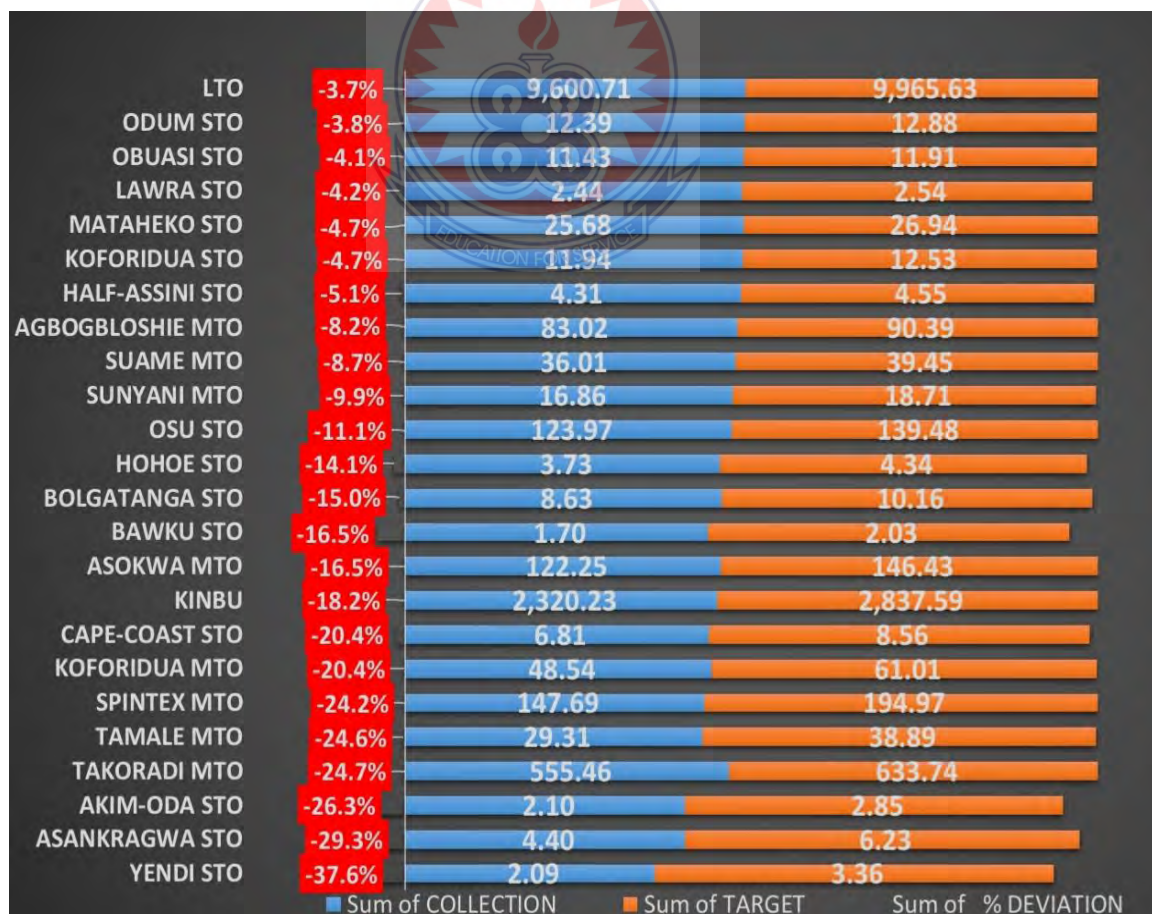
Though Agboglobshie TSC as an office performed phenomenally well, Abossey Okai performed poorly as seen in the table above. The nine sub areas under that office were further allocated targets and with a target of GHC 2.30 million set for Abossey Okai enclave the TSC collected less than half of the set target, which is GHC 1.01 million. Though the researcher couldn't get data for the previous year, the office manager and

