UNIVERSITY OF EDUCATION, WINNEBA

ASSESSING THE UTILIZATION OF TAX RELIEF SCHEMES BY EMPLOYEES IN THE PUBLIC SECTOR

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DECLARATION

STUDENT'S DECLARATION

I, Osei-Gyamfi Prince**,** declare that, this dissertation with exception of quotations and references contained in published works that have been duly acknowledged, is entirely my own original work and it has not been submitted 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 dissertation as laid down by the University of Education, Winneba.

Supervisor: Mr. Samuel Kofi Asiamah

Signature ……………………………………..

Date………………………………………..

DEDICATION

To my mother, friends, and all my loved ones

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My effort was a great success, and I owe it all to God Almighty by whose grace and strength I have successfully gone through this course and more especially completed this work. Special thanks go to public sector employees within the selected institutions in the Birim central municipality, i.e the education sector, the health sector and the local government sector for their cooperation.

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LIST OF ABBREVIATIONS

CEPS	Customs Excise and Preventive Service
DTRD	Domestic Tax Revenue Division
GDP	Gross Domestic Product
GRA	Ghana Revenue Authority
IRS	Internal Revenue Service
IT Form	Income tax form
N.R.C.D.	National Redemption Council Decree
SMCD5	Supreme Military Council Decree 5
SPSS	Statistical Package for the Social Science
SSNIT	Social Security and National Insurance Trust
VATS	Value Added Tax Service

ABSTRACT

The main objective of the study is to assess the utilization of the tax relief schemes by public sector employees in Ghana. Questionnaires were distributed to and responses obtained from one hundred and twenty public sector employees within the health, educational and the local government sector using the random sampling method. The study revealed that 88.3% indicated that they were aware of tax reliefs available to employees who pay tax in Ghana whiles only 11.7% were not aware of the tax relief system in Ghana. The study further revealed that just about 23 out 120 (representing 19.2%) respondents have ever applied for tax reliefs whiles 97 out of 120 (representing 80.8%) have never applied for it. The results also indicated that only 23.3% had ever filed a return, whereas 76.7% of the taxpayers had never filed a return, which a basic requirement for applying for tax reliefs. The study found no statistical association between socio-demographic factors such as gender, highest level of education, marital status, institution, religion, basic monthly salary, and number of children and awareness of tax relief schemes. In conclusion, the study has revealed that most tax payers do not utilize personal tax reliefs' provisions even though majority of them are aware of the tax relief schemes. It is recommended that public education on filing of tax returns in any form should be intensified, if possible, giving it the same publication as being received by the payment of Income Tax. Also, the Ghana Revenue Authority must also work in collaboration with the Social Welfare and the Physically Challenged Rehabilitation Centers to educate its members on the tax reliefs available for taxpayers in Ghana.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Governments all throughout the world rely on a variety of revenue streams to manage their economies. Tax revenue is one of the sources of revenue for governments. Taxation is defined as any system that requires an entity to relinquish control of its private goods and services in order for the government to provide public goods and services (Sarpong, Appiah, Takyi, & Osei, 2011). Aheto (2012) defines tax as a kind of compulsory contributions or payments from households, corporations, or organizations to fund government expenditure. Despite the fact that the above definitions of taxation imply obligatory imposition, governments devise tactics to encourage more individuals to pay their taxes (Edame & Okoi, 2014).

In practice, tax policies differ dramatically between the poorest and richest countries. Low-income countries have historically supported more international trade taxes in order to increase revenue, whereas richer countries have used more taxes on consumption and revenues (Thaçi & Gërxhaliu, 2019). As a country develops, it gradually lowers its tax exemption threshold, broadening its income tax base. The expansion is driven by a shift in the employment structure over time, with an increasing employee share as more people shift from informal self-employment to more formal employee-employment. Prior research has shown that enforcing taxes for employees is much easier than enforcing taxes for self-employed individuals, owing to record keeping and information trails, as well as the availability of third-party agents, which reduces administrative burden and cost (OECD, 2004). African countries' tax structures are generally similar to those of Latin American and

Caribbean countries. Africa has a relatively higher reliance on individual taxes and a lower reliance on social insurance taxes (Adeyiga, 2013).

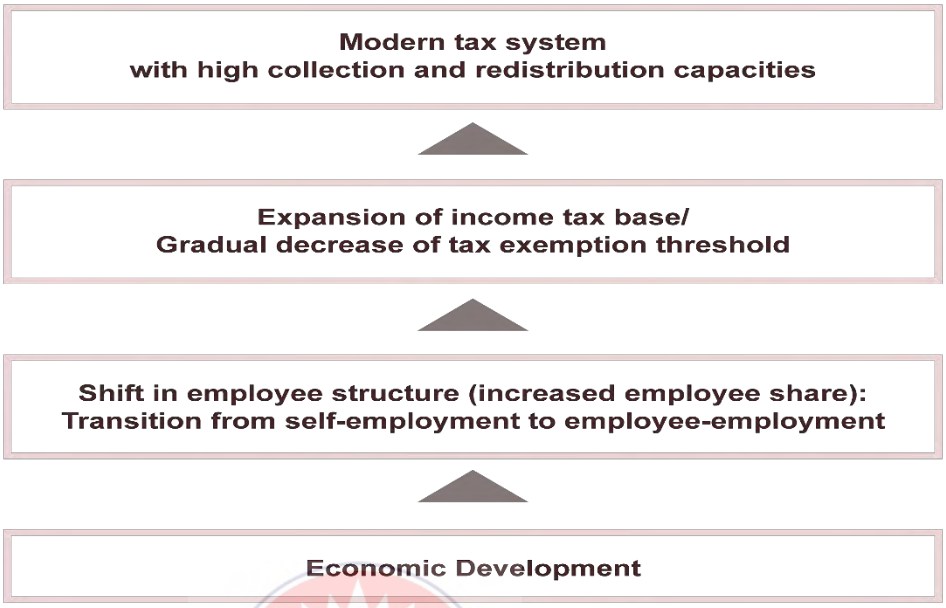

Fig 1.1: Diagram illustrating the logic of how the modern tax system evolved over time, (Adeyiga, 2013)

A well-functioning revenue system is a prerequisite for long-term and inclusive economic development. However, revenue systems in some developing countries like Ghana have significant flaws. Ghana's revenue from natural resources is derived from profits accruing mainly from carried interests and corporate taxes and royalties based on the revised five percentage fixed rate on volume and value of extracted minerals and oil and gas. The primary challenge is that it would appear that Ghana has not independently converted its natural resources into reserves to ascertain their economic value. More so, revenue agencies do not have the capacity to assess independently the veracity of declared export earnings by Multinational Mining Companies. Given these serious drawbacks, the Ghana Revenue Authority (GRA) had no other option than to accept profit, volume, and value levels declared by MMCs on which tax assessments are made (Armah-Attoh & Awal, 2013).

Ghana's total tax revenue is expected to be around 57 billion Ghanaian cedis (GHS), or approximately 8.8 million US dollars, in 2021. As of 2020, the country had received approximately 47.5 billion GHS in non-oil tax revenue, or approximately 7.3 million US dollars, continuing the upward trend seen since 2015. However, the biggest hurdles in Ghana are revenue management issues, Lack of contract transparency, negative consequences of corruption and many more (Amin et al., 2022).

The primary goal of taxation is to provide governments with the funds they need to provide basic public services. Many of the things that are essential to the operation of societies around the world, such as health care, schools, and social services, are paid for by taxes. In order to achieve economic and financial stability, developing countries can use taxation to control inflation. According to studies, a country's bare minimum tax revenue must be at least 15% of its gross domestic product in order to provide basic services to its population (Amin et al., 2022a).

According to Martinez-Vazquez (2011), because tax income is so important to a country's development, the government will have difficulty spending enough to maintain economic growth if tax revenue is insufficient, limiting the country's development. In addition to producing revenue, tax policy may be used to promote economic stability. Changes in tax liabilities not matched by changes in expenditures cushion cyclical fluctuations in prices, employment, and production. Built-in flexibility occurs because liabilities for some taxes, most notably income taxes, respond strongly to changes in economic conditions. In other for the citizenry to pay these taxes they must possess adequate knowledge about these obligations.

Tax knowledge is defined as the ability of a taxpayer to comprehend tax laws and regulations in a straightforward manner (Ayuba et al., 2016). Tax knowledge, according to Pratama (2018), is a level of understanding of fundamental tax concepts such as tax rules and financial knowledge that taxpayers must understand in order to meet their tax obligations.

Any government initiative or policy aimed at assisting individuals and businesses in lowering their tax loads or resolving tax-related debts is referred to as tax relief. Agyei and Gyamerah (2014) also defined tax relief as any allowance approved by law with the aim of reducing taxpayers' taxable income with ultimate goal of lessening their tax burdens. According to Cosmin et. al., (2013) personal deduction offsets higher tax rates leading to smaller taxable income. Hence, in a progressive tax administration, a person's position in relation to his commitment is considered by granting him/her the reliefs to ease the tax burden on him/her. Universal tax cuts, tailored programs that benefit certain categories of taxpayers, and initiatives that support specific government aims are all examples of tax relief. Tax relief programs and initiatives help taxpayers reduce their tax bills through tax deductions, credits, and exclusions. Other programs help taxpayers who are behind on their taxes settle their tax-related debts, potentially avoiding liens in the process. Taxation is viewed as a nuisance by taxpayers, thus they seek out various ways and tactics to avoid and, if feasible, evade it (Kassa, 2021a). As a result, tax relief is one of the techniques used by governments to encourage taxpayers to pay their full tax liabilities. According to Sarpong et al. (2011), the reliefs are entirely dependent on the individual's status rather than the type of income earned. As a result, these benefits are available to all people, not just employees. Tax reliefs are subtracted from an individual's assessable income before applying the tax rate. Thus, it may be described as statutory deduction from assessable income in ascertaining the chargeable income of an individual and are granted on annual basis.

The total scope of Ghana's taxes includes income taxation, value added taxation, customs import and excise duties, stamp duty, and revenue collections from extractive industries such as mining, oil, and forestry, all of which contribute to the government's income, wealth redistribution, and revenue collection (Omane & Affum, 2020a). The Ghana Revenue Authority is currently in charge of collecting these funds. Direct taxes, which are meant to be paid by the person or organization on whom or which they are actually levied, and indirect taxes, which are charged on expenditure and paid by suppliers of goods and services, are both levied and paid through this agency.

Tax reliefs are intended to cushion the effect of tax on the individual and to make it bearable for him or her to pay the tax. Since tax reliefs have as an objective to lessen the tax burden of the tax payer, governments all over the world have come out with different tax relief schemes. Ghana government is no exception to this. Presently, Ghana has three main types of tax reliefs namely; personal reliefs, relief from double taxation, and roll over relief. Unfortunately, this scheme which is supposed to lessen the tax burden has not been taken advantage of by tax payers in Ghana, according to the Ministry of Finance in 2020. This whipped the interest of the researcher to find out the utilization of these tax reliefs particularly, among employees both in the public and private sectors on in Ghana.

1.2 Statement of the Problem

Governments all over the world depend on all manner of revenues from different sources to run the economy. The Ghana Revenue Authority is in charge of collecting revenue in the form of taxes on behalf of the country in order to fund national development. Taxation is the primary source of government revenue. Among the revenues relied upon by governments is income from tax. In addition to the financing goal of imposing income taxes, taxation has the public welfare implication of bridging the wealth gap between the rich and the poor. These taxes one way or the other places some sort of burden on especially the public sector workers, which may affect the finance choices and performance of the taxpayer or the institution. In order to lessen these burdens, the citizenry is involved in tax evasion and avoidance which has resulted to the Ghana government losing billions of Ghana cedis. For example Assibey (2015) found out that, the Ghanaian government lost around 227 million cedis (over $45 million) due to tax evasion.

Also, the Global Media Foundation (GLOMEF) cited in a research by the Advertisers Association of Ghana (AAG) and called on the Ghana government to amend sections of the Internal Revenue Act 2000 that gives tax incentives to multi-national companies in the country. This was as a result of their discovery that the country loses about $2.7 billion every year to tax evasion and incentives to multinational companies. The government with intension to cushion the effect of taxes on the individual and to make it bearable for him or her to pay implemented tax relief schemes. Expansion of tax relief has received worldwide attention in recent years due to the fact that many developed and developing countries including Ghana are still suffering from fiscal deficits following the global financial crisis. Tax reliefs are a significant tax structural component that is affirmed by national laws and international agreements. Tax breaks encourage businesses, help residents earn more money, and reduce social exclusion, but they also raise the cost of taxes (a negative impact on public finances). These elements reflect the significance of the tax relief.

