

UNIVERSITY OF EDUCATION, WINNEBA

**RENT INCOME TAX COMPLIANCE IN GHANA: A CASE STUDY OF
SOME SELECTED MMDAs**



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SOME SELECTED MMDAs**

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**A Dissertation in the Department of Accounting,
School of Business, submitted to the School of
Graduate Studies, in partial fulfillment
of the requirements for award of the degree of
Master of Business Administration
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in the University of Education, Winneba**

NOVEMBER, 2022

DECLARATION

Student's Declaration

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

Signature:

Date:

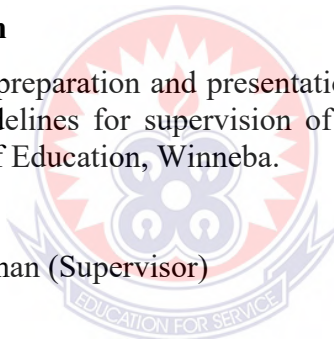
Supervisor's Declaration

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

Mr. Emmanuel Atta Anaman (Supervisor)

Signature:

Date:



DEDICATION

To my lovely wife, Diana Agbenyo and my children, Emmanuel, Kelvin and Blessing.



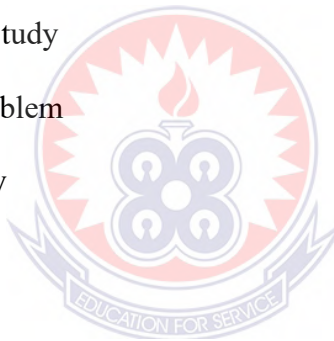
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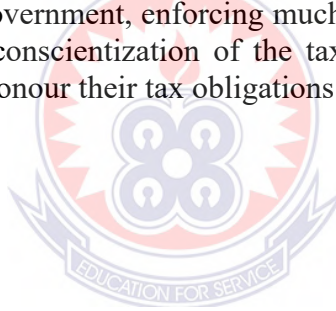
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ABSTRACT

The overarching aim of this study was to find out the various factors that influence rent income tax compliance decisions of landlords/landladies in the Gomoa West, Gomoa East Districts and Ga-South Municipality. A sample of 360 landlords/landladies with a response rate of 342 (95%) was drawn from Gomoa East, Gomoa West Districts and Ga-South Municipality using a stratified random sampling technique. The study employed a descriptive and inferential research designs and a quantitative approach premised on the positivists paradigm to achieve its objectives. The results indicated that majority of the landlords/landladies do not have knowledge about the existence of rent income tax laws as majority of them indicated that there was no difference between the rent income tax and property tax. Institutional mechanisms laid down to encourage compliance was also assessed and it was revealed that a number of measures have been put in place to encourage compliance except that they yielded no positive results. It was also found that there is a culture of high non-compliance of rent income tax in the Gomoa West, Gomoa East Districts and Ga-South Municipality. It was further revealed that factors such as fairness in tax administration, deterrence sanctions, cost of living, peer influence and rent income tax knowledge are the major factors influencing rent income tax compliance. This is therefore a clarion call on government and tax authorities to intensify their game by embarking on massive rent income tax awareness and education campaigns, reviving confidence and trust in government, enforcing much harsher non-compliance punitive measures, and ensuring conscientization of the taxpayers to increase their intrinsic motivation to be able to honour their tax obligations.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation, aside its role in generating revenue, is one of the most effective measures for stabilizing an economy and ensuring fair income redistribution. Classical economists also postulate that it is imperative for governments across the globe to generate more revenue through taxation in order to provide public goods and services, provide security, and enforce law and order in society as investment in these areas, in most cases, cannot be made by the private sector due to their high capital requirements and unprofitability (Antinyan et al., 2020).

However, countries have battled in recent years to collect significant amount of taxes in order to earn more revenue to meet their ever-increasing needs of their citizenry. This is because taxpayers (both individuals and businesses), perceive taxation as a punishment and this unfavorable perception about tax payments motivates people to engage in tax evasion and avoidance, which directly reduce the percentage of tax revenue collected (Alm, 2018; Antinyan et al., 2020). This therefore reduces governments' ability to deliver public goods and services as well as reduces the effectiveness of fiscal policy instruments in regulating the macroeconomic environment. This challenge has encouraged several governments to implement tax incentive packages in order to prevent tax evasion and increase tax revenue (Gangl et al., 2020). It also called for establishing various laws in order to obtain constitutional authority to collect taxes from all economic actors (Varotsis & Katerelos, 2020). Despite the harsh penalties placed on the perpetrators, tax non-compliance, in the form of tax evasion, continues to be widespread in both developed and developing nations. This assertion is validated by Crivelli et al (2016) and Cob-ham and Jansky

(2017) which indicated that the world loses about US\$ 650 billion each year to tax non-compliance.