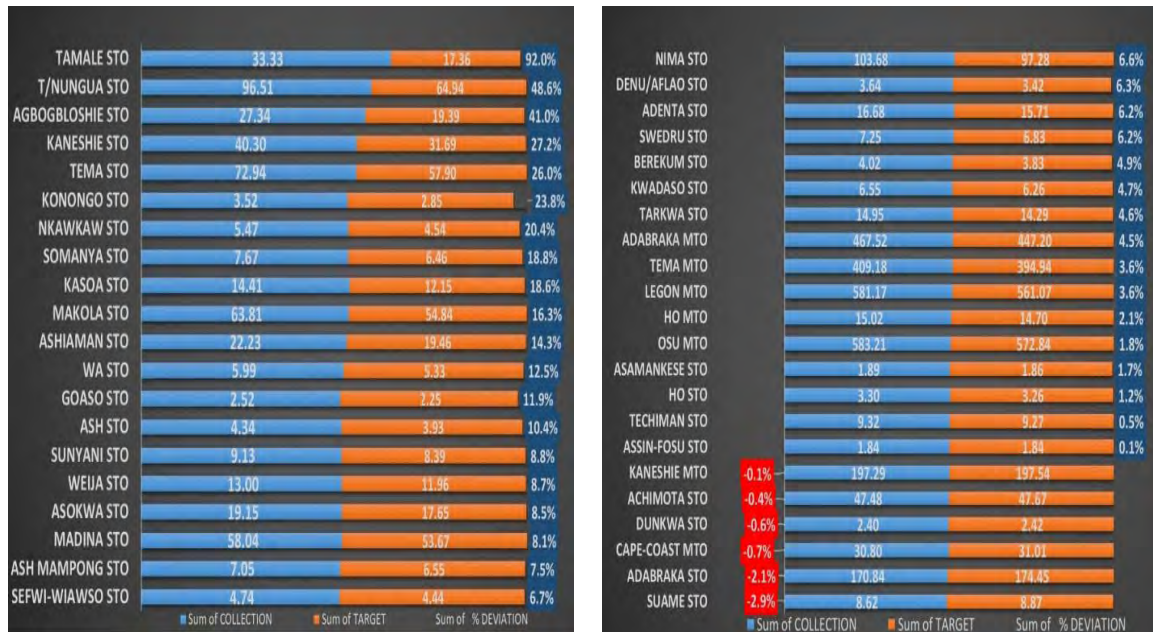
the head of compliance disclosed that the performance of Abossey okai enclave was same for the previous year.

If all the other sub area were underperforming then obviously the TSC couldn't have exceeded their set target but thanks to sub areas like Graphic Road and Okaishie who exceeded their target. So indeed from the performance table below of all DTRD offices, Agbogbloshe TSC is doing very well, Abossey, which is under the said TSC is performing so poorly.

Collection vrs Target (GHC mil) and % Deviation Jan to Dec 2019 of all GRA DTRD offices

Figure 5: Collection vrs Target





Source : GRA P&P (2020)

4.2.6 Enforcement Action taken by the Tax Office

GRA has been clothed with all the powers to undertake various enforcement action as stated in the CEDM manual. These actions Enforcement Programmes include a number of legal and administrative programmes and procedures to correct non-compliance and evasion. Below are some enforcement programmes:

- Power to Search, Seize or Arrest (Swoop)
- Third Party Debtors (Garnishment)
- Creation and Extent of Charge over Asset (Attachment / Distress)
- Restraining Order (Seal-off)
- Civil Recovery/Prosecution (Court Processes)
- Receiver
- Recovery from Agent of Non-Resident
- Restraint of Person (Prohibition)

The table below shows the number of enforcement action taken by the GRA Agbogbloshie Office in 2019 and 2020.

Table 10: Enforcement actions taken by Agbogbloshie TSC during in 2019

S/N	TYPE OF ENFORCEMENT ACTION	NUMBER	AMOUNT RECOVERED	REMARKS
1	Swoop	2	47,400.00	-
2	Seal Off	11	31,090.50	-
3	Distress Action	-	-	-
4	Restraint of Person	-	-	-
5	Garnishment	1	35,000.20	-
6	Court Action	2	-	Still ongoing
TOTAL		16	113,490.7	

Source : AGBOGBLOSHIE TSC (2021)

The table above is the enforcement action taken by the GRA Agbogbloshie office within its jurisdiction. Though further checks into the details reveal that none of those enforcement actions were taken in Abossey Okai, the table gives a clear indication that just a handful of enforcement action was taken against non-compliant taxpayers out of a total taxpayer population of 1,541, not counting potential taxpayers.