Researches done by Agyei and Gyamerah (2014) as well as that of Arhin (2019) in the Greater Accra, Ashanti and Brong Ahafo regions found that, employees in those regions had ample knowledge about the existence of tax relief schemes in Ghana, however, these studies did not assess the utilization of theses relief schemes. The ministry of finance also reports the under-utilization of these schemes. The purpose of this study is to determine whether public sector employees in Ghana utilize the Ghana Revenue Authority's tax relief schemes and whether or not it has helped to reduce tax liabilities of the employees.

1.3 Purpose of the Study

The main objective of the study is to assess the utilization of the tax relief schemes by public sector employees in Ghana.

1.4 Research Objectives

1. To ascertain the level of tax relief awareness among public sector employees in Ghana.
2. To assess the utilization of the tax relief schemes by public sector employees in Ghana.
3. To establish whether tax reliefs significantly reduce public sector employees' tax liabilities in Ghana.

1.5 The Research Questions

This research sought to provide answers to the following questions:

1. What is the knowledge level of awareness of tax relief schemes among public sector employees in Ghana?
2. Are employees in Ghana utilizing the available tax schemes?
3. Do tax relief schemes significantly reduce employees' tax liabilities in Ghana?

1.6 Significance of the Study

The Ghana Revenue Authority under the Government of Ghana has over the year's implemented tax reliefs to lighten the tax burden of on businesses and the citizenry. Recently, in February 2022, the government implemented a number of tax reliefs to cushion taxpayers against Covid 19 induced challenges and quicken the recovery process to sustain and create jobs. The study is important due to the fact that it seeks to find out whether employees utilize these schemes. If not utilized, reasons for its underutilization. Information from this study could serve as a reference data for the government machinery concerned with taxation on how to address the challenges of employees with respect to tax relief schemes.

1.7 Scope of the Study

The scope of the study focuses on assessing the tax knowledge and utilization of public sector employees in Ghana on the tax reliefs. The study population for this research are public sector employees within the Birim Central Municipality. The public employees would be randomly selected from Public Schools, the Municipal Hospital, and employees at the Municipal Assembly. In total, the study would encompass 120 participants. This study is a quantitative study. The study is expected to be completed within two months. This study would focus on verifying whether the study population is aware of the various tax relief schemes made available to them, its utilization and whether or not these tax relief schemes lessen the tax burdens on these employees.

The study would also hope to help policy makers deem the filing of Income Return as important as to necessitate the passing of a laws on the delivery of returns. This study would also make the taxpayers aware of their civic responsibility of filing tax returns and also make them aware of their right to access personal tax reliefs.

1.8 Limitation of the Study

The study will be limited to only one region and as such, the generalization of the findings is limited. Also, the study would only cover some selected sectors of public sector employees. As a result, the findings of the study would be limited to those sectors and not all public sector employees.

1.9 Delimitation of the Study

The study would only assess the public sector employees within the Birim Central municipality and would be centered on assessing the utilization of tax relief schemes by employees in these public sectors. Public sectors workers within the health sector, educational sector and the municipal assembly would be considered. This is as a result of aceessibility. This delimits the study as generalizations on other public sectors would not be applicable.

1.10 Organization of the Study

This study or research would be divided into five chapters. The study's background, problem statement, objectives, research questions, significance, and scope are discussed in chapter one. The second chapter attempts to review already published related literature on the subject. The theoretical framework, the empirical review, and the conceptual framework are all fairly presented in this chapter. The methodology is examined in chapter three, along with the design and sampling procedures used to collect data. The analysis of the data and the presentation of the facts are covered in chapter four, and the summary, conclusion, and recommendations for further research are covered in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Taxes are levied in almost every country in the world, specifically to increase earnings for government expenditures, although they serve other purposes as well. In modern-day economies, taxes are the most critical source of governmental revenue. Taxes vary from different sources of income in that they are compulsory levies and are unrequited, i.e., they are generally not paid in exchange for some unique thing, such as a special public service, the sale of public property, or the issuance of public debt. While taxes may be collected for the benefit of all taxpayers, the individual taxpayer's jail duty is independent of any unique acquisition received. This chapter is majorly presents taxation in general; its principles, objectives, and effects; specifically, discussing the nature and sorts of tax alleviation schemes in Ghana; techniques for the software program of tax relief; qualification and magnitude of tax relief; the purpose of taxation; application for tax relief schemes; tax liabilities; and the consequences of tax liabilities on individuals. All information presented in this chapter were obtained from existing literature and have been duly referenced.

2.1 Conceptual issues on Taxation

Taxation is described as the inherent power of the sovereign, exercised via the legislature, to impose burdens upon subjects and objects within its jurisdiction for the motive of generating revenues to support the expert objects of government and is additionally described as the act of levying a tax, i.e., the strategy or functionality by which the sovereign, through its law-making body, raises income to defray the fundamental expenses of government (Agyei & Gyamerah, 2014). This constitutes the majority of state revenue, providing governments with the preferred funds to invest in development, conflict, or provide fundamental public choices (Lymer & Oats 2009). It affords an antidote to beneficial aid dependence in growing nations and affords the fiscal self-reliance and sustainability that are desired to promote economic growth (Susyanti & Askandar, 2019). Although views on what is excellent in tax coverage have an effect on the preference and structure of tax codes, patterns of taxation for the duration of history can be defined largely through administrative considerations (Amin et al., 2022b) . For example, because imported merchandise is less difficult to tax than domestic output, import obligations have been amongst the earliest taxes.

Similarly, the simple turnover tax (levied on gross sales) long held sway before the invention of the economically most suitable but administratively more annoying VAT (which approves savings for tax paid on purchases). It is simpler to identify, and thus tax, actual property than other assets, (Hasseldine et al., 2012)and a head (poll) tax is even less difficult to implement. It is not surprising, therefore, that the first direct levies have been head and land taxes . Although taxation has a lengthy history, it played a distinctly minor role in the historical world . Taxes on consumption have been levied in Greece and Rome. Tariffs taxes on imported goods—were frequently of much greater importance than inner excises, so far as the production of income went. As a means of raising additional cash in times of war, taxes on property would be quickly imposed. For a lengthy time, these taxes were limited to actual property, but later they have been extended to other assets. Real property transactions are additionally taxed (Krmenec, 1991). In Greece, free citizens had different tax obligations than slaves, and the Roman Empire's tax legal guidelines were unusual for nationals and residents of conquered territories. Early Roman types of taxation included consumption taxes, customs duties, and positive “direct” taxes. The fundamental of these used to be the tributum, paid by way of citizens and commonly levied as a head tax; later, when additional income was required, the base of this tax was extended to actual property holdings (Bornman & Ramutumbu, 2019). In the time of Julius Caesar, a 1% typical income tax was collected (centesima rerum venalium). The provinces relied on head taxes and land taxes for revenue; the latter initially consisted of fixed liabilities regardless of the return from the land, as in Persia and Egypt; later, the land tax was modified to achieve a certain correspondence with the fertility of the land, or alternatively, a tenth of the produce was once accrued as a tax in kind (the tithe) (Jung, 2001). It is worth noting that Rome had an inheritance tax of 5%, later 10%; however, close family members of the deceased were exempt. For a long time, the tax series was left to middlemen, or "tax farmers," who strove to collect the taxes for a share of the proceeds; underneath, the Caesar series was delegated to civil servants. In the Middle Ages, many of these ancient taxes gave way to a range of compulsory offerings and a device of "aids" (most of which amounted to gifts) (Bornman & Ramutumbu, 2019).

The most important indirect taxes have been transit duties (a charge on items that pass through a specific country) and market fees. In the cities, the notion of a shared tax responsibility embraced all residents; the burden of taxes on certain ingredients and drinks was once supposed to be borne partly by buyers and partly by producers and tradesmen. During the later Middle Ages, some German and Italian cities levied countless direct taxes: head taxes for the poor and net-worth taxes or, occasionally, crude profit taxes for the rich (Zhao & Jung, 2008). (The profits tax used to be administered through self-assessment and an oath taken earlier than a civic commission.) Taxes on land and on houses have progressively increased. Taxes have been the most important source of political controversy throughout history, even before they constituted a sizable share of the national income. A famous occasion is the rebellion of the American colonies against Great Britain, when the colonists refused to pay taxes imposed by a parliament in which they had no voice—hence the slogan, "No taxation except representation." Another instance is the French Revolution of 1789, in which the inequitable distribution of the tax burden was a main factor (Zhao & Jung, 2008). Wars have influenced taxes much more than taxes have influenced revolutions. Many taxes, notably the profits tax (first introduced in Great Britain in 1799) and the turnover or buy tax (Germany, 1918; Great Britain, 1940), began as "temporary" war measures. Similarly, the withholding technique of the earnings tax series commenced as a wartime innovation in France, the United States, and Britain. World War II converted the earnings taxes of many international locations from upper-class taxes to mass taxes. It is rarely essential to point out the function that tax policies play in peacetime politics, where the effect of powerful, well-organized pressure groups is great. Arguments for tax reform, especially in the area of income taxes, are perennially a problem in the domestic politics of many countries (Poudel, 2018).

2.1.1 Modern Trends in Taxation

The improvement of taxation in current instances can be summarized through the following generic statements, even though allowances need to be made for considerable country-wide differences: The authority of the sovereign to levy taxes in a more or less arbitrary trend has been lost, and the power to tax now usually resides in parliamentary bodies (Kassa, 2021b). The level of most taxes has risen drastically, and so has the ratio of tax revenues to the country's income. Taxes these days are accumulated in money, not in goods. Tax farming, the collection of taxes through outside contractors has been abolished, and taxes are now, as an alternative, assessed and collected by using civil servants (Hantono, 2021). On the other hand, as a capacity to overcome the inefficiencies of authorities' agencies, tax series has currently been shrivelled to banks in many less-developed countries. In addition, some countries are outsourcing the administration of customs duties. There has also been a reduction in reliance on customs responsibilities and excises. Many international locations are increasingly being counted on income taxes and other prevalent consumption taxes (Note & Act, 2016). An essential late 20th-century improvement used to be the alternative of turnover taxes with value-added taxes. Taxes on the privilege of doing commercial enterprise and on actual property are misplaced, even though they have endured as vital revenue sources for neighbourhood communities (Palil, 2010).

In most developed countries, the absolute and relative weight of direct personal taxation has increased, with an increased focus on VAT and payroll taxes. At the end of the twentieth century, the growth of e-commerce created serious challenges for the administration of VAT, profits taxes, and sales taxes (Powell et al., 2013). The troubles of tax administration have been compounded by the following: the anonymity of buyers and sellers; the possibility of conducting business from offshore tax havens; the fact that tax authorities can't reveal the flow of digitized products or intellectual property; and the spate of untraceable money flows (Broeks et al., 2020). Modern tax systems bring in the greatest quantities of revenue through income taxation (of people and of corporations), payroll taxes, accepted income taxes, and (in some countries) property taxes. The income tax has ceased to be a “rich man's” tax; it is now paid by the everyday populace, and in a number of nations, joined by way of a tax on internet worth. The emphasis on the ability-to-pay precept and on the redistribution of wealth, which led to graduated rates and excessive pinnacle marginal income tax rates appears to have peaked, having been replaced by way of increased awareness of the economic distortions and disincentives induced by excessive tax rates (Omane & Affum, 2020b). An accurate deal of fiscal centralization occurred throughout much of the twentieth century, as mirrored in the sorts of taxes levied by central governments. They now control the most vital taxes (from a revenue-producing point of view): profits and agency taxes, payroll taxes, and value-added taxes. Yet, in the final decade of the twentieth century, many nations experienced a greater decentralization of authority and a consequent devolution of taxing powers to subnational governments (Arhin, 2019). Proponents of decentralization argue that it can contribute to greater fiscal autonomy and responsibility because it involves states and municipalities in the broader techniques of tax policy; purely allowing lower-level governments to share in the tax revenues of central governments does no longer foster such autonomy. Although it is difficult to make established distinctions between developed and less-developed countries, it is viable to realize some patterns in their relative reliance on a range of sorts of taxes. For example, developed countries typically count more on personal income taxes and much less on company earnings taxes than less-developed countries do. In developing countries, reliance on profit taxes, mainly on corporate earnings taxes, typically increases as the level of income rises (Saha et al., 2021).