In Ghana, even though the real estate market is flourishing, the revenues generated from rent income tax has experienced a consistent fall and formed a minute component of the overall tax collection over the years. For example, in 2015, rent income tax collected amounted to GH¢ 181,645.54, representing 2.61% of the total collection of GH¢ 6,955,002.67. In 2016, rent income tax receipts was GH¢ 42,178.06, representing 0.50% of GH¢ 8,450,955.42 total tax revenue collected. In 2017, GH¢ 73,824.97 rent tax revenue was collected representing 0.69% of GH¢ 10,661,303.65 total tax revenue. Figures from 2018 also indicated that rent income tax collections amounted to GH¢ 82,118.94 out of a total collection of GH¢ 14,593,634.17 representing 0.56% as the year 2019 saw a rent income tax receipt of GH¢ 205,884.93 representing 1% of a total collection of GH¢ 20,676,877.00. Again, the years 2020 and 2021 revealed that rent income tax collections were GH¢ 298,070.34 and GH¢ 430,775.39 out of GH¢ 17,484,733.03 and GH¢ 27,101,937.57 total collections, representing 1.7% and 1.59% respectively (GRA report, 2021). The culture of rent income tax obligation understatement due to lack of evidence-based contracts outlining the rent rates is one of the factors accounting for the fall in the rent income tax revenue (Donkor-Hyiama, 2015).

Tax compliance is poor in Ghana, particularly among the self-employed, due to a lack of understanding of the appropriate tax laws (Swanzy, 2018). According to Gangl and Torgler (2020), giving tax incentives such as tax relief lowers the cost of compliance, pushing people to complete their tax obligations. However, because of the apparent ability to evade taxes, compliance has been low (Alm, 2019). As a result, Ahmed and Braithwaite (2015) proposed the threat of sanctions to reduce tax non-

compliance (interests and penalties). Due to these compliance issues and a lack of evidence-based research or studies in the Ghanaian environment, policymakers have had to depend on research from other jurisdictions, which has limitations in terms of generalization and application in the Ghanaian context due to demographic variability. As a result, the purpose of this study is to explore the various factors that have the tendency of influencing rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality.

1.2 Statement of the problem

Ghana, like any other developing country, has a tough time mobilizing the necessary revenue to support and sustain economic progress. As a result, the country has seen excess of expenditure over revenue in most situations (Donkor, 2016). For instance, the 2021 budget statement and economic policy indicated that the government projected revenue of GH¢ 72.5 billion but only received GH¢ 69.98 billion despite spending GH¢ 111.28 billion resulting in a budget deficit of about 60 percent (MOF, 2021). Again, revenue was forecast to be GH¢ 100.5 billion in the 2022 budget statement and economic policy, with a total estimated expenditure of GH¢ 135.6 billion, implying that the government is expected to spend around 135 percent of its revenue mobilized (MOF, 2022). This is because taxation has failed to produce the desired result for a variety of reasons, including taxpayers' lack of understanding of the tax system and its administration, taxpayers' noncompliance with the tax law, hostility between taxpayers and tax officials, and taxpayers' negative attitude toward the tax system, all of which have resulted in a significant reduction in tax revenue (Donkor, 2016).

The issue of rent income tax has been the most affected as far as tax non-compliance is concerned. For instance, information on rent income tax accessed from

the Kasoa Municipal Office of the Ghana Revenue Authority based on the GRA report from 2015 to 2021 indicates that rent income taxes collected annually have been negligible (GRA, 2021) relative to other forms of taxes as discussed in the background to the study. As a matter of fact, rent income tax collections over the said period forms less than 1% of total tax collections in most cases.