Table 11: Enforcement actions taken by Agbogbloshie TSC during in 2020

S/N	TYPE OF ENFORCEMENT ACTION	NUMBER	AMOUNT RECOVERED	REMARKS
1	Swoop	-	-	-
2	Seal Off	-	-	-
3	Distress Action	-	-	-
4	Restraint of Person	-	-	-
5	Garnishment	-	-	-
6	Court Action	3	-	Still ongoing
TOTAL		3	-	

Source: AGBOGBLOSHIE TSC (2021)

Data obtained from the Agbogbloshie TSC indicates that in the year 2020, enforcement actions were not taken against taxpayers who evaded taxes and are non-compliant, except some court cases initiated in 2019 and a new one started in 2020. The table below shows the number of enforcement action taken by the GRA Agbogbloshie Office.

Though they cite Covid-19 as one of the reasons for no or little enforcement action, again, there was no enforcement action within the office's jurisdiction and for that matter Abossey Okai. This goes to buttress the data from the taxpayers where 99% of them say they get away with tax evasion as seen in Figure 4.2 above.

4.2.7 Strategies and Policies Employed by the GRA in Reducing Tax Evasion in Area and its Effectiveness

In the findings of this research, it was revealed that the GRA has been working around the clock to reduce tax evasion. The organization has put together a number of strategies and policies to help improve revenue generation.

i) Restructuring of the DTRD: According to the GRA, it has identified some lapses in the office structure of the DTRD, which is sub divided into Small, Medium and Large Taxpayer Offices. The GRA has developed a transformation programme that will support revenue growth so it achieves its vision of being a world class revenue administration recognized for operational efficiency, professionalism and integrity. The key tenets of this transformation programme is to rationalize the DTRD office operations of the future. According to the GRA, a scoping exercise was conducted in October 2019 and considered implementation options based on good practices. Now the structure is as follows;

A Large Taxpayer Office, located in Accra to serve all large taxpayers across Ghana where there would be additional LTO desks in selected offices in the cities besides Accra where there exist critical mass of large taxpayers.

Taxpayer Services Centres (TSCs) to serve any size of taxpayers with focus on small and medium taxpayers. Where the taxpayer base in an area/ region necessitates, additional TSCs would be allocated.

Area Offices: This is more like a Regional Office which is responsible for all TSCs within their area and they report to relevant head office deputy commissioners who are responsible for the performance of all the area offices.

This design is envisaged to create efficiencies in domestic tax administration, improve taxpayer experience and effective supervision of DTRD operations, and untimely enhance revenue.

A project team has already been set up to further develop and outline the modalities for implementation of this new structure.

This is greatly going to help curb the challenges GRA is encountering as far as Abossey Okai is concerned.

ii) Massive Taxpayer registrations:

According to the GRA, the following people are required to register for a TIN: anyone who earns taxable income in Ghana, anyone who wishes to clear goods in commercial quantities from any port or factory, those who wish to register a title or other documentation relating to land, those who require a Tax Clearance Certificate, those who wish to register a business/company at the Registrar General's Department, anyone who requires a Permit from a District Assembly and those who intend to receive a payment from the Controller and Accountant-Generals Department

Before April 2018, the GRA had been appealing to the population to register for TIN, but since then, they have moved to both appealing and enforcement to get for free, their Individual TIN, an 11-digit unique number given to identify taxpayers and enable GRA to credit them whenever they pay their taxes. Since the GRA zoomed into enforcement, one cannot open a bank account, file a case in court, acquire a passport or obtain a driver's license without a TIN. The person will also be unable to register a vehicle, clear goods in commercial quantities from the ports or register any title to land or any document affecting land. Other services for which the TIN is needed include registration of company at the Registrar General's Department or any District Assembly office; receiving any payment from the Controller and Accountant General or a District Assembly in respect of a contract for the supply of any goods or provisions of any services. The main purpose of the TIN is to broaden the tax net to capture all potential taxpayers and afford the revenue administration the ability to monitor all transactions entered into by taxpayers.

The RAA provided a list of institutions to which the TIN applies, including the Ghana Revenue Authority, the Controller and Accountant General's Department and the Lands Commission, among others. Until 30th July 2019 where in a unanimous decision, the court, led by Justice Sophia Adinyira held that the requirement that one needs a TIN before filing a case in court under the RAA was an infringement on the rights of the individual, one needed a TIN, then, to be able to file a case in court. They held that it offended the spirit of the 1992 Constitution and thus declared that provision void and of no legal effect. In effect potential litigants are free to file cases at the court, whether or not they have TINs. Aside that, all aspects of that provision still stand.