In addition, an exceptionally excessive percentage of the total tax income of industrialized countries comes from domestic consumption taxes, particularly the value-added tax (rather than the simpler turnover tax). Social protection taxes, commonly gathered as payroll taxes, are an awful lot more important in developed countries and the more affluent developing nations than in the poorest countries, reflecting the near lack of social protection structures in the latter. Indeed, in many developed countries, payroll taxes rival or surpass the character earnings tax as a source of revenue. Demographic developments and their consequences (in particular, the elderly of the world's working population and the need to finance public pensions) threaten to increase payroll taxes to increasingly steep levels. Some countries have responded by means of privatizing the provision of pensions e.g., by substituting mandatory contributions to characterize money owed for payroll taxes. In common parlance, taxes represent a much higher percentage of national output in developed countries than in developing countries. Similarly, extra nationwide output is channelled to governmental use through taxation in developing nations with the highest possible levels of profits than in those with lower incomes. Indeed, the tax structures of developing countries with perfect ranges of earnings have more in common with those of developed countries than with those of the poorest developing countries (Omane & Affum, 2020).

2.1.2 History of Taxation in Ghana

Modern day taxation was introduced in Ghana for the duration of colonial rule. However, earlier than taxation took this form, some form of tax had been gathered by way of overlord chiefs who were engaged in empire building. They campaigned for conquest and mounted themselves as overlords over tribes they conquered. Such empire builders blanketed the Ashantis, Akyems, Akwamus, and the Denkyira, amongst others (Agyei & Gyamerah, 2014). The pattern used to be that land changed hands, and depending on who took over, the new ruler arrived with his or her own levy imposition strategies; such impositions were generally with regard to land taxes, and occurred in the early levels of the 18th century, prior to colonial rule. Ghana fell to the British in what was once referred to as the partitioning of Africa in the 1880s. The British brought an end to tribal campaigns via the capability of chiefs, placing their authority first in what used to be referred to as the Colony, defending only the coastal belt and entering into treaties with these indigenous chiefs, resisting colonial rule in order to hold them at bay (Amin et al., 2022b). The British, however, finally annexed all lands and mounted the Gold Coast besides the Northern Territories and Trans-Volta Togoland, which were common in the "Protectorate" under German arms from 1884-1914. The "Protectorate" later joined Ghana through a plebiscite in 1956. The British used chiefs as sellers to collect equal land taxes, the most famous of which used to be the "land poll". These and unique vital quotes have been collected and administered by the Customs Department, such as quasi-duties at the ports from delivery companies. It used to be not until 1943 that, in reality, current-day taxation in the shape of profits tax was delivered in Ghana and used to be a useful resource for the colonial power's war effort at some stage in the Second World War. The evolution of taxation in Ghana up to independence and thereafter would possibly additionally be classified into three epochs: the pre-colonial period, under colonial rule, and post-Independence. "The evaluation of taxation evolution in Ghana, however, is made under the present-day tax sorts, i.e., direct and indirect taxes, customs and excise duties (Agyei & Gyamerah, 2014).

2.1.2.1 Current Tax Agency in Ghana

Presently, the organization which administers taxes in Ghana is the Ghana Revenue Authority (GRA), integrating three earlier separate tax agencies, i.e., the Internal Revenue Service (IRS), VAT Service (VATS), and the Customs, Excise and Preventive Service (CEPS), which have been administering independently direct taxes, oblique taxes, and import responsibilities respectively. By the Ghana Revenue Authority Act 2009 (Act 791), a separate revenue agency operation, then again, as a final result, came to an end, a lengthy late reform measure needed to improve and modernize tax and customs administration in Ghana (Arhin, 2019). In the new structural arrangements, the Internal Revenue Service (IRS) has fused with the Value Added Tax Service (VATS) to form the Domestic Tax Revenue Division (DTRD) with a Commissioner as head, while the Customs Excise and Preventive Service (CEPS) is now the Customs Division, also with a Commissioner as head. The introduction of a 1/3 division is the result of the amalgamation of the services of finance, administration, and lookup of the former separate businesses into the Support Services Division to furnish the current required managerial offerings, thereby releasing the one-of-a-kind two divisions unencumbered with secondary obligations to focus on their core features of evaluation and collection. This 1/3 division, moreover, has a Commissioner as its head (Arhin, 2019).

2.1.2.2 Domestic Tax Revenue in Ghana

Income tax administration as a direct tax was once introduced into Ghana in 1943 when an Income Tax Department was set up by the Colonial Government in the then Gold Coast Civil Service and located below the Ministry of Finance with the accountability to levy taxes on incomes. After some time, the branch was designated the Central Revenue Department in 1963. It was once, on the other hand, linked to the Ministry of Finance and extra accountability used to be given to accumulate different taxes such as amusement and having a guess tax. The Central Revenue Department had its obligations in a similar way prolonged with the passage of time to consist of Capital Gains Tax, which had been repealed, but reintroduced at the same time with Gift Tax in 1975, accompanied by Hotels and Restaurant Tax in 1976(PWC, 2014). With the promulgation of PNDC-Law 143 in 1986, as part of the government's Economic Reform and Structural Adjustment Programme, the Department was transformed into a semi-autonomous service, the Internal Revenue Service (IRS), and placed under a 9-member Board of Directors. At the inception of a VAT provider

(VATS) in 1998, the authority for the sequence of hotels and restaurants taxed mutually with taxes on different choices used to be transferred from the IRS to VATS. Other direct taxes apart from the above mentioned include stamp duty, petroleum tax, casino revenue tax, internal revenue (registration of business fees), airport tax, gambling machine tax, the National Reconstruction Levy and the National Fiscal Stabilization Levy (PWC, 2014).

The value added factor to taxation was immediately and additionally introduced in Ghana as an essential phase of the reform programme initiated with the useful resources of the authorities in 1983, designed especially to tackle the defects of the income and provider taxes that it replaced. A VAT service used to be brought into being with the introduction of the short-lived VATS Act 1994 (Act 486), promulgated in December, 1994, to come into effect on March 1st, 1995. However, due to implementation issues, it was quickly repealed and replaced with the same flawed sales and service taxes that had previously succeeded in three and a half months of its inception (PWC, 2014). Consequently, the VATS used to be decreased in measurement into an awful lot smaller undertaking for the purpose of planning and imposing the repackaging tax. A new VATS Law (Act 546) was passed in March 1998 for its administration. On the basis of that, an energetic public schooling marketing campaign was hooked up to herald the introduction of the new tax; first-rate collection began on December 30th, 1998 (PWC, 2014).

2.1.2.3 Customs Division

The Customs series is the oldest tax series in Ghana, dating back to the year 1839. As previously stated, it was headed by a Principal Collector who, as of 1850, also acted as the Colony Treasurer and was stationed at the Cape Coast Castle, the seat of government, and was additionally the department that enforced the price of the neighbourhood responsibility from transport at sub-ports. Furthermore, the Department handled distinct responsibilities such as cash courts and police courts and decided minor cases as magistrates within their respective jurisdictions. The modernized Customs, Excise, and Preventive Service came into being with the promulgation of the Customs, Excise, and Preventive Service Law 1986 (PNDC. L144). This regulation bolstered and gave the preventive points at the frontiers and exit factors for which the erstwhile Borders Guards were formerly responsible to the then Customs and Excise Department, which used to be a branch beneath the Civil Service governed via N.R.C.D. one hundred forty-four. The aforementioned change in status necessitated the construction of new structures in the vicinity to comply with agency and quasi self-accounting status, and it was in this vein that, in 1993, the Customs and Excise Preventive Service was established. CEPS (Management) Law 1993 (PNDC.L 330) was enacted to consolidate all vital current legal guidelines that govern CEPS administration and operations. It needs to be cited that the existence of CEPS is enshrined in Ghana's Republican Constitution as a public service (Note & Act, 2016).

2.2 Types of Taxation

There are, in reality, two kinds of taxation, namely: direct and indirect. This classification used to be carried out in accordance with who can pay for the taxes, who bears the closing burden of the taxes, the extent to which the burden can be shifted, and various other criteria. Though classifications have been made, there is still mass disagreement amongst economists as to the requirements for distinguishing between direct and indirect taxes, and it is dubious as to which type of tax, such as industrial corporation organization salary tax or property tax, has to fall within this category. It is sometimes noted that a direct tax is one that can't be shifted with the useful resource of the taxpayer to anyone else, whereas an indirect tax can be.

2.2.1 Direct Taxes

According to Atkinson (1977), direct taxation is described as taxation imposed upon the person who is supposed to be the remaining bearer of the burden of payment. Direct taxes would additionally be adjusted to the man or woman factors of the taxpayer, whereas oblique taxes are levied on transactions irrespective of the stipulations of the consumer or seller. "Direct taxes have a tendency to be progressive due to the fact that the share of salary paid in taxes can be set to increase as income rises." Direct taxes, if designed effectively, are judged to meet the equity, effectivity, and administrative price needs more effectively than indirect taxes. “Hence, a direct tax computing system is "better" from a financial point of view (Fromm and Taubman (1973:139) as quoted in Atkinson, 1977).

As Bhatia (2006) points out, it is claimed that direct taxes are intimately related to the ability-to-pay. Here, the case of the conceivable to pay is judged directly. Moreover, direct taxes can be used to lower earnings and wealth inequalities, and thereby a range of social evils can be mitigated. Furthermore, "direct taxes cause no (or very little) distortions in the clearly useful resource allocation of the monetary computing device and leave the tax-payers better off in welfare terms than indirect taxes." This way, on welfare grounds, the superiority of direct taxes can be established "(ibid). Revenue elasticity is a special component in favour of direct taxes because as a society's income with useful resources rises, so does the tax yield from direct taxes. It can then be argued that governments are no longer solely concerned with tax profits, but rather with the success of social and economic justice through the use of tax instruments. From that factor of view, direct taxes are, without a doubt, preferable. On the other hand, in developing international areas, it is regularly more difficult to impose a profit tax due to the fact that the structure of the monetary computing gadget is markedly one of a type (Stiglitz, 2002). For instance, unemployment is an intense hassle in growing worldwide locations, and for this reason, direct taxation on wages will now no longer be fabulous as a means of producing revenue. Moreover, there is a big informal region that can no longer be taxed directly. As a result of such aspects, taxation as a share of GDP is often hundreds of times lower in developing countries than in developed countries. The distinction in tax revenues between the poorest and the richest areas of the world is truly described by the doable element of direct taxation in developing international areas (Auriola & Warltersb, 2005). Therefore, as far as strategies for growing international places are concerned, relying generally on direct taxes for income appears to be impractical.

However, Musgrave (1969) points out that the monetary development of growing international areas will take a while. This declaration can be made for oblique taxes as well, once more due to the reality that as human beings' revenue increases, they will also prolong their consumption, and thereby earnings from indirect taxes will increase. Newbery (1986), on the other hand, believes it would be brilliant to tax informal neighbourhood businesses' intermediate inputs as an indirect way of taxing them. The share of direct taxes in complete tax revenue. In exercising then once more, this can additionally, in addition, no longer happen, as in the case of Sri Lanka. Nonetheless, critics argue that the profits (direct) tax is a drag on saving and funding and, for that reason, on financial effectivity and the enhancement of existing standards. Some sorts of non-public saving are taxed twice, as rapidly when earned and again when the saving earns interest. This ought to discourage saving. An improved quintessential question is whether or not any revenue tax is fair. “Income is what a man or woman produces for society; consumption is what he or she takes away from society, so if earnings are taxed, manufacturing for society declines" (Gale, 1995). Individuals residing in Ghana are taxable on their global revenue from employment, employers, and investments, less any allowable deductions. Non-money advantages are valued at market rate and added to taxable income, with lodging and transport valued in relation to the everyday income of the individual. However, there are a number of exemptions on individual income sources and benefits, such as pensions and interest paid with the resources of resident financial firms or on bonds issued by the Government of Ghana. Personal or direct taxes on consumption (also identified as expenditure taxes or spending taxes) are, in reality, levied on all salaries that are no longer channelled into savings. In massive contrast to oblique taxes on spending, such as the income tax, a direct consumption tax can be adjusted to an individual's potential to pay through enabling for marital status, age, extent of dependents, and so on. Although appealing to theorists, this type of tax has only been implemented in two countries, India and Sri Lanka; each of its prerequisites has been quick and unsuccessful. At the end of the twentieth century, the "flat tax"—which achieves economic outcomes identical to those of the direct consumption tax via the plausible and manageable of exempting most income from capital—came to be considered favourably by tax experts. No country has adopted a tax with the basis of the flat tax, even though many have income taxes with only one rate. The taxes on the loss of existence take two forms: the inheritance tax, where the taxable object is the bequest acquired with the resource of ability of the use of the individual inheriting; and the property tax, where the taxable object is the whole property left with the beneficial resource of ability of the deceased. Inheritance taxes now and as quickly as possible take into account the private stipulations of the taxpayer, such as the taxpayer's relationship with the donor and his net suitable in actuality, without a doubt, really worth more in the past than receiving the bequest. Estate taxes, on the other hand, are typically graduated in accordance with the size of the estate, and in some countries, they provide tax-exempt transfers to the accomplice and account for the number of heirs involved. Tax structures can also include a tax on offers above a first-rate threshold made between dwelling humans to prevent the death responsibilities from being circumvented by an alternate property prior to death. Taxes on transfers do no longer yield a top revenue stream, which is clearly due to the fact that massive tax payments can be averted via the use of property planning.