A number of studies have been conducted on the subject of tax compliance. For example, Bernard et al. (2018) sought to investigate the influence of tax knowledge and awareness on tax compliance among investors in the export processing zones in Kenya. Also, Ya'ua et al. (2020) sought to assess the moderating effect of trust in authority on the relationship between tax rates, penalty, detection probability, cost of compliance, royalty rates, environmental regulations and petroleum profit tax compliance. Again, Robbins and Kiser (2020) investigated state coercion, moral attitudes, and tax compliance. A study by Sapici et al. (2014) in Malaysia studied the determinants of taxpayer compliance behavior concerning corporate income tax reporting requirements. In Nigeria, Atawodi and Ojeka (2012) and Oladipupo and Obazee (2016) explored tax compliance by small and medium enterprises. In Ethiopia, Ahmed and Kedir (2015) and Engida and Baisa (2014) also concentrated on SMEs while in Zimbabwe Maseko (2013) investigated the determinants of tax compliance in SMEs. In Kenya, studies by Lumumba et al. (2010); Tanui (2016); Thiga and Muturi (2015); Chepkurui et al. (2014) and Munyeki and Olweny (2016) focused on tax compliance in small and medium enterprises in various localities within Kenya. Finally, Osebe (2013) and Kuria et al. (2013) examined tax compliance in the real estate sector.

From the reviewed studies it is evident most studies have focused more on tax compliance among SMEs and other forms of taxes. However, rent income tax has not

received enough research attention. For example, in Ghana, Swanzy (2018) investigated rent income tax compliance in Tarkwa Nsuaem and Sefwi Wiawso of Ghana. This study used determinants of compliance such as rent income tax compliance cost, rent income tax knowledge and education, perceived opportunity for rent income tax evasion and effects of fines and penalties. However, this study failed to include cost of living, peer influence (social influence theory), tax fairness (fiscal exchange theory) and other tax deterrence sanction components such as tax audit and detection probability in its model as determinants of rent income tax compliance. Again, the study was conducted in a different jurisdiction whose dynamics may differ from the people of Gomoa East, Gomoa West Districts and Ga-South Municipality as far as rent income tax compliance is concerned. Again, this study employed Pearson's correlation and Ordinary Least Square (OLS) regression in its analysis. However, the data collected was categorical in nature which falls short of the requirement of conducting these parametric tests, hence rendering the result misleading.

Despite studies on tax compliance in general (both locally and internationally), the researcher was unable to locate any research that assesses whether these factors (tax deterrence sanctions, tax fairness, peer influence, cost of living and rent tax knowledge) could have the tendency of influencing rent income tax compliance using factor analysis. Most of the studies employed multiple regression analysis on these factors which are categorical in nature and hence producing misleading results. This study, therefore, seeks to fill these gaps by assessing whether the following factors (ie. tax deterrence sanctions, perceived tax fairness, peer influence, cost of living and rent tax knowledge), as alluded to in tax compliance theories, have the tendency of influencing rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality. As a result, this study is both necessary and distinctive.

1.3 Purpose of the Study

The purpose of this study is to find out the determinants of rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana.

1.3.1 Research Objectives

The specific objectives of this study will be:

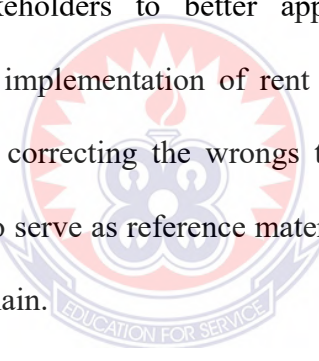
1. To assess the level of knowledge of rent income tax by tax payers in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana
2. To examine the institutional mechanisms laid down to encourage compliance
3. To assess the level of rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana
4. To explore the determinants of rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana

1.4 Research Questions

1. What is the degree of knowledge of rent income tax by tax payers in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana?
2. What are the institutional mechanisms laid down to encourage compliance?
3. What is the level of rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana?
4. What are the determinants of rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana?

1.5 Significance of the Study

In most developing nations, such as Ghana, tax compliance is a subject that has gotten more attention in the previous three decades. Poor tax administration, failure to collect adequate tax revenues, tax systems that do not combine horizontal and vertical fairness concerns, and a lack of government and economic stability are among the issues identified (Slemrod, 2019). The tax system in many underdeveloped nations lacks the capacity to monitor compliance among rental taxpayers (Tanzi, 2017). The current study will be useful to a variety of stakeholders, including governments, tax agencies, and policymakers, regarding concerns about tax compliance in the economy, notably in Ghana. The study will therefore provide inspiration to these stakeholders to better appreciate the various bottlenecks hampering the successful implementation of rent tax in Ghana and further launch action in motion towards correcting the wrongs to achieve the ideal fiscal target. Finally, this study will also serve as reference material for other researchers who may wish to delve into this domain.