The GRA has however seen a very significant increase in the registration of taxpayers ever since NIA and GRA integrated their data, hence now registered taxpayers in the country number more than 5.5 million people. This will go a long way to improve revenue mobilization and reduce the rate of tax evasion to the barest minimum.

iii) Reduction in tax rates: The GRA in an attempt to improve revenue mobilization and decrease tax evasion has been granting stimulus incentives, reducing tax rates and has given mouth-watering incentives in an attempt to woo their taxpayers and attract potential taxpayers into the tax net.

This rate will make taxpayers who earn less pay even much lesser tax giving taxpayers some breathing space and something to smile about. The researcher hence sought to compare 2021's rate to those of 2018, 2019. It must be noted that 2020 and 2021 rates are the same.

**Table 12: Graduated income tax rates for the years 2018 to 2021 in Ghana Cedis
(GHC)**

No	Chargeable Income Tax	Rates	2018		2019		2020 & 2021	
			Annual	Monthly	Annual	Monthly	Annual	Monthly
1	FIRST	Free	3,132.00	261.00	3,456.00	288	3,828.00	319
2	NEXT	5%	840.00	70.00	1,200.00	100	1,200.00	100
3	NEXT	10%	1,200.00	100.00	1,680.00	140	1,440.00	120
4	NEXT	17.50%	33,720.00	2,810.00	36,000.00	3,000.00	36,000.00	3,000.00
5	NEXT	25%	81,108.00	6,759.00	197,664.00	16,472.00	197,532.00	16,461.00
6	EXCEEDING	30%	120,000.00	10,000.00	240,000.00	20,000	240,000.00	20,000

Source: Field survey (2021)

Comparing 2020 rates to the 2018 and 2019 rates, taxpayers were paying more for their Pay As You Earn (PAYE) and for their Personal Income Tax (PIT). On the face of the table, if one earned GHC 300.00 in 2018 and in 2019, that fellow would pay some tax, however small it may be, but today, in 2020, earning GHC 319.00 and below means that that same fellow will not be liable to tax.

The same is true for PIT which is calculated using the annual graduated rates. We should mind that according to the data Abossey Okai is predominantly an informal sector who are most likely to be sole proprietors and hence are liable not to pay Company Income Tax (CIT), but rather, the PIT and would be greatly affected with decisions on graduated rates.

So on the face of the table, if a sole proprietor earned GHC 3,500.00 in 2018 or 2019 as annual income, that fellow would have to pay some tax, but if same fellow earns

even GHC 3,800.00 in the year 2020 and 2021, the person would not be liable to pay tax though the person must be compliant enough to still file their return all the same.

iv) Increase in Tax reliefs - The GRA has also granted some tax reliefs, effective January 2020 and arguably it can be described as mouth-watering considering the fact that the previous reliefs were so insignificant.

Figure 6: Amended personal reliefs

The amended personal reliefs are as follows:

Relief	Previous (GHS)	Amended (GHS)
1 Dependent Spouse or at least two (2) children	200	1,200
2 Old Age (60years and above)	200	1,500
3 Children's Education (per child) - up to maximum of three (3)	200	600
4 Disability Relief	25% of the assessable income of the disabled individual	No change
5 Aged Dependants	100	1,000
6 Training and Development Relief	Maximum of 400	2,000

Source: KPMG (2020)

According to the statistician of Agboghloshie TSC, during the interview, taxpayers hardly applied for reliefs in the past years because of how relatively insignificant it was, but same cannot be said today, he added. He said that a lot of taxpayers were taking advantage of the reliefs by applying for them and that in itself is wooing potential taxpayers, including taxpayers from Abossey Okai.

v) Tax and Good Governance Month for taxpayer education and compliance: In an attempt to solve the compliance issues, the Tax and Good Governance week which

is a follow up to the National Tax campaign held in 2018, was instituted in 2019 to focus on the filing of annual tax returns in accordance with the Income Tax Act, 2015 (Act 896) and the Revenue Administration Act, 2016 (ACT 915)

This measure has been introduced with the hope of inducing voluntary compliance such as tax amnesty, Electronic Point of Sales device (EPOS), the excise tax stamp, withholding tax on VAT supplies and purchases by appointed agents.