2.2.2 Indirect Taxes

Indirect taxation is described as taxation imposed upon others rather than the person who is supposed to bear the closing burden (Atkinson, 1977). The most fundamental single truth about oblique taxes in developing economies is the dominant role they play in almost every country's earnings per capita. In particular, oblique taxes are an indispensable element in stabilization tax aspects that are intent on elevating income in the long run (Bovenberg, 1986). Musgrave (1969) divided the measurement of monetary enhancement into two: the early size when an economic computing gadget is beautifully underdeveloped and the later size when the economic machine is developed. During the early period, there is limited scope for the use of direct taxes due to the fact that the majority of the populace resides in rural areas and is engaged in subsistence agriculture; as an end result, their incomes are difficult to estimate. As a result, oblique taxes are a necessary characteristic in the early stages of economic development.

According to Musgraves' (1969) theory, the excellent contributions to profits from the use of fundamental performance of direct and indirect taxes in developed and developing nations. In addition, he notes that the ratio of oblique taxes to entire taxes is associated inversely to per capita earnings due to the reality that the financial shape of low-income economies is no longer a pinnacle notch for the imposition of direct taxes at the same time that oblique taxes can be imposed more readily. Gupta (2002) emphasizes that growing international places have an indispensable hassle in increasing capital formation. Hence, saving and funding ought to be promoted. Taxes can be used for the mobilization of sources in the public local to the public local by investment. In the mobilization of such resources, oblique taxes can play a crucial role. Given that a country's widespread income is low in growing countries, the scope for accomplishing adequate tax profits each and every day for administration and for bringing about capital accumulation is very restrained (Bhatia, 2006).

Furthermore, in such economies, there is frequently an urgent need to impart quintessential preferences and welfare matters, such as consuming water, health preferences, and safety in opposition to malnutrition, to a large part of the population. Given this large choice for tax profits and given the restrained scope for direct taxation, indirect taxes have to play an indispensable role in such economies. Linked to this equal argument, that creating worldwide areas picks up higher capital accumulation, is the argument that direct taxation, frequently at excessive state-of-the-art payments of taxation, is hazardous to growing personal economic financial savings and entrepreneurship. Though a seminal paper with the advocated useful resource of Atkinson and Stiglitz (1976) severely undermined the function of commodity taxation, many lecturers have contradicted Atkinson and Stiglitz (1976) in arguing in favour of commodity taxation. The Atkinson and Stiglitz (1976) theorem on superb commodity taxation suggests that commodity taxation is now no longer essential in the presence of the world's largest income tax system. For example, Cremer et al. (2001), show that the Atkinson and Stiglitz theorem no longer holds when men and women are both practicable and endowed. Saez (2002) suggests that the Atkinson and Stiglitz theorem does no longer hold when tastes are heterogeneous.

Naito (1999) suggests that in a model similar to the model of Stiglitz (1982), if a couple of objects are produced and their production costs are endogenous, then the Atkinson and Stiglitz (1976) theorem does no longer consistently hold. In practice, we live in a world where the majority of us have excellent feasibility and endowment, and tastes are heterogeneous and more elevated than one. Gadgets are produced with endogenous issue expenses, as envisaged by Cremer et al. (2001), Saez (2002), and Naito (1999), respectively. Therefore, commodity taxation, contrary to Atkinson and Stiglitz's claim, does have a massive role to play in tax policy. Indeed, the essentially theoretical "case in the route of indirect taxation" is a phantasm (Little, 1951). Like direct taxation, oblique taxation also has its merits and demerits.

However, the success of a top-tier indirect tax laptop computer is often dependent on how a tax authority minimizes the drawbacks while maximizing the benefits of indirect taxation. General income taxes are levies that fund a large portion of consumer spending. The equal tax charge can be applied to all taxed items, or one-of-a-kind objects (such as elements or clothing) can be subject to one-of-a-kind rates. Single-stage taxes can be collected at the retail level, as in the United States, or at a pre-retail (i.e., manufacturing or wholesale) level, as in some developing countries. Multistage taxes are utilized at each and every stage in the production-distribution process. The VAT, which has been in place since the second half of the twentieth century, is routinely accumulated by allowing the taxpayer to deduct an economic financial savings for tax paid on purchases from the liability on sales. The VAT has frequently replaced the turnover tax, which was a tax levied at each stage of the manufacturing and distribution chain with no credit for prior taxes paid. The cumulative has an effect on the turnover tax, typically referred to as tax cascading, which distorts monetary decisions. Although they are, in many cases, used for a wide range of products, profit taxes are occasionally used to reduce the tax burden on low-income households. By comparison, excises are levied wholly on precise commodities or services. While some global areas impose excise and customs duties on almost everything from necessities such as bread, meat, and salt, to nonessentials such as cigarettes, wine, liquor, coffee, and tea, to luxuries such as jewels and furs, taxes on a restrained group of products such as alcoholic beverages, tobacco products, and motor fuel yield the bulk of excise revenues for most countries (Susyanti & Askandar, 2019). Taxes on customer durables were used for luxurious commodities such as pianos, saddle horses, carriages, and billiard tables in the nineteenth and early twentieth centuries. The automobile is now a classic luxury tax object, owing to the registration requirements that facilitate tax administration. In some areas of the world, gambling and state-run lotteries have consequences related to excise, with the government's “take” being, in effect, a tax on gambling. Some areas in the world impose taxes on raw materials, intermediate gadgets (e.g., mineral oil, alcohol), and machinery. Some excise and customs tasks are specific i.e., they are levied on the basis of the number, weight, length, volume, or other special features of the product or enterprise being taxed. Other excises, like income taxes, are ad valorem; levied on the charge of the items as measured by way of the price. Taxes on penal complex transactions are levied on the purchase of shares, on the sale (or transfer) of residences and land, and on inventory alternate transactions. For administrative reasons, they frequently take the form of stamp duties; that is, the criminal or industrial file is stamped to indicate the tax fee. Tax analysts consider stamp taxes to be nuisance taxes because they believe they are usually imposed in less-developed countries and slow down the transactions to which they are applied (Hantono, 2021).

2.3 Taxation Principles

2.3.1 Adam Smith's Ideas

Adam Smith's The Wealth of Nations, Chapter 2 begins with a discussion on taxes by Adam Smith. Ultimately, three different sources: rent, profit, and wages, produce an individual's private income. At some point, all taxes must be paid from one of these three sources of income, or from a combination of them all. The next 82 pages describe various taxes levied on rent, profits, and wages while comparing them to his four maxims. He then lays out his four maxims. (James Tassie's paste medallion of Adam Smith, created in 1787; housed in the Scottish National Portrait Gallery) The economists and philosophers of the 18th century made an effort to codify the guidelines for a fair taxation system by establishing four broad canons or maxims. These maxims were established by the economists and philosophers of the 18th century in an attempt to organize the norms that should govern a logical system of taxation:

Each state's citizens should contribute to the government's support in proportion to their respective talents, i.e., in proportion to the income they each receive from the state's protection.

The amount of tax that each person is required to pay should be predictable and not arbitrary. The contributor and everyone else should be aware of the date of payment, the method of payment, and the amount that must be paid.

All taxes should be imposed when or how the contributor is most likely to find it convenient to pay it. Every tax should be designed to take as little as possible from the public's pockets while also bringing as much as possible into the public treasury of the state.

These principles continue to hold remarkable relevance even though they occasionally need to be reinterpreted. Some influential ideas about how to fairly distribute tax burdens among taxpayers can be inferred from the first maxim. As follows: (1) the notion that a person's ability to pay taxes should be taken into consideration, also known as the ability-to-pay principle; and (2) the benefit principle, which contends that the benefits an individual derives from government actions should be roughly equivalent to the costs he bears. The focus many economists place on a tax system that does not obstruct market decision-making, as well as the more evident requirement to avoid complexity and corruption, can be seen as being supported by the fourth of Smith's canons.

2.3.2 The Horizontal Equity Principle

The horizontal equity concept presupposes that individuals in identical situations (for tax purposes) will be subject to the same tax responsibility. This equality concept is frequently ignored in real life, whether on purpose or accidentally. Politics, as opposed to good economics, is typically the driving force for intentional infractions. Debate over tax reform has often centred on whether deviations from "equal treatment of equals" are justified (Kassa, 2021b).

2.3.3 The ability-to-pay principle

The ability-to-pay principle requires that the entire tax burden be distributed among men and women based on their ability to bear it, taking into account all relevant personal characteristics. Most notable taxes are private levies (income, net worth, consumption, and inheritance taxes). Historically, there has been widespread agreement that revenue is an excellent indicator of ability to pay. There have, however, been indispensable dissenters from this view, which consists of the 17th-century English philosophers John Locke and Thomas Hobbes and a wide variety of present-day tax specialists. The early dissenters believed that fairness ought to be measured through what is spent (i.e., consumption) rather than by the use of what is earned (i.e., income); modern-day advocates of consumption-based taxation emphasize the neutrality of consumption-based taxes toward saving (income taxes discriminate in opposition to saving), the simplicity of consumption-based taxes, and the superiority of consumption as a measure of an individual's capability to pay over a lifetime (Hasseldine et al., 2012). Some theorists consider that, wealth offers a correct measure of workable to pay due to the fact that property proposes some degree of delight (power) and tax capacity, even if (as in the case of an art work collection) they generate no tangible income. The ability-to-pay principle is also typically interpreted as requiring that direct non-public taxes have a revolutionary charge structure, even though there is no way of demonstrating that any different degree of progressivity is the ideal one. Because a large proportion of the population no longer pays advantageous direct taxes, such as profits or inheritance taxes, some tax theorists believe that a magnificent redistribution can only be achieved when such taxes are supplemented by direct revenue transfers or bad revenue taxes (or refundable credits) (Palil, 2010).Others argue that revenue transfers and high income taxes create bad incentives; instead, they favour public expenditures (for example, on fitness or education) targeted at low-income households as a more effective means of achieving distributional goals. Indirect taxes, such as VAT, excise, sales, or turnover taxes, can be tailored to the ability-to-pay criterion but only to a limited extent—for example, by exempting necessities like food or by differentiating tax prices based on "urgency of need." Such insurance policies are frequently ineffective. Additionally, they distort consumer purchasing patterns, and their complexity makes them difficult to implement in many cases. Throughout a great deal of the 20th century, prevailing opinion held that, the distribution of the tax burden amongst humans was preferable to reducing the earnings disparities that naturally result from the market economy; this view was the whole opposite of the 19th-century liberal view that the distribution of revenue ought to be left alone. By the end of the twentieth century, however, many governments diagnosed that trying to use tax coverage to restrict inequity could create luxurious distortions, prompting a partial return to the view that taxes ought not to be used for redistributive purposes (Krmenec, 1991).

2.3.4 The Gain Precept

Under this principle, taxes are seen as serving a characteristic identical to that of expenses in private transactions; that is, they help determine what matters the authorities will undertake and who will pay for them. If this precept might also be implemented, the allocation of sources using the public vicinity would reply right now to patron wishes. In fact, it is difficult to have the benefit principle implemented for most public services due to the fact that residents often have no inclination to pay for a publicly provided service, such as a police department, unless they can be excluded from the advantage of service (Note & Act, 2016).

2.3.5 Economic Effectivity

The requirement that a tax machine be environmentally friendly arises from the nature of a market economy. Although there are many examples to the contrary, economists normally accept that markets do a pretty accurate job of making financial preferences about such preferences as consumption, production, and financing. Thus, they sense that tax insurance plans frequently refrain from interfering with the market's allocation of financial resources. That is, taxation wants to entail a minimal amount of interference with an individual's decisions. It does not want to discriminate in favour of, or against, particular consumption expenditures, unique production performances, particular kinds of organizations, or specific industries. Of course, this does not imply that fundamental social and monetary needs should no longer take precedence over these considerations. It would perhaps additionally be desirable, for example, to impose taxes on air pollution as an ability to defend the environment (Jung, 2001).