The logo of the University of Education, Winneba, is a circular emblem. It features a central shield with a book and a lamp, surrounded by a wreath. The text 'UNIVERSITY OF EDUCATION, WINNEBA' is written around the top inner edge of the circle, and 'EDUCATION FOR SERVICE' is written along the bottom inner edge.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter bothers on reviewing relevant tax compliance theories and empirical studies as well as developing a conceptual model to demonstrate the relationship between determinants of rent income tax compliance and rent income tax compliance. The chapter, therefore, reviews the concept of rent income tax compliance including tax morale, tax fairness, and trust in government and tax system. The theoretical review focuses on fiscal deterrence theory, fiscal psychology theory, fiscal exchange theory, social influence theory, political legitimacy theory and comparative treatment theory.

2.1 The concept of Rent Income Tax Compliance

Tax is a contribution exacted by the state. It is non-penal but compulsory and unrequited transfer of resources from the private sector to the public sector, levied on the basis of predetermined criteria (Gobena & Van-Dijke, 2016). Classical economists were of the view that, the only objective of taxation was to raise revenue for the government. But with changes in circumstances and ideologies, the aim of taxation has been modified. Thus, apart from raising revenue for public expenditure, taxes are levied to affect consumption, production and distribution of goods and services with a view to enhancing social and economic development of a country. Taxation provide a stable flow of revenue to finance current and capital expenditures such as the building and maintenance of infrastructure, stimulating economic growth and enhancing good governance (Alley et al., 2014).

During the 1980s, structured research into tax evasion and non-compliance became widespread following the political concerns in the United States of an

increasing tax-gap. Initially, literatures which emerged from the United States had a strong focus on economic theory. Utility theory, developed by Allingham and Sandmo, assumed taxpayers to be ‘utility maximisers’ in decisions of tax reporting and compliance, tax evasion was viewed as worthwhile if the financial gains outweighed the financial costs. Tax compliance studies have been based on social and psychological theories. Research undertaken in this field showed that the human element played a vital role in individual tax compliance decisions. While tax compliance literatures have emerged from a wide variety of disciplines, there is lack of consensus as to why people pay or do not pay tax. Some tax compliance literatures reported by (Chow, 2014) indicated that, there are research gaps that needed to be filled concerning: tax moral, tax fairness and deterrence measures to enhance tax compliance.

Tax compliance in general, is a major problem faced by most tax authorities across the world (Osebe, 2014). It is difficult to persuade taxpayers to comply with the tax requirements even though “tax laws are not always precise” (Alley et al., 2014). Rent income tax compliance is usually cast in terms of the degree to which residential property owners comply with the rent income tax law (James, 2014). However, the meaning of compliance with respect to rent income tax can be seen as a continuum of definitions. One suggestion is that, the degree of rent income tax non-compliance may be measured in terms of the rent income tax-gap. Rent income tax-gap represents the difference between the actual rent income tax collected and the amount estimated that would have been collected if there was 100% compliance (James, 2014).

Andreoni et al. (1998), defined tax compliance as the taxpayer’s willingness to obey the tax laws to obtain the economic equilibrium of a country. Similarly, Rent

Income Tax Compliance is defined by several tax authorities as the ability and willingness of property owners [taxpayers] to comply with the rent income tax laws: declare the correct rent income in each year and pay the right amount of rent income tax on time (Australia Tax Office Report, 2014).

According to Mohd and Ahmad (2015), tax compliance is defined as the taxpayer's willingness to comply with tax laws, declare correct income, claim correct deductions, relief and rebates and pay their taxes on time. Mohd and Ahmad also described tax compliance as an issue of reporting the actual income and claimed that, compliance behaviour was influenced by a situation whereby taxpayers have to make a decision under uncertainty. Another definition of rent tax compliance is a person's (property owner's) act of filing his/her rent income tax returns, declaring all taxable rent income accurately and fulfilling all rent income tax payable within the stipulated period without having to wait for follow-up from the tax authority.