The Tax and Good Governance Week/ Month, also known as the Yellow Week/ Month has been scheduled for April every year where tax offices mount tents at vantage points within the communities to create tax awareness. This was however not organized in April 2021 and it has been attributed to the Novel Coronavirus Disease and the protocols associated with it. It was launched in 2019 hence very difficult to ascertain its effectiveness.

vi) The institution of online filing and a cashless system: In an age of digitalization, the GRA has joined the train by ceasing cumbersome processes. Today all taxpayers are supposed to file and pay tax due online. This means that a taxpayer mustn't even worry about visiting a tax office for the purpose of paying taxes. With grana.gov.gh, taxpayers can access the services of their tax office hence answering all issues regarding long queues at the tax office, distance of the tax office and complaints that the taxpayers do not get enough time out of their busy schedule to transact their tax businesses. Indeed, corroborates the point as made by Oyebanji (2014) who recommends that some possible solutions to tax evasion include reduction in bureaucratic documentation in order to stop forgery. Shome (2005) makes similar point by suggesting that computerization of administrative processes will possibly minimize the interface between taxpayer and tax official.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The purpose of the study was to research into the incidence of tax evasion in Abossey Okai and its effect on tax revenue mobilization. This chapter is to present a summary of the findings of the study, the conclusions drawn based on the findings of the study and recommendations made for consideration.

5.1 Summary of the Major Findings

Based on the results and discussions of the study, the following is the summary of the findings of the study.

1. It was ascertained that tax evasion in the Abossey Okai was generally very high. The research revealed that the major factor that led to the high rate of tax evasion was lack of enforcement. This was evident when the study revealed that tax officers undertake very little or no enforcement in that area. The taxpayers barely know if anything like compliance exist, let alone enforcement. Indeed, data from the GRA indicates that they barely undertake enforcement at all hence the people think they can actually get away with tax evasion and tax non-compliance for that matter. In actual fact, they get away with evasion and GRA has been rendered toothless as they are unable to ride on the back of the tax laws to punish such non-compliant taxpayers.
2. This research confirms the literature that the informal sector is cladded with high tax non-compliance considering the fact that a high majority of taxpayers and potential taxpayers in Abossey Okai are within the informal sector. It is also in line with the literature of Shome (2005) which concludes that to keep

tax evasion in check, the tax administration must incorporate genuine threat of penalty.

3. In this research, younger taxpayers aged below 60 years numbered 246 as against 60 of them aged above 60 years – meaning that the taxpayers in question are younger hence supporting the literature of being highly tax non-compliant as seen in the results
4. Same as gender of the taxpayers, it was found out that compliance levels of female taxpayers are generally and normally higher than for male taxpayers and in this research, it came to light that the Abossey Okai enclave is highly dominated by males who numbered 214 and 92 females and note must be taken that the respondents in question were randomly selected. Accepting that the males indeed outnumber the females, it is hence not surprising that tax evasion persist there.
5. To curb tax evasion, it was found out that the GRA is employing several measures and strategies, including massive TIN registration and subsequently moving from the usual TIN to GUIN in order to drag people into the tax net, restructuring of the DTRD, reduction in tax rate, increment in reliefs, and the introduction of the tax and good governance week, among others.
6. The effectiveness of all the strategies, except the TIN registration, being employed would be difficult to ascertain because they were all introduced in 2019 and in 2020.
7. Worth noting in the findings is the fact that embarking on series of compliance and enforcement actions would most likely reduce tax evasion drastically

5.2 Conclusion

Tax evasion is extensive, always has been, and it will always certainly be. Hence using the cognitive theory as a basis where the assumption is that humans are logical beings making choices that make the most sense to them, taxpayers would make decisions on fulfilling their tax obligation based on what makes sense to them. Thus, if taxpayers agree that taxes are used for meaningless ventures by government and the system of tax collection is fraught with corruption as seen from the responses that most people deliberately evade tax because of the reckless expenditure by the government, they would devise innovative ways of evading tax.

Now that the current orientation of the DTRD of GRA is directed towards promoting self-assessment which is an international best practice, the institution has to work harder on improving tax compliance and education. This is very key especially for the informal sector where tax non-compliance is even much higher like in the case of Abossey Okai.



5.3 Limitations of the Study

Every research has certain limitations, and so is this very one. The main limitations were the sample as well as limited access to information and time limits.

5.3.1. Sample

Considering the nature of the chosen problem and their significance it would have been more helpful to get a greater sample size than the 306 used. There are different types of spare parts dealership and hence they may all have peculiar situation. This research generalized them all as spare parts dealers hence there is a high possibility

that a particular group may outnumber other group and that may not bring out a total true finding.