Economists have developed techniques to measure the "excess burden" that penalties impose when taxes distort financial preference making. The easy idea is that if objects well worth GH 2 are sacrificed due to the actuality of tax influences in order to produce items with a cost of GH 1.80, there is a greater burden of 20 pesewas. An extra almost impartial tax gadget would result in a great deal less distortion. Thus, an imperative post-war development in the thinking of taxation is that of most superb taxation, the dedication of tax insurance policies that will reduce increased burdens. Because it deals with alternatively stylized mathematical descriptions of monetary systems, this concept does not provide easily applied prescriptions for policy, owing to the fundamental drawback that distortions do far less harm in the vicinity of grant and demand, which are no longer particularly vulnerable to such distortions. Attempts have also been made to incorporate distributional worries into this theory (Bornman & Ramutumbu, 2019).

2.3.6 Ease of administration and compliance

In discussing the everyday requirements of taxation, one should not lose sight of the reality that taxes have to be administered with the aid of the functionality of an accountable authority. There are four widely familiar necessities for the efficient administration of tax laws: clarity, steadiness (or continuity), cost-effectiveness, and convenience. Administrative considerations are in particular crucial in growing countries, where illiteracy, lack of corporate markets, absence of books of account, and inadequate administrative assets can additionally avert compliance and administration. Under such circumstances, the success of rough justice may be preferable to infeasible fine-tuning in the name of equity (Poudel, 2018).

2.3.6.1 Clarity

Tax laws and rules need to be comprehensible to the taxpayer; they have to be as handy as conceivable (given wonderful dreams of tax policy) as well as unambiguous and certain, both to the taxpayer and to the tax administrator. While the precept of easy task is more adhered to nowadays than in Adam Smith's time, and arbitrary tax administration has been reduced, each country has tax legal suggestions that are a process from being normally understood by the public. This not only results in a massive extent of error but moreover undermines honesty and understanding of the legislation and tends to discriminate against the ignorant and the poor, who cannot take advantage of the variety of criminal tax-saving possibilities that are accessible to the skilled and the affluent. At times, attempts to reap equity have created complexity, defeating the purpose of reform (Zhao & Jung, 2008).

2.3.6.2 Stability

Tax law guidelines are modified seldom, and when adjustments are made, they ought to be carried out in the context of a normal and systematic tax reform, with enough provisions for an easy and orderly transition. Frequent changes to tax laws can result in reduced compliance or in behaviour that tries to compensate for possible future modifications in the tax code such as stockpiling liquor in advance of an accelerated tariff on alcoholic beverages (Arhin, 2019).

2.3.6.3 Cost-effectiveness

The costs of assessing, collecting, and controlling taxes should be kept at the lowest level, consistent with the magnificent desires of taxation. This principle is of secondary value in developed countries, but not in growing international areas or countries in transition from socialism, where resources for compliance and administration are scarce. Clearly, equity and financial rationality have to no longer be sacrificed for the sake of fee considerations. The costs to be reduced include not only government prices but also those of the taxpayer and personal fiscal retailers such as employers who collect taxes for the government via the withholding procedure (Omane & Affum, 2020c).

2.3.6.4 Convenience

Payment of taxes has to cause taxpayers as little inconvenience as possible due to the limitations of higher-ranking tax principles. Governments regularly allow the payment of massive tax liabilities in instalments and set beneficent time limits for ending returns (Agyei & Gyamerah, 2014).

2.4 Purposes of Taxation

During the 19th century, the widespread notion was that taxes had to serve, typically to finance the government. In earlier times, and again today, governments have utilized taxation for purposes other than simply fiscal. One beneficial way to view the cause of taxation, attributable to American economist Richard A. Musgrave, is to distinguish between goals of resource allocation, income redistribution, and economic stability. (While economic growth or improvement and international competitiveness are occasionally listed as separate goals, they are frequently subsumed under the other three) (Poudel, 2018). In the absence of a strong purpose for interference, such as the desire to reduce pollution, the first objective, useful resource allocation, is furthered if tax coverage does not intrude on market-determined allocations. The second objective, income redistribution, is meant to reduce inequalities in the distribution of earnings and wealth. The objective of stabilization—implemented through tax policy, government expenditure policy, financial policy, and debt management, is that of maintaining excessive employment and fee stability. There are possible conflicts amongst these three objectives. For example, effective resource allocation may necessitate changes in the stage or composition (or both) of taxes.

However, these changes may be felt most acutely by low-income families, undermining redistributive goals. In some other examples, taxes that are extraordinarily redistributive may also fight with the environmentally friendly allocation of resources required to achieve the purpose of monetary neutrality. Taxes seemed to be associated with civilization in Mesopotamia and in Egypt, as can be seen from the Sumerian tablets dated 3,500 BC. Athens and Rome operated similarly by taxing sales of land and slaves and enforcing import duties. With the emergence of the feudal system, monetary taxes came into effect; they should then be oblique taxes or direct taxes (Salanie, 2003). The most important purpose of taxation is to increase assets to finance government expenditure in a way that is administratively feasible, equitable, and efficient (Burgess and Stern, 1993). Taxation additionally affords one of the important lenses for measuring a country's capacity, state formation, and power relations in a society (Di-John, 2006). Taxation is used to motivate or discourage certain kinds of behaviour; to correct market imperfections; and to regulate the distribution of income or wealth. At a vital level, however, the important reason for a tax device to exist is to allocate the price of government in some fair way (Bird and Zolt, 2005).

In other words, the need for increased fiscal revenue must be balanced against other financial policy objectives such as environmentally friendly aid allocation, equitable profit distribution, and a competitive alternative sector (Bovenberg, 1986). Looking at the problem from a different angle, Buchanan (1984), connects taxation with justice. According to him, "justice" in taxation includes how a lot of the country's profits need to be extracted for collective functions as well as how that share which is extracted is to be assigned among different people. A country's tax device is a foremost determinant of different macroeconomic indices such as monetary growth, public debt, fiscal deficit, and inflation. Likewise, the macroeconomic reputation of a country has a major bearing on its tax structure. Specifically, there exists a relationship between the degree of financial boom and development and the tax structure. Indeed, it has been argued that the degree of financial improvement has a very strong influence on a country's tax base (Musgrave, 1969). Much of the dialogue in the area of public finance in economics in the nineteenth century was involved with the enunciation of ordinary ideas to guide tax policy. One instance used to be the argument between those who espoused the gain principle (which states that those who gain must pay) and those who argued that taxation ought to be based on the potential to pay. This last concept used to be extensively discussed in terms of whether or not equal absolute, proportional, or marginal sacrifice was excellent where sacrifice was once associated with the utility of earnings foregone. The argument shields a debate over whether the basis must be income, expenditure, or wealth (Stern, 1987). The design of tax structures plays a vital role in accomplishing fiscal objectives. As Newbery (1987) stated, the layout of the tax machine depends on the sensitivity of the tax units that can possibly be used, and these in turn depend on the information reachable to tax authorities. As a result, the desire for taxes will be determined by the government's goals, the set of tax instruments available, and how these taxes affect consumer welfare and government revenue. Taxation coverage performs a vital function in the efforts of many middle-income countries to improve their fiscal and financial performance. In the short run, policymakers formulate tax applications to complement expenditure restraint aimed at containing macroeconomic imbalances (Bovenberg, 1986).

Teera and Hudson (2004) are aware that taxation policy has always been an essential instrument for augmenting revenue, mainly in developing countries, where it is the principal source of home revenue. It is additionally a vital instrument for achieving an acceptable sample of useful resource allocation, earnings distribution, and monetary stability, in order that the benefits of financial development are evenly distributed. Increased revenues are desired for many other functions, inclusive of expanding socially preferred government modern-day expenditures or even on pragmatic grounds, e.g., to augment foreign useful resource donors with proof of the nation's effort to strengthen on the foundation of home resources. To date, many developing countries are still struggling to raise tax revenue to the levels required to promote economic growth. Tax performance, in terms of elevating income, can result both from deficiencies in tax structure or insufficient effort to collect taxes on the part of the government, each of which is influenced by a multitude of factors. Underlying the conceptual argument that the yield of the tax machine is a feature of the tax bases available, the quotes applied to these bases, and the probability of accumulating any precise levy, are a range of different factors. In other words, the appropriate amount of tax revenue collected is solely dependent on the country's taxation feasibility, the taxation pursuits set by the authorities, and the ability of governments in exercise to collect taxes.

Given these, the authorities' ability to exploit the tax and achieve the taxation target will be dependent on a variety of other factors, including the economic structure, the established stage of development (as reflected in per capita income, degrees of literacy, urbanization, and so on), the administrative problem, political instability and a lack of a clear political rationale on taxation, social-political values, indigenous institutional arrangements, and general will. In practice, due to negative monetary performance, weak economic and administrative problems, political instability and a lack of a clear-cut political purpose on taxation, tax revenue as a share of GDP is very low in many developing countries, along with Sri Lanka, as compared to developed countries (Amirthalingam, 2010; Jayawickrama, 2008). As a result, massive fiscal deficits are a continual hassle in nearly all developing countries. In these situations, income mobilization through taxation is an essential issue in medium-term improvement plans that aim to increase domestic funding and authorities' financial savings while decreasing reliance on debt-growing capital inflows (Bovenberg, 1986). The increase in public spending has generated massive fiscal deficits in many countries, leading to an increase in the share of public debt relative to GDP. The existence of a massive public debt has important implications for the viability of taxation in any country. With a massive debt, the government needs to raise the revenue imperative to provide it. When the interest on the debt exceeds net borrowing plus the viable discount in non-interest expenditure, the rate of taxation ought to go up until the charge of the boom in the economy is excessive enough to neutralize the increase. Therefore, public debt and government spending play a role in figuring out the extent to which international locations may additionally take advantage of their taxable capability (Tanzi, 1987). The impact of the fiscal deficit and public debt relies not solely on its measurement but additionally on how it is to be financed. The dimension of public debt is an effective determinant of present and future tax levels. An increasing public debt may additionally inspire the government to reap extra income through, e.g., increasing import duties if revenue from that supply is considered preferable to an inflation tax.

Lewis (1984) argues that a growing share of tax revenue in nationwide earnings or in GDP is an instrumental objective of monetary improvement policy. High-income countries have had rising shares of tax income and government charges to income as they grow to become more economically advanced. Similarly, evaluation among countries at different degrees of per capita earnings normally exhibits greater shares of government expenditure and tax income to country-wide income in higher-income countries than in low-income countries. There seems to be a relative increase in the demand for government services as per capita profits increase. At very low tiers of per capita income, the principal needs are for “private” goods such as food, clothing, and shelter. The income elasticity of demand for these merchandise falls as per capita income increases and there is an improved demand for “public” goods at greater levels of income. The increased demand is for government services in the areas of transportation, communication, and established authorities' administration to deal with multiplied complexities. Further, the demands for positive welfare services and transfer repayments to various poorer sections of the population are felt a whole lot more strongly at greater levels of per capita income than at lower ones. All these pressures to increase the degree of authorities' expenditure and transfer repayments generate a desire to extend tax income in order to release assets for the provision of these government services.

In addition to regularly occurring government consumption expenditure, the governments of developing nations normally wish to provide more development-oriented services such as education and training, agricultural extension, and research. Thus, the authorities' revenue may additionally need to grow at a rate that exceeds the increase in country-wide income in order to furnish assets for recurrent government expenditure. As a result, nations are constantly making an attempt to formulate better tax coverage and regularly reform their tax structures with a view to increasing tax revenue. Koch et al. (2005) observe that if the authorities use tax revenues to fund social goods, especially goods ensuing in exterior benefits (infrastructure, education, and public health, for example), the financial increase charge ought to be positively influenced by taxation. Furthermore, if money is transferred from people with low marginal utilities of earnings (rich) to people with high marginal utilities of profits (poor), while revenues are also used to fund public investment, the economy can benefit from this "double-dividend of taxation." Furthermore, as profits grow, nations normally become more urbanized. Urbanization brings about a greater demand for public services while at the same time facilitating tax collection. As a result, there is a greater willingness and capacity to tax. In a majority of countries, a large proportion of domestic taxes originate in the capital town or in the large city centres, with a good deal of public expenditure also taking place there, (Tanzi, 1987). Since urbanization is a continuous process in almost all countries, infrastructural development is essential and inevitable. Furthermore, as countries' economies grow, so will spending on social improvements. Therefore, governments need more financial assets in order to meet the costs of infrastructure and social development (Jung, 2001).