Furthermore, rent income tax compliance has been segregated into two perspectives namely: compliance in terms of administration and technical compliance in terms of completing accurately the tax returns (Chow, 2014). Rent income tax compliance include registering or informing the tax authorities of status as a taxpayer [property owner/land lord], submitting a rent income tax return every year and following the required payment plan or time frame (Osebe, 2014). However, the wider perspective of rent income tax compliance requires some degree of honesty, adequate rent income tax knowledge and the ability to use this knowledge acquired in a timely and accurate manner whilst maintaining adequate records to complete the rent income tax returns and associated tax documentations (Mohd & Ahmad, 2015). This perspective reveal that, tax authorities would seek to influence the areas rental taxpayers have influence, determining to reduce the risks of non-compliance

behaviour through rent income tax audits and education. Young et al. (2016), explained that, tax compliance is the output of interrelation between variables including perception of equity, efficiency and incidence (public finance views). However, penalties and fines as well as probability of audit should be combined to improve rent income tax compliance.

2.1.2 Tax Fairness

The extent to which the taxpayers perceive a tax system to be fair influences their attitude to pay taxes (Alshira'h & Abdul-Jabbar, 2019). However, Alabede et al., (2011) postulates that a tax payer whose motive is to demonstrate his beliefs in a system will evaluate the fairness of the systems with objectivity whereas the taxpayer whose attitude is motivated by what benefit to derive from the system may label the tax system fair only if he is benefiting from it. The complexity of tax laws could also influence the compliance of taxpayers. Cummings (2009) stated that individuals believe that a tax system that treats everyone equally and implementing horizontal justice is considered fair while the quality comes when people can see that tax revenues are being used to provide valuable goods and services in an efficient way. Therefore, an unfair tax system could enhance the incentives to rationalise cheating or evasion.

2.1.3 Trust in Government and Tax System

Trust is a predictor of voluntary compliance, which is achieved without enforcement, based on taxpayers' willingness to act in the interest of their peers and perform their duties as citizens in response to authorities' trustworthiness. Likewise, power is a predictor of enforced compliance, which is achieved through enforcement strategies (audits, penalties), based on taxpayers' risk and penalty aversion (Kirchler

et al., 2008). Winnicki (2013) stated that a well-ordered tax structure increases the trust in government, decreasing the incentives to get involved in illegal tax activities. The confidence in the state and willingness to comply increases as the perception of a strong judiciary system is more common. People are more willing to comply when they are treated equally by the tax law and state authorities and eager to contribute with a government that is willing to spend their money in a proper way and increasing the welfare of the society. The efficiency of the tax authorities in collecting revenues, tracing frauds and penalising tax offenders is important to keep tax compliance high. These aspects of trust and administrators' efficiency have stronger effect on individual, than enforcement methods used by governments.

2.1.4 Institutional mechanisms to encourage compliance

Smarter compliance outcomes require revenue bodies to invest a fair amount of resources and effort before benefits can be harvested (OECD, 2012). This would suggest that working smarter in compliance requires a strategic focus over the medium and long term. Developing an overall compliance strategy and programmes, respectively, is critical for the tax authorities' ability to improve taxpayer compliance and to enhance revenue collection (Russel, 2010). The purpose of a taxpayer compliance programme is to identify and respond to the most significant risks in the tax collection system through a range of measures aimed at the underlying causes of the noncompliant behavior (OECD, 2013). Its ultimate objective is to achieve the widest possible impact on voluntary compliance across the taxpayer population. As part of a compliance program tax administrations should improve revenue analysis capabilities and develop (further) indicators for tax compliance in the different tax categories. Compliance programs are structured around major taxpayer segments (e.g., large businesses, medium-size enterprises, small and micro enterprises, and high

income individuals) or types of taxes with a high risk of fraud (e.g. corporate income tax, vehicle taxation, value added tax (VAT), deductions for commuting expenses in personal income taxation) and address compliance risks relevant to these segments (Jensen and Wöhlbier, 2012). The program addresses the risks in each of the taxes administered in each taxpayer segment and describes how the revenue agency intends to respond to these issues and risks in an action plan (European Commission, 2010). Risk-based verification programmes segmenting taxpayers into co-players and opponents have proved efficient (Jensen & Wöhlbier, 2012). Segmenting taxpayers improves compliance behavior by detecting and deterring non-compliance through the use of risk management approaches. Taxpayers are more likely to comply if they perceive the likelihood of detection as high and see blatant non-compliers being brought to account. The tax compliance level can be shown in the shape of the compliance pyramid in Figure 1.