5.3.2. Limited access to information

Several information was needed to make the research work very rich and bring out a perfect finding but it was difficult to get some vital information forthcoming. Both taxpayers and tax officers did not want to give out very detailed information because people are generally careful not to implicate themselves. Whereas the taxpayers at some point felt that the data collated may be used against them, tax officers felt they might be victimized for giving out internal information.

5.3.3. Time limits

This research is an academic work and had some time limits hence the researcher was literally forced to work within that limit. Though every research is time bound, the topic chosen would have had a much richer finding if the researcher had had some luxury of time.

5.4 Recommendations

5.4.1 Recommendation for Action

Having undertaken this study which has uncovered a lot, the GRA needs to continually review its systems, strategies and skills to keep pace with the problem of violations of tax laws, pertinent amongst them being the incidence of tax evasion. In light of this, the following recommendations have been suggested to help improve tax revenue mobilization, not only in Abossey Okai but in Ghana as a whole.

- i) There is the need to institute a very stiff penalty for contravening any section of the law. This is a greater way of undertaking enforcement because by

enforcing the law, taxpayers would tend to be more compliant because they would not want to be at the bad side of the law.

- ii) GRA should adopt an effective mechanism that ensures the updating of a taxpayer's registration information whenever changes occur in the status of the taxpayer, particularly, change in contact information and business address. This will make it much easier to trace taxpayers whenever they default.
- iii) The Client service sub-unit of the TPS and the Compliance sub-unit of the CEDM should be empowered to go to the field and educate the public constantly. While educating them, they should be constantly encouraged to register voluntarily and for those already registered should be taught to be compliant. This could be done by conducting seminars and town hall meetings, have a constant airtime on TV and on radio to discuss tax related issues, probably dubbed – *Time with your tax officer*. This will go a long way to bridge the education gap. They should not use NABCO interns, National Service Persons or junior staff for such field education but rather much experienced tax officers. This, they can do with the support of the National Commission for Civic Education whose core mandate is to educate the population especially on their civic responsibilities.
- iv) GRA should consider starting an on-boarding program for new taxpayers. When taxpayers register with the GRA, they should be provided with all the necessary information, tax returns and instructions they will need to meet their filing and paying requirements.
- v) Though the GRA has made several efforts to get potential taxpayers to register for the TIN, it would be much better if while undertaking compliance activities and educational visit, they give out taxpayer registration forms to

their potential clients and get them to register. Indeed, GRA officers may not be able to leave their many responsibilities to undertake this exercise, hence the need to use the NABCO interns and National Service persons to assist with such exercises.

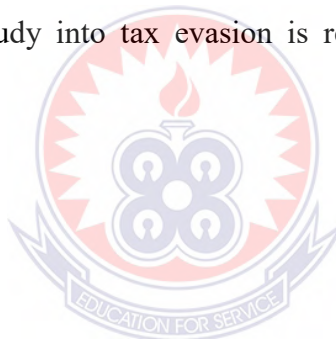
- vi) GRA should also consider designing a utility software that does the calculation of taxes and fines for the taxpayer and validates entries.
- vii) GRA should grant their clients some tax amnesty periodically and the preconditions to be granted one should not be too tough to meet. The basic idea of an amnesty is to encourage taxpayers to come forward and pay their long-past-due obligations and can be used to bring new taxpayers into the tax net.
- viii) Even though GRA has restructured their DTRD, they should better demarcate the jurisdiction of their taxpayer offices. This will better help manage towns or cities that may not have taxpayer offices and find it difficult to know their assigned office.
- ix) The GRA and the Local Government must work together so they can achieve the common goal of improving revenue collection. There is no point in working in isolation when in togetherness both institutions can have a win-win situation. They should, among other things, share data and information that will help each other perform better. After having undertaken this research, it can be assured that tax revenue will improve hence should attach some urgency in the need to develop a comprehensive framework for their collaboration.
- x) In order to stop excessive political interference, there should be some mechanisms in choosing the top hierarchy of the GRA, as long as the three

commissioners as well as the Commissioner-General are appointed by the government of the day, the government will always prevent them from biting their party faithfuls and the like.

- xi) Some people, as established, are bound to deliberately evade tax, hence the state should consider establishing a professional and independent tax tribunal that could speedily deal with tax matters so that when GRA uses all their compliance, enforcement and debt management tools and that does not yield the needed results, the courts can deal with such recalcitrant in the society.