2.5 Income Tax Relief

Taxes are a vital source of government revenue and are a requirement for the state to execute its functions. Essentially, all taxation structures consist of tax relief, which, in many cases, is indispensable for defining the scope and structure of the tax. Tax relief is evaluated on a regular basis as an exception to taxation rules. These exceptions are created in order to enforce particular objectives or to promote or prevent certain behaviours in social or economic policies. Therefore, tax relief is a vital structural issue of taxation that is validated by nationwide laws and global agreements (Tax Relief, 2014; Valstybinio, 2013). Tax relief is generally described in two ways:
On the one hand, the government suffers a loss of income, and On the other hand, the tax payers' liabilities are decreased (Tax expenditures, 2010).

Agyei and Gyamerah (2014) defined tax relief as any allowance approved by law with the aim of reducing taxpayers' taxable income with the ultimate goal of lessening their tax burdens. According to Cosmin et al. (2013), the personal deduction offsets higher tax rates, leading to a smaller taxable income. Hence, in a progressive tax administration, a person's position in relation to his commitment is considered by granting him/her the relief to ease the tax burden on him/her" (Adams, 1998 as cited in Arhin, 2019). As a result of the passage of the Income Tax (Amendment) Act 2019, (Act 1007), the Government of Ghana reviewed the personal tax reliefs available to resident individuals.

Tax relief is one of the most criticized and controversial elements of the taxation system. Tax relief, on one hand, promotes businesses, increases resident incomes, and reduces social exclusion; and on the other hand, extends tax charges (which has a negative impact on public finances). This implies that tax relief is diverse and includes a number of elements of the taxation system. Therefore, there is no single idea of tax alleviation (Bikas et al. 2014). The definitions of tax relief range from evaluating tax incentives as a privilege to categorizing tax relief as a tax cost.

Vainienė R. (2000) defines Tax relief as a privilege for a unique taxpayer or team of taxpayers, stating that the tax relief is discriminatory as it applies solely to certain chosen taxpayers' categories. Alternately, Bolnick B. (2004) is of the assumption that tax relief is the advantage (determined by means of the preferential tax rates, exemptions, etc.). The Republic of Lithuanian Law on Tax Administration (2004) also says: For the taxpayer or a team of taxpayers, a regulation that is mounted for distinct taxation indicates stipulations that are more favourable compared to everyday conditions, which is what can be referred to as tax relief. According to Swift Z.L. (2006), tax reliefs are tax bills created and applied for behavioural modifications in order to encourage positive monetary or social objectives, with Rigsrevisionen's (2007) additionally saying, tax reliefs are a set of measures which minimize or put off taxes for taxpayers. Tax Relief points out some awesome tax rights and regulatory stipulations for a rather small group of taxpayers. (Anderson, 2008). Sudaviius (2010) asserts that tax reliefs are the exceptional tax prerequisites that are more favourable in contrast to normal conditions and that they provide the right of non-payment of taxes as is typical for a taxpayer., and Simonyt, (2011), concludes that tax relief (tax exemptions) are budget fees that are much less transparent and nearly invisible.

Having analysed the distinct definitions of tax relief, three essential factors of tax relief can be identified: Tax relief is a part of the total taxation system, They are decided and regulated by law and Tax reliefs are charges resulting from tax exemptions, which take one-of-a-kind forms.

2.6 Types of Relief Schemes

Individual residents in Ghana are taxable on their worldwide income from employment, business and investment, less any allowable deductions. Non-cash benefits are valued at market value and added to taxable income, with accommodation and transport valued in relation to the overall income of the individual. However, there are a variety of individual income and benefit sources that are excluded, such as pensions and interest received from local financial institutions or on Ghanaian government bonds. There are three (3) main categories of relief which include; Personal Relief , Roll over Relief and Relief from Double Taxation.

2.6.1 Personal Relief

Personal Relief is granted to individuals who satisfy one or more conditions as stated by the law. There are two (2) types of personal relief. Those granted upfront and those granted upon the filing of returns. The assessable incomes of employees who qualify are reduced by fixed sums.

Table 2.1 Personal Relief

Upfront reliefs	**Other Reliefs**
Marriage/ Responsibility relief	Educational Relief
Child Education relief	Mortgage Relief
Disability relief	Life Insurance Relief
Old Age relief	Social Security relief
Age Dependent Relative relief	

The following reliefs are available under SMCD5 as amended by Income Tax Act, Act 596, sections 14, 15A, and 15B; now Income Tax Act, Act 896, Section 51; and the Fifth Schedule of Act 896.

Table 2.2 Tabulation of various tax reliefs available under Act896 (As amended)

NO	Relief	Section of Act 896 Purpose
Marginal Relief	First Schedule (Sec1)	Avoiding tax on the minimum wage to ensure a minimum standard
SSNIT/Retirement Benefit Relief	First Schedule (Sec1)	Security against old age
Life Insurance Relief	First Schedule (Sec1)	Encourages cover for life against personal accidents.
Marriage Relief	First Schedule (Sec1)	Responsibility towards one's family
Disability Relief	First Schedule (Sec1)	Security for disability
Old Age Relief	First Schedule (Sec1)	Secured disposable income to aged
Child Education Relief	First Schedule (Sec1)	Responsibility for children or wards
Aged Dependent Relief	First Schedule (Sec1)	Care for dependent relatives
Educational Relief	First Schedule (Sec1)	Encourages professional, technical, and vocational skills by taxpayers.

Source: Author's compilation from Act 896 (as amended)

2.6.1.1 Marriage/ Responsibility Relief

This relief is granted to only one of two married people with a dependent spouse or a single parent responsible for the upkeep of two or more dependent children. Upon qualification by the employer's certification, an individual gets a relief of Gh¢1,200 per year.

2.6.1.2 Child Education Relief

This is granted to a resident who pays his or her child's school fees. The relief is granted to a maximum of three children attending any recognized registered educational institution in Ghana. A child under this law includes an adopted child. Both parents cannot claim this relief in respect of the same child. The relief is GH¢ 600 per child per year.

2.6.1.3 Disability Relief

This relief is granted to persons who prove to the satisfaction of the commissioner-General that they are disabled. It serves as an incentive to them as, in spite of their disability, they are still in gainful employment. It is granted to disabled individuals who earn an income from any business or employment only. They would be entitled to a reduction in their assessable income by 25% on application through their employers.

2.6.1.4 Old Age Relief

This relief is granted to people who are 60 years of age or older. They receive a relief of GH¢ 1,500 per year.

2.6.1.5 Aged Dependent Relative Relief

This relief is meant to serve as an incentive to individuals responsible for the upkeep of their aged relatives of sixty years and above. This relief is granted up to a maximum of two relatives upon the filing of tax returns. Where two or more people qualify in respect of the same relative, only one relief would be granted. The relief is GH¢1,000 per year.

2.6.1.6 Educational Relief

A resident individual undergoing training to update his or her professional, technical, or vocational skills or knowledge is eligible for this relief, which is GH¢ 2,000 per year.

2.6.1.7 Mortgage Relief

This is a tax relief determinable by the amount of qualifying mortgage interest that one pays in a given tax year for his or her principal private residence. This relief is available on only one building.

2.6.1.8 Marginal Relief

The Income Tax Act, 2015, Act 896, First Schedule, Section 1, is a tax relief built into the income tax rates with a threshold of from zero (0) up to an amount where tax rates are free and it is automatically enjoyed by every taxpayer.

2.6.1.9 Social Security Relief

The National Pensions Act, 2008 (Act 766) has characterized contributions under a three-tiered pension scheme as: first tier: an enforced basic social security scheme; second tier, which is a compulsory, exclusively funded and privately managed working scheme; and third tier, a non-mandatory, wholly funded and privately operated provident fund and an individual pension scheme. The universal compulsory monthly pension contribution rate payable by employers is 13% and that of workers, which stands at 5.5%, is worked on an individual's salary. Employers are tasked with paying the mandatory contributions within 14 days after the end of each month to the Social Security and National Insurance Trust (SSNIT) and the approved trustee as appropriate.

2.6.1.10 Life Insurance Relief

This relief is granted to taxpayers who pay life insurance premiums in Ghanaian currency to a Ghanaian Insurance Company during a basis period within a year. The amount granted as relief is not greater than 10% of the sum assured or 10% of the assessable income for the year from the taxpayer's business, employment, and investment less any deduction for a contribution made to a retirement fund.

Agyei and Gyamera (2014)'s research on the awareness of tax relief schemes in Ghana revealed that the majority of employees were aware of tax relief schemes in Ghana except that only 19.2% of them had applied for the relief before. They assigned reasons for this low filing rate, including but not limited to the failure of employers to file for tax relief on behalf of their employees; tax relief amounts not being motivating enough; and the filing processes or procedures being cumbersome. Also, in Pobbi et al. (2018)'s research on the utilization of personal tax relief schemes in the context of tax evasion in Ghana, the researchers concluded that the public objective of the government making income available to taxpayers through tax relief in order to promote tax compliance has not been met. They asserted that there was low awareness and utilization rates. They further posited that lengthy administrative procedures, paltry amounts of tax relief, and ignorance of the existence of tax relief were the contributory factors that accounted for the low utilization. Their study further identified that utilization of tax relief leads to the prevention of tax evasion. Again, Agbemava et al. (2016) conducted research on the effectiveness and usefulness of personal tax relief administration in Ghana and brought to light that, though tax administration is helpful to taxpayers, it is ineffective. Factors he stated to be underlining this ineffectiveness were inadequate tax education, incorrect form filing, and low staff motivation on the part of Ghana Revenue Authority staff. After Omane and Affum (2020) conducted a research on the utilization of tax reliefs among workers in Ghana: A Case Study of the University of Hospital, Legon, their study concluded that 76% of taxpayers in Ghana are unaware of the existence of tax reliefs and further attributed the situation mainly to the failure of the GRA to embark on vigorous seminars or sensitizations on the availability of these tax reliefs to Ghanaian workers. Complex filing procedures were also identified as a contributory factor underlining the low utilization rate.

2.7 Application of Tax Reliefs

A resident individual can apply to the Commissioner-General in a prescribed form and, with respect to your personal situation as stated on your application form, the relief is granted to you. The procedure for applying for tax relief begins with the filing of Income Tax Return Form 21 (IT Form 21) by the tax payer. This form, after completion, is submitted to the commissioner of the Ghana Revenue Authority. In addition, if the taxpayer is an employee, the accountant at his/her workplace completes and countersigns a tax deduction schedule Form (IT Form 21) supplementary on behalf of the taxpayer. This form shows the amount of taxes suffered every month by the taxpayer. Ghana Revenue Authority officials go through all these forms to ensure the correctness of the computations on the IT Form 51 supplementary and also ensure the proper completion and accuracy of information provided on the IT Form 21. The procedure also involves the inspection of other documents deemed necessary. However, if a taxpayer, after working for some time, decides to apply for tax relief in a particular year, he/she is required to file tax returns for the six preceding years. This is to ensure that the taxpayer has consistently fulfilled his or her tax obligations and also to ascertain his or her source of income over the year. The return forms, such as Income Tax (IT 21) and deduction schedule Form (IT 51), must be filed not later than three months after the end of the assessment year (Income Tax year). The annual return forms, once completed, allow for the calculation of total income and the determination of the relief that the individual taxpayer may claim. The declaration in each of the annual return forms must be duly signed and accompanied by accounts indicating other sources of income, except in the case of employees who have no other source of income and also the illiterate, who are to make an oral declaration of their income and must swear an affidavit to that effect. (Http: www.faq.gra.gh). The relief form can be obtained from any of the Ghana Revenue Authority's (GRA) Domestic Tax Revenue Division offices nationwide (Note & Act, 2016).

2.8 Qualification for Tax Relief

All resident individuals qualify for the application of tax relief. A resident individual, according to the GRA, is one who is:

a). Present in Ghana for an aggregate period of 183 days or more in any 12-month period that commences or ends during the year.

b). A citizen who is temporarily absent from Ghana for a period of not more than 365 consecutive days and has a permanent residence in Ghana, or

c). A Ghanaian government employee who has been posted abroad.

Child education relief is granted to any child attending a recognized registered educational institution in Ghana, old age relief is granted to people 60 years and older, and the rest of the relief is granted if the Commissioner-General is satisfied.

Also, some individuals or entities do not require approval from granting authorities for tax relief, and reference is made to the relevant statutory provisions entitling taxpayers to the tax incentives.

2.9 Importance of Tax Reliefs

Purposively, tax relief is intended to reduce the employee's taxable income and thereby lessen his or her tax burden. In Ghana, tax relief aims to: Encourage manufacturing by reducing the cost of production through carry forward of losses, import duty exemptions, etc., To honour conditions for aid-funded projects governed by international treaties and agreements (defer payment of import duties), Respect diplomatic privileges, Granting special import privileges as part of an investment promotion drive, Promote the international competitiveness of non-traditional exports, An equitable spread of industries across the country, Make capital easily available, Promote the agricultural sector, Boost employment, Encourage investment in real estate, and Reduce the regressive effect of VAT.