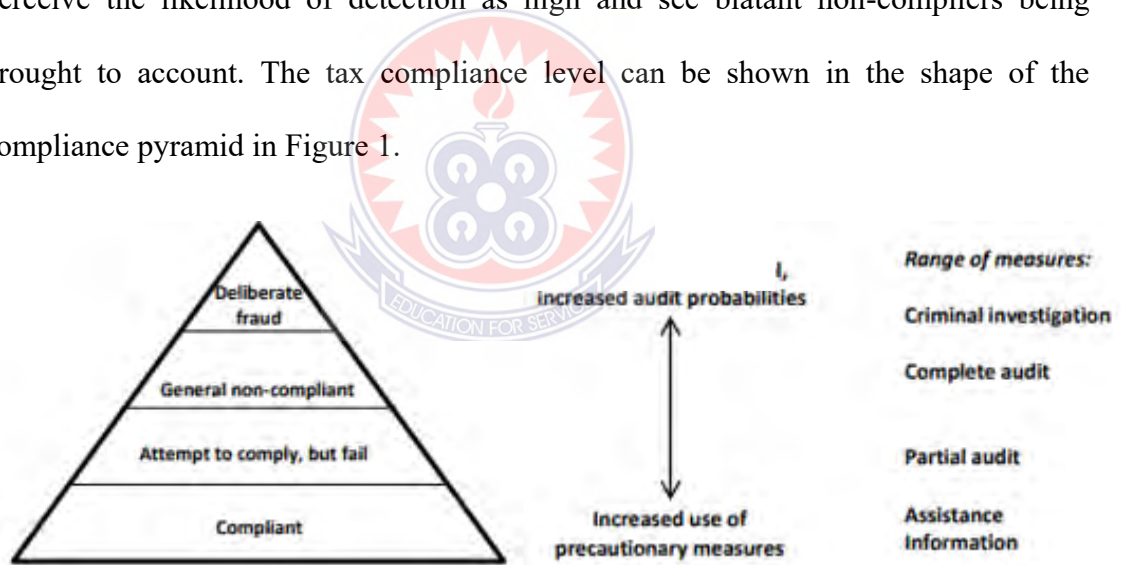


Figure 1: The compliance pyramid

Source: Jensen and Wohlbiel (2012, 16)

Tax authorities could perform detailed analysis of random audit data to segment individual taxpayers into co-players and opponents according to the four groups in the compliance pyramid. The segmentation can then be revised according to the track record of the particular taxpayer. Once the taxpayers are segmented, the approach towards the taxpayer can be separated between service and control. Building

up databases with information on taxpayers' income and assets can make the investigations of tax authorities better targeted, e.g. by means of a flag system, where a flag significantly increases the audit probability. The segmenting of taxpayers into the four compliance categories will depend, among other factors, on the coverage of third-party information. Taxpayers with income and deductions extensively covered by third-party information will typically be categorized as "compliant". The better the coverage of third-party information, the more resources are freed up that can be targeted, e.g., to areas reliant on self-reporting and to combating the shadow economy. The coverage of third-party information available to tax authorities is crucial for limiting a normal taxpayer's possibilities of under declaring income. For third-party reporting to work, tax agencies need to be operating a certain level of information technology (IT)-systems to handle the data and to feed it into the taxpayer's final tax return and a comprehensive system of taxpayer registration is an important prerequisite. Pre-filing (according to third-party information) appears a successful formula to improve the efficiency of tax collection for the personal income tax (Jensen & Wöhlbier, 2012; OECD, 2013). However, third-party information cannot cover all taxpayers and all income types. In particular, companies and self-employed will, to a large extent, have to assess their own income and deductible expenses. For these taxpayers, it should be as easy as possible to fill in and file the tax return.