5.5 Recommendation for Further Studies

This study was conducted in Abossey Okai hence it covered just a small area in Ghana. Thus, another study into tax evasion is recommended in another area for comparative purposes.



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APPENDICES

APPENDIX 1

QUESTIONNAIRE FOR TAXPAYERS

Dear respondent,

The aim of this work is to examine the incidence of tax evasion and its effects on revenue mobilization in Abossey Okai. This study is being conducted in partial fulfillment of the requirements for the award of an MBA (Accounting)

I strongly assure that all information availed will strictly be confidential and dealt with for the purpose of this research and there is no intention of doing otherwise.

Please tick the appropriate answer.

1. Gender a. Male b. Female
2. Age a. Below 20 b. 21 - 40
 c. 41 - 60 d. 61- above
3. Level of education a. Basic c. Tertiary
 b. Secondary d. No formal education
4. Is your business entity registered? a. Yes b. No.
5. If yes, with which organization (s)? a. Registrar General's
Department
 b. District Assembly
 c. Both
6. Are you a registered taxpayer/ Do you have a TIN or a National ID
(Ghana Card)? a. Yes b. No
7. How long have you been in your current business?

- a. 1-5 years [] b. 6-10 years [] c. 11-15 years [] d. Above 15years []
8. Are you VAT registered? a. Yes [] b. No []
9. If Yes, how often do you issue the VAT invoice?
a. Always [] b. sometimes [] c. Never []
d. Other reasons []
10. If No, why are you not VAT registered?
a. I don't understand VAT []
b. I don't qualify to register []
c. My goods are VAT exempt []
d. Other reasons []
11. Are you aware that you owe it a duty to pay tax on your business income?
a. Yes [] b. No []
12. To whom did you pay the tax? a. Ablekuma Central Municipal Assembly []
b. Ghana Revenue Authority []
13. Do your colleagues pay their taxes regularly? a. Yes [] b. No [] c. Not sure []
14. To what extent do you think people don't comply with tax laws in Abossey Okai?
a. High [] b. Low [] c. No Idea []
15. Does the state/ GRA penalize you for non-compliance?
a. Always [] b. sometimes [] c. Never []
16. How do you perceive the current tax rate?
a. Inadequate [] b. Fair [] c. Too High [] (d) Dont Know []

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

a. Cordial [] b. Harsh [] c. Neutral []

18. Have you taken advantage of the GRA cashless system by paying your

taxes via the banks and mobile money? a. Yes [] b. No []

19. Are you able to file your taxes online? a. Yes [] b. No []

20. Why do you think you or people don't comply with the tax laws?

S/NO		Strongly Agree	Agree	Disagree	Strongly Disagree
a	Not aware they are supposed to pay				
b	It is intentional/deliberate				
c	Tax assessment is too huge				
d	Business not profitable				
e	Distance difficulty in paying tax				
f	Tax officials don't come around for collection				
g	Unnecessary use of tax revenue by government				

APPENDIX 2

QUESTIONNAIRE FOR TAX OFFICIALS

The purpose of this interview is to gather information on the incidence of tax evasion in Abossey Okai and its effect on Revenue Mobilization (in the Greater Accra Region of Ghana). This study is being conducted in partial fulfillment of the requirements for the award of MBA Degree (Accounting option).

As one of the stakeholders you are requested to provide your knowledge and understanding on the issue as inputs in the research. Be assured that the information will be treated with confidentiality and shall be used for academic Purpose only.

PART I – QUESTIONNAIRE

1. How often does your tax office undertake compliance exercises at the Abossey Okai?
a. Very often [] b. Often [] c. Normal [] d. Less often [] e. Hardly []

PART II – INTERVIEW QUESTIONS

1. What is your understanding of the term tax evasion?
2. Explain the factors that lead to tax evasion.
3. To what extent does tax evasion within Abossey Okai affect the overall
4. How much tax revenue does the tax office accrue from Abossey Okai?
5. What are the compliance measures taken by GRA to minimize tax evasion in the area?
6. What can be done to ensure that taxpayers do not evade tax?

7. What do you think must be done to do away with these challenges in order to improve collection?
8. To what extent does tax evasion affect tax revenue mobilization?
9. How convenient is it for taxpayers in Abossey Okai to pay taxes at the TSC?
10. What is the effect of the new structure of GRA on tax revenue mobilization in Abossey Okai?

“Thank you very much for the response and participation”