2.10 Tax Liabilities

Tax liabilities, as defined by (www.Investopedia.com), are "the payment owed by an individual, business, or any other entity to a state or local authority". It can also be said to be "the total amount of tax owed in a given period by individuals and organizations to federal, state, or local governments." (www.bankrate.com).

In the article published by (www.bankrate.com) on April 20, 2022, it further explains that individuals and learners accrue tax liabilities with each taxable event (such as income, sales, and issuing payroll). Each of these events generates a specific amount of tax calculated as a percentage of the total.

According to the Ghana Revenue Authority (GRA), the cost of the liability of a person is determined using the expenditure incurred in realising the liability. The consideration received for a liability of a person is determined using the amounts derived from the liability. Individuals and businesses can lower their tax liabilities by claiming deductions, exemptions, and tax credits.

2.11 Effect of Tax Liabilities on Employees.

Tax liabilities generally increase the tax burdens of businesses, having a detrimental effect on employees as it leads to them being laid off or being unemployed when companies/businesses resort to outsourcing.

For instance, taking Company X; imagine Company X grows, and there are currently four employees (two of which are part-time; the owner and another employee). Aside from the owner, the other three employees are better programmers, which makes the owner resort to doing sales-stuff. In the expansion of the business, more workers (salesperson, record keeper, receptionist, and cleaner) come in, and then the tax comes in. The owner decides to lay off the cleaner and instead hires a cleaning service, paying slightly more than he would have paid a hired cleaner but benefiting from a larger tax savings. In this instance, the employer is at a gain whilst the employee is at a loss.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The procedures that will be employed to carry out this research are the main topics of this chapter. It outlines the specific technique to be utilized, the steps to take, how the study is to be analyzed, and how to communicate the findings. Additionally, it covers the procedures for gathering and analyzing data.

3.1 Research Design and Approach

A research design is a comprehensive strategy that outlines the techniques and steps to be taken in order to gather and analyze the required data. For the purpose of this study, the research design is a descriptive research design. Surveys and observation would be used to conduct this research. Variables would only be identified, observed, and measured and this would be used to obtain information about the population.

3.2 Mode of Investigation

The type of investigations to be used in the study is the Causal Relationship investigation. This is to enable the researcher establish a definite cause of the problem the research seeks. A causal relationship investigation would help in determining which research parameter leads to of affects the other another. This research study would be done in a natural setting hence; there would be no change or alteration in any parameter. This research would have minimal interference. The public sector employees within the Birim central municipality would be the units of analyses. The utilization of tax relief schemes by these employees would be the focus of the study. The study is a Cross Sectional study since it is a short study for one period.

3.3 Population

A total of 120 Public sector employees within selected institutions in the Birim Central Municipality would be considered for this study. That is, the education sector, the health sector and the local government sector. With a confidence level of 95% and a confidence interval of 9% the study population was determined.

3.4 Sampling and Sampling Technique

Simple random sampling method would be used in this study. This would involve choosing anyone from the study population in no order or criteria. Each participant in the population has an equal probability of selection and each combination of elements has an equal probability of selection.

The study would focus on individual workers in selected public institutions as the population for the study. The sample size chosen for the study is one hundred and twenty. All the one hundred and twenty participants would be chosen from the study population.

3.5 Data Collection

A questionnaire was used to obtained data from the participants. Self-administered questionnaires were the primary instrument used to seek responses from the selected population under review. Additional information to be used to obtain data in addition to the primary data will include secondary sources of data collection from both of unpublished and published data such as reports, articles from journals and the internet related to the research study. Both open-ended and close-ended types of questions were included in the survey. The layout is adaptable, and the questions were simple to comprehend. The data from each worker was gathered using 120 questionnaires. The data analysis and descriptions of the study was based on the responses that was obtained from the questionnaires and interviews. The research instrument used was designed using articles that had researched on tax relief schemes in Sub-Saharan Africa. The questionnaire would be in four sections. Section 0ne (1) would seek to find data on the socio-demographics of participants. Section two (2) would seek to obtain the knowledge of the respondents on tax relief schemes. Section three (3) would consist of questions pertaining to the utilization of tax relief schemes by the respondents and finally, Section four (4) would be on the tax liability of the respondents. A query builder, summaries of reports on utilization of relief schemes, and data from the Ghana Revenue Authority were used to achieve the research questions.

3.6 Data Analysis

A descriptive method of data analysis will be employed. For easy understanding, comparison and illustration of the results, tables and percentages were provided. Tables and relevant charts will be used to summarize the data collected in an organized manner to facilitate interpretation. The Statistical Product and Service Solution (SPSS) will be used for analyzing the data. Chi-square, frequencies and descriptive statistics (Percentages, means and standard deviations) were generated for variables.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter consists of the results obtained from the respondents such as their socio-demographics, knowledge on tax relief schemes, utilization of the tax relief schemes and their appropriate discussions. A standard and pretested questionnaire was used to obtained data from participants. The data was further analyzed to provide results using the SPSS version 25.

4.1 Socio-Demographics of Respondents

A total of 120 respondents were interviewed for this study of which 45% are males and 55% are females. The socio demographic parameters of the respondent under study are reported in the Table 4.1 below. Municipal/Local Government employees constitute the largest population of the study with a percentage of 50.8% whiles Health Sector was 29.2%. Majority of the respondents (35.8%) had their basic monthly salary ranging from GHC 2001 to GHC 3000. Christianity recorded 91.7% whiles Islam also recorded 6.7%. Majority of the responded, thus, 48.3% had no children. Majority of the participants had been educated to the tertiary level and recorded 51.7% for degree, 19.2% for masters and 27.5% for diploma.

Table 4.1 Socio-Demographic Data of Participants

Parameter	Frequency	Percentage	Valid percentage	Cumulative percentage
Gender				
Male	54	45	45	45
Female	66	55	55	100
Institution				
Health Sector	35	29.2	29.2	29.2
Municipal/Local Government	61	50.8	50.8	80.0
Educational Sector	24	20	20	100
Marital Status				
Cohabitation	2	1.6	1.6	1.6
Married	56	46.	46.8	48.4
Single	61	50.8	50.8	99.1
Widow/Widower	1	0.8	0.8	100
Religion				
Christianity	110	91.6	91.6	91.6
Islam	8	6.7	6.7	98.4
Traditionalist	2	1.7	1.7	100
Level of Education				
Degree	62	51.7	51.7	51.7
Diploma	33	27.5	27.5	79.2
JHS	1	0.8	0.8	80.0
Masters	23	19.2	19.2	99.2
SHS/TVET	1	0.8	0.8	100
Number of Children				
1-2 Children	34	28.3	28.3	28.3
3-4 Children	22	18.3	18.3	46.6
5-6 Children	6	5	5	51.6
None	58	48.4	48.4	100
Basic Monthly Salary				
< 1000	4	3.3	3.3	3.3
1000-2000	54	45	45	48.3
2001-3000	43	35.8	35.8	84.1
3001-4000	17	14.2	14.2	98.2
4001-5000	1	0.8	0.8	100
>5000	1	0.8	0.8	

Age Group of Dependents				
0-12yrs	48	40	40	40
13-24yrs	33	27.5	27.5	67.5
25-36yrs	21	17.5	17.5	85
37-48yrs	7	5.8	5.8	90.8
49-60yrs	5	4.2	4.2	95
61-72yrs	5	4.2	4.2	99.2
78-84yrs	1	0.8	0.8	100
Number of Years of Work				
< 1yr	1	0.8	0.8	0.8
1-5yrs	58	48.3	48.3	49.1
6-10yrs	28	23.3	23.3	72.4
11-15yrs	19	15.8	15.8	88.2
16-20yrs	8	6.7	6.7	94.9
21-25yrs	4	3.3	3.3	98.2
26-30yrs	2	1.7	1.7	100
Number of Unmarried Children				
1-2yrs	12	10	10	10
3-4yrs	9	7.5	7.5	17.5
5-6yrs	4	3.3	3.3	20.8
9-10yrs	1	0.8	0.8	21.6
None	94	78.3	78.3	100
Number of Dependent				
1-2 Dependent	30	25	25	25
3-4 Dependent	46	38.3	38.3	63.3
5-6 Dependent	21	17.5	17.5	80.8
7-8 Dependent	8	6.7	6.7	87.5
9-10 Dependent	1	0.8	0.8	88.3
11-12 Dependent	1	0.8	0.8	89.1
Above 13 Dependent	2	1.7	1.7	90.8
None	11	9.2	9.2	100

(Field Data, 2022)

4.2 Tax Relief Awareness Among Participants

Table 4.2 illustrates the degree to which the respondents are aware of the available tax relief schemes. Majority of the study population (88.3%) were aware of what tax relief schemes were. Also a greater percentage (99.2%) were tax payers. 91.7% said they knew the importance of tax relief schemes. The reasons given by the respondents on the importance of the tax relief schemes are listed in Table 4.2 below. The SSNIT/Retirement relief was the most know tax relief from this study.

Table 4.2 Tax relief awareness among participants

Question	Frequency	Percentage	Valid percentage	Cumulative percentage
Awareness of tax relief schemes				
Yes	106	88.3	88.3	88.3
No	14	11.7	11.7	100
Tax Payment				
Yes	119	99.2	99.2	99.2
No	1	0.8	0.8	100
Information on tax relief				
Friends	36	30	30	30
GRA officials	35	29.2	29.2	59.2
Media	35	29.2	29.2	88.4
Seminar	4	3.3	3.3	91.7
Trade unions	10	8.3	8.3	100
Importance of Tax reliefs				
Yes	110	91.7	91.7	91.7
No	10	8.3	8.3	100
If yes why				
It cushions you in times of need and reduces tax burden	100	90.9	90.9	90.9
It boost businesses	2	1.8	1.8	92.7
It helps in national development	8	7.3	7.3	100
If no why				
I don’t enjoy its benefits	3	30	30	30
It does not achieve its intented purpose	4	40	40	70
I just don’t see the need for it	2	20	20	90
Deductions are too much	1	10	10	100
Awareness of Specific Tax relief schemes				
Aged dependent relief	6	5	5	5
Child education relief	14	11.7	11.7	16.7
Disability relief	6	5	5	21.7
Life insurance relief	2	1.7	1.7	23.4
Marginal relief	10	8.3	8.3	31.7
Marriage relief	11	9.1	9.1	40.8
Old age relief	4	3.3	3.3	44.1
SSNIT/Retirement relief	56	48.3	48.3	92.4
None	9	7.5	7.5	100

(Field Data, 2022)

4.3 Utilization of Tax Relief Schemes by Study Participants

The utilization of tax relief schemes by the respondents was also assessed. 65% of the respondents were not patronizing any tax relief scheme. The minority who did patronize the tax relief schemes had 76.1% of them going for the SSNIT/Retirement benefit relief. 'It is complex' and 'It is normal' were the two predominant responses obtained when participants were asked about the application procedure. Majority of the participants who did not patronize the various tax relief schemes cited frustration in the application process as the reason for them not patronizing the relief schemes (table 4.3).

Table 4.3 Utilization of Tax Relief Schemes by Study Participants

Question	Frequency	Percentage	Valid percentage	Cumulative percentage
Patronize of Tax Reliefs				
Yes	42	35	35	35
No	78	65	65	100
If yes, which one?				
Child education relief	1	2.4	2.4	2.4
Cost of living allowance	1	2.4	2.4	4.8
Cost of training allowance relief	1	2.4	2.4	7.2
Disability relief	1	2.4	2.4	9.6
Marginal relief	2	4.8	4.8	14.4
Marriage relief	2	4.8	4.8	19.2
Old age relief	2	4.8	4.8	24
SSNIT/Retirement benefit relief	32	76.0	76.0	100
Ever Applied for Any Tax Reliefs				
Yes	23	19.2	19.2	19.2
No	97	80.8	80.8	100
If yes, how do you assess the application procedure				
Not aware of it	1	4.3	4.3	4.3
It is complex	4	17.4	17.4	21.7
It is normal	6	26.1	26.1	47.8
It is too bureaucratic	6	26.1	26.1	73.9
The process is cumbersome	5	21.7	21.7	95.6
It is tough bargaining	1	4.3	4.3	100
If no why				
Low level of tax relief education	65	67	67	67
To avoid contradictory information	8	8.2	8.2	75.2
Unavailability of tax returns	7	7.2	7.2	82.4
Frustration in application	17	17.5	17.5	100

(Field Data, 2022)

4.4 Tax Liabilities of Study Participants

Table 4.4 shows the responses obtained when participants were asked about their tax liabilities. Of the total population, 76.7% had never filed for tax returns. Out of which 45.7% indicated that they did not know how to do it. Also 70% of the study population did not understand the basis of determining their tax liabilities. 55% of the population considered their tax burdens to be high.