The communication strategy of tax authorities could improve voluntary compliance. Strategic communication about results of control actions and detection of evaders can contribute to increasing the perceived detection probability and underpin tax morale at a low cost. When a taxpayer is identified as a deliberate defaulter, notifying the taxpayer by letter that he/she will be under close scrutiny may by itself

increase compliance and could be a cost-efficient strategy. However, the thread of closer scrutiny needs to be credible. Special attention should be paid to the segment of taxpayers who attempt to comply, but fail to comply fully with their obligations to register, file correct information and pay the correct amount of tax on time. This segment with information and education, when possible via standard electronic communication, can increase the number of taxpayers in the fully compliant segment at relatively low costs and thereby increase the share of revenues that 'enters through the front door' (Jensen & Wöhlbier, 2012).

Another important element in combating tax evasion are simple and stable tax laws and procedures that make it easier and less expensive for taxpayers to comply with their obligations and access their entitlements. Taxpayers are less likely to voluntarily comply if the tax system itself makes it too difficult or very expensive for them to meet their obligations. Furthermore, rate differentiations, exemptions and deductions complicate the system and create scope for avoidance. As a general rule, tax bases should, therefore, be broad and allow only limited possibility for deductions and exemptions and tax systems should tax substitutable types of income in a similar way (Jensen & Wöhlbier, 2012).

A function-based organization for tax administration is acknowledged as the most effective organization to collect revenues, minimize the tax gap and service taxpayers (Kidd, 2010). A function-based tax administration is organized in logical groupings of core functions that encompass all taxes, rather than separate units to deal with each different type of taxes (Jensen & Wöhlbier, 2012). A function based approach gives tax authorities a better picture of overall taxpayer compliance. It is also able to better leverage a number of synergies from the standardization of common work in the same unit. However, setting up a large taxpayer office within the

revenue headquarters or as a 'special branch' could improve tax governance, because large corporate taxpayers pose the biggest risk as they account for a large share of revenues and the tax assessment of large taxpayer's require specific skills. Tax authorities should also investigate whether to set-up special entities for High Wealth Individuals and High Income Self-Employed. It is also important that the responsibilities for the tax assessment, dispute resolution and for recovery tax arrears are separated between two different parts of the tax agency to ensure independency and objectivity. For an effectively functioning tax administration, it is also essential to have a credible procedural justice system in place. The main objective of such a functioning legal system – as the last step of the compliance management process system – is to build trust in the tax system and encourage voluntary compliance. Tax legislation should provide procedural justice to the individual taxpayer. Receiving a fair and dignified treatment during interaction with authorities is generally more important than the actual outcome in determining acceptance and future compliance (Kirchler, 2007). Tax authorities should always inform taxpayers about their right to file a complaint about a decision, and they should reply and settle any case within an acceptable time span and always provide taxpayers with an explanation for their decision.

Finally, it is important to ensure that court decisions are effectively enforced. As far as possible, automated systems should be used to collect tax debts once a final court decision has been taken against which no further appeal is possible.

2.2 Theoretical review

This section explores the available relevant theories as far as rent income tax compliance is concerned. The theories reviewed include fiscal psychology theory, economic deterrence theory (Becker's economics of crime theory of compliance),

fiscal exchange theory, comparative treatment (equity theory), political legitimacy theory and social influence theory.

2.2.1 Rent income tax compliance model

In explaining taxpayers' compliance behaviour (reasons why property owners comply or do not comply), researchers have used two broad approaches (models) namely: Fiscal Psychology Models and Economic Deterrence Models. Other relevant theories include fiscal exchange model, comparative treatment (equity theory), political legitimacy theory and social influence theory

2.2.1.1 Fiscal Psychology Model

This theory of tax compliance assumes that, psychological factors including moral and ethical concerns are important to property owners (tax payers). Among this theory is the theory of planned behaviour which was developed and reviewed by Ajzen (2015). This theory explains human behaviour. The theory posits that, the behaviour of individuals in a society is under the influence of some definite factors that originate from certain reasons and occurs in a planned way. The ability to perform/exhibit a particular behaviour depends on the fact that individuals have a purpose towards that behaviour (behavioural intention).

According to Ajzen (2015), behavioural intention depends on three factors namely: attitude toward the behaviour, subjective norm and perceived behavioural control. These three factors are under the influence of behavioural beliefs, normative beliefs and control beliefs. The focus of this theory therefore is on the taxpayers' morals and ethics. The theory suggests that, a property owner may comply even when the probability of detection is low. As opposed to the economic theories that emphasize increased audits and penalties as solutions to rent income tax non-

compliance, psychological theories emphasize changing individual attitude about the rent income tax system in order to boost compliance. This theory is relevant to this study as it offers an underpinning to why landlords/landladies could voluntarily honour their rent income tax obligations as a results of their psychological orientation.

2.2.1.2 Economic Deterrence Model

There are no fully developed economic theories addressing rent income tax compliance, however, there are some models which have been developed to address the issue. This model of rent income tax compliance is based on deterrence theory. Deterrence theory is a theory under criminology (Becker, 2016). This theory assumes that, if the consequence of committing a crime outweighs the benefit of the crime, the individual/business will be deterred from committing the crime. This model is founded on the assumption that all taxpayers are aware of the difference between right and wrong and the consequences associated with wrong or criminal behaviour. Proponents of deterrence theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions.

This model incorporates the concept of an economically rational taxpayer who will evade tax as long as the pay-off from evading is greater than the expected cost of being caught. Allingham and Sandmo proposed a seminal economic deterrence model based on the expected utility function of the taxpayer who evaded. This model incorporates several aspects. First, the taxpayer [property owner] has some level of risk aversion, the more risk averse landlords/ladies are, the less likely he/she would evade rent income tax.

Secondly, landlords/ladies need to have knowledge about rent income tax law in order to assess the probability of being detected and the extent of the penalties that

may be incurred upon detection. Thus, rent income tax compliance depend largely on rent income tax audit and penalizing non-compliers. The implication of the theory is that property owners will pay rent income tax because of the fear of sanctions. This concept was corroborated by Trivedi et al. (2004) who posited that, economic-based theories emphasize incentives while psychology-based theories emphasize attitude. There are other models of taxpayer behaviour that may affect property owners' decision to pay or not to pay their rent income tax, these include: fiscal exchange, social influence, comparative treatment and political accountability which are to a large extent inter related. This research also seeks to bring attitudes and other factors to light in relation to rent income taxpayers and show how they affect rental tax compliance. This theory is relevant to this study because it offers a detailed explanation on why there is the need to invoke enforced compliance strategies to improve compliance, thus, offering support for deterrence sanctions as an appropriate measure for compelling landlords/landladies to honour their tax obligations.

2.2.1.3 Fiscal exchange model

Alm et al. (2016), noted that, tax compliance increases with perceived availability of public goods and services. The fiscal exchange theory suggests that, the presence or evidence of government expenditures may motivate tax payers and that governments can boast compliance by providing goods and services effectively and efficient that is also accessible by the public or citizens (Moore, 2015). Thus, the main concern of the taxpayer is their benefit in return for tax paid, mostly in the form of public goods or services (*quid pro quo*). Taxation and the provision of public goods and services are regarded as a contractual relationship between taxpayers and the government (Moore, 2015). Thus, property owners will fulfil their rent income tax obligations because they value the goods and services provided by the government,

recognizing that their payments will help finance these goods and services and will therefore convince other tax payers to fulfil their tax obligations (Fjeldstad & Semboja, 2001).

The existence of positive physical benefits (structures) may increase voluntarily compliance by property owners without coercion. According to (Richupan, 2016) tax payers have a deep impression concerning their own and others' terms of trade with the government. It is then reasonable to assume that a taxpayer's behaviour is affected by his/her satisfaction or lack of satisfaction with activities of the government especially in the provision of social services. Thus, if the tax system is perceived to be unjust, tax evasion may be considered as an attempt by the taxpayer to adjust his or her terms of trade with the government. This theory is relevant to the study because it provides a theoretical basis for hypothesizing that perceived fairness in tax administration could influence rent income tax compliance.

2.2.1.4 Social influence theory

In the social influence theory, compliance behaviour and attitudes towards the rent income tax administration is thought to be affected by the behaviour and social norms of an individual's reference group (Cialdini & Goldstein, 2004). It is therefore reasonable to assume that landlords'/ladies' behaviour in the area of rent income tax compliance is influenced by social interactions much in the same way as other forms of behaviour. Compliance attitudes towards rent income tax system may be affected by the behaviour of property owners' reference group such as relatives, neighbours and friends. Therefore, if a property owner knows other land lords or ladies who evade payment of rent income tax, his/her commitment towards compliance would be deficient.

On the other hand, social relationships may deter tax payers from engaging in tax evasion for fear