Table 4.4 Tax Liabilities of Study Participants

Questions	Frequency	Percentage	Valid percentage	Cumulative percentage
Have you filed for tax returns				
Yes	28	23.3	23.3	23.3
No	92	76.7	76.7	100
If no, why haven't you?				
Difficulty accessing tax office	10	10.9	8.3	10.9
I anticipate problems with GRA	10	10.9	8.3	21.8
I don't know how to do it	42	45.7	35	67.5
Tax collectors do not educate us well	17	18.5	14.2	86.0
Difficulty understanding tax systems	13	14.0	10.8	100
Do you understand the basis of determining your tax liabilities				
Yes	36	30	30	30
No	84	70	70	100
How do you see your tax burdens				
Low	4	3.3	3.3	3.3
Moderate	7	5.8	5.8	9.1
High	66	55	55	64.1
Very high	43	35.8	35.5	100
To what extend does tax reliefs reduces tax liabilities (only for participants who have ever) applied for tax reliefs				
0-1%	1	4.3	4.3	4.3
2-4%	12	52.2	52.2	56.5
5-7%	8	34.8	34.8	91.3
8-10%	2	8.7	8.7	100
Will your tax savings encourage you to apply for tax reliefs				
Yes	45	37.5	37.5	37.5
No	21	17.5	17.5	55.0
Maybe	54	45	45	100

(Field Data, 2022)

4.5 Discussion

The respondents of the study consisted 55% females and 45% males. This implies that majority of the respondents were females. Majority of the respondents were single constituting 50.8% whiles 46.7% and 1.6% were married and co-habitating respectively. The sector in which the respondents worked was made up of 29.2% from the health sector, 20% from the educational sector and 50.8% from the local Government sector. The study revealed that 99.2% of the respondents pay tax whiles just 0.8% do not pay tax. This implies majority of the respondents qualify for one or more tax relief as long as they pay tax. The period for which the respondents have worked in their respective sectors were: 48.3% had worked between 1-5 years, 23.3% also had worked between 6 and 10 years followed by 15.8% between 11-15 years, whiles those that have worked between 16-20 years, 21-25 years and 26-30 years were 6.7%, 3.3% and 1.7% respectively.

The findings of the study on the level of awareness of tax relief schemes among the respondents appear in Table 4.2. The study revealed that 88.3% indicated that they were aware of tax reliefs available to employees who pay tax in Ghana whiles only 11.7% were not aware of the tax relief system in Ghana. This indicates that majority of the respondents have a fair knowledge about the existence of tax reliefs. This finding is largely in agreement to that of Agyei and Gyamerah (2014) which observed that 78.10% of their study respondents were aware of personal tax relief schemes as against 21.90% who were not aware of the schemes' existence.

Furthermore, the issue concerning the type of relief which the respondents were aware of revealed that out of the 48.3% were aware of the SSNIT/Retirement benefit relief, 11.7% were aware of the child education relief, 9.1% for marriage relief, and 8.3%

for marginal relief. These were the most known reliefs by the employees. The study also sought to know the source of the tax relief knowledge possessed by the respondent. It was observed that, 30% of the respondent had the tax relief knowledge from friends, 29.2% from GRA officials and also the Media, 3.3% from seminars and 8.3% from trade unions. This affirms that most employees are aware of the various tax reliefs schemes available to tax payers and that could be the only guarantee they could have to educate others.

When the respondents were asked whether tax relief schemes are important, 91.7% (110 out of120) answered yes whiles 8.3% (10) answered no. In establishing the importance of respondents to being aware of the reliefs provided for under the Act; It cushions you in times of need and reduces tax burden, It boost businesses and It helps in national development were the three dominant responses obtained with ; 'It cushions you in times of need and reduces tax burden' being the highest response (90.9). For respondent who said the tax relief schemes were not important indicated; 'I don't enjoy its benefits, It does not achieve its intended purpose, I just don't see the need for it and the Deductions are too much' as reasons for the irrelevance of the tax relief schemes.

The study further revealed that just about 23 out 120 (representing 19.2%) respondents have ever applied for tax reliefs whiles 97 out of 120 (representing 80.8%) have never applied for it as shown in Table 4.3. This finding is very much consistent with Agyei and Gyamerah (2014) observation and the then Finance and Economic Planning Minister's assertions as reported in the Budget Statement (2012) confirming low usage of tax relief schemes among income taxpayers.

This revelation may due to the fact that employees may be aware of the tax relief scheme but may not know how it can be claimed. Another reason may be that the employers who are supposed to file on behalf of the employees once they qualify for the upfront reliefs are not doing their best. It may also be that the procedure one must go through to claim the relief may be cumbersome. This can lead employees not to apply for the relief. The last reason may be that the amount involved for the employee to enjoy as a tax relief is not motivating enough for one to go through the trouble to claim the relief.

Analysis of the factors for the level of utilization of tax reliefs system can be well appreciated when the procedure for applying for the reliefs is presented. From this setting, as part of the procedures in applying for the relief in Ghana, the taxpayer must file annual returns, hence the respondents were asked to indicate if they had ever filed tax return. The results indicated that only 23.3% had ever filed a return, whereas 76.7% of the taxpayers had never filed a return. Probing further to know the reason for the low level in the filing of returns, majority of the respondents cited Difficulty accessing tax office, anticipation of problems with GRA, lack of educate from tax collectors and Difficulty understanding tax systems. Also, 45.7% did not know how to go about with the application process. The implication of this action is that government may not get all information about their tax payer in other to determine their other sources of income and for that matter increase the tax revenue of government.

It was however inferred from the analysis that, the higher number of Ghanaians are not utilizing the personal tax reliefs and yet 55% of the respondents complained about the tax burden being high, whiles 35.5% complained that the tax burden was very high.

Furthermore, the issue concerning the type of relief which have been accessed by those who have claimed tax relief before revealed that out of the 42 respondents, 32 representing 76.1% have applied for the SSNIT/Retirement benefit relief.

The study also revealed that just about 36 out of 120 (representing 30.0%) respondents knew the basis for the determination of their tax liabilities. 52.2% of the respondents who utilized the reliefs indicated that, the reliefs aided in reducing their annual tax burden by 2.4% whiles 34.8% said it reduced their tax burden by 5-7%.

The study also sought to find out the factors associated with the patronization and awareness of the tax relief schemes amongst the respondents. The study found no statistical association between socio-demographic factors such as gender, highest level of education, marital status, institution, religion, basic monthly salary, and number of children and awareness of tax relief schemes. However, the was a significant relationship between factors such as the number of years of work (0.009) and number of dependents (0.001) and awareness of tax reliefs schemes. That implies that, the number of years an employee had served in any of the sectors and the number of dependents of the employee influenced the tax relief knowledge possessed by the employee.

Similarly the study sought to find the factors associated with the patronization of the tax relief schemes amongst the participants. Significant statistical association was only observed between patronization of tax reliefs and the employee sector (0.001), highest level of education 0.001) and the number of years of work (0.007).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter summarizes the findings of this study. It proceeds to give a conclusion on the entire research work and also other suggested recommendations that could be done with respect to research works that involve tax relief schemes.

5.1 Summary of Findings

1. The study revealed that 88.3% of the respondents were aware of the available tax relief schemes whiles 11.7% were not aware of the tax relief schemes.
2. With regards to the utilization of tax relief schemes, 35% of the respondents utilized them whiles 65% did not even though 91.7% of the respondents knew the importance of the tax relief schemes.
3. The study also found out that 30% of the respondents knew the basis for the determining their tax liabilities whiles 70% did not. Majority (55%) of the respondents saw their tax burdens as high. In addition, 35.5% also saw their tax burdens to be very high.
4. Finally, with regards to the reduction of tax liabilities, 52.2% representing 12 out of the 23 participants that had utilized tax reliefs before indicated it reduced their tax burdens by 2-4% whiles 34.8% (representing 8 out the 23 respondent who had utilized tax relief schemes before indicated it reduced their tax burden by 5-7%.

5.2 Conclusion

In conclusion, the study has revealed that most tax payers do not utilize personal tax reliefs' provisions even though majority of them are aware of the tax relief schemes. Even those who are aware, most have refused to utilize the personal tax relief provisions due to long delays, cumbersome procedures and other frustrations. Tax relief is a powerful tool in revenue collection that can offer different ways for taxpayers to cushion their tax liabilities based on their unique financial situation by bridging the income gap between the rich and the poor and facilitate increase in government revenue. Furthermore, the study clarified that most individual workers paid their taxes, yet a greater number of them never filed their returns which is a key condition to applying for tax reliefs, since most never knew they have to do so, those who knew about the returns similarly refused to file as a result of the fact that, the tax system was declared difficult to understand in Ghana and also anticipated problems with the tax officials. It was however inferred from the analysis that, the higher number of Ghanaians are not utilizing the personal tax reliefs and yet 55% of the respondents complained about the tax burden being high, whiles 35.5% complained that the tax burden was very high even though majority of the participants qualified for a number of tax relief schemes.

5.3 Recommendations

When the tax reliefs are properly managed and effectively assessed, it will help recoup the larger number of people into the tax net and thus help to reap the expected revenues to support government policies and other projects. Due to the above, the following recommendations have been proffered, as some of the solutions to making tax reliefs in Ghana a more identified and attractive, assessable and worth utilizing

1. Public education on filing of tax returns in any form should be intensified, if possible, giving it the same publication as being received by the payment of Income Tax
2. The Ghana Revenue Authority must also work in collaboration with the Social Welfare and the Physically Challenged Rehabilitation Centers to educate its members on the on the tax reliefs available for taxpayers in Ghana.
3. The complexity in the current application procedure for tax reliefs and the longer approval time need to be simplified and shortened respectively, to encourage taxpayers as far as tax relief utilization is concerned.
4. Further studies can be conducted to cover all regions in Ghana, and further research can be conducted on the effective measures in making tax reliefs attractive in Ghana.

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APPENDIX

GHANA REVENUE AUTHORITY

TAX RELIEF APPLICATION FORM

(To be completed by Employer for an Employee with only employment income)

Year: ______

For first application insert a photo for identification of employee

Employee's Surname ______ (1)
Other Name(s) ______ (2)
Gender ☐(M or F) ☐ Date of Birth __/__/____ D D M M Y Y Y Y
Mother's Maiden Name ______
Social Sec. No ______ (5) Tax File No.: ______ (4)
Name of Employer ______ (6)
Address of Employer ______
Telephone No ______ Tax ID. No. ______ (3)

Has there been any change in your personal particulars form that of the previous year? Yes ☐ No ☐
If yes, complete the form
If no, proceed to sign the declarations.

Personal Particulars
Marital Status: Married ☐ Single ☐
If married, Name of Dependent Spouse ______
Particulars of Spouse:

Date of Birth __/__/____ D D M M Y Y Y Y	Tax ID. No.: ______
Tax File No.: ______	Soc. Sec. No.: ______

No. of Children: ☐
Particulars of Children:

Name	Date of Birth	Educational Institution

NOTE: Only one parent can claim relief in respect of each child subject to maximum of three (3) children.

Are You disabled? Yes☐ No ☐
If yes, attach certificate from Department of Social Welfare.

Declaration of Employer

I do hereby declare that the above information is to the best of my knowledge and belief true, correct and complete.

______ Signature of employer ______ Declaration ______ Date

Declaration of Employee

Do you have any other sources of income than your employment?
Yes ☐ No ☐
I certify that the information given by the Employer is correct.
The above employment is my primary employment and no other Tax Relief Card us issued or will be issued for this year.

______ Signature of Employer ______ Date

For official use only

If age over 60 years, Old age Relief is granted Amount of
a) GH¢ ______

Marriage Relief granted, Amount of
b) GH¢ ______

Children's Education Relief granted for ☐ children Amount of
b) GH¢ ______

Qualified for Disabled Relief
(10) Yes ☐ No ☐

Computation of the summarised Amount of Relief for the year
a) ______
+ b) ______
+ c) ______
(7) Total: GH¢ ______

Divided by ___ months monthly deduction
(8) GH¢ ______
First deductible month:
(9) ______
All information have been transferred to the TRC

______ Signature, Date

I.T. Form 21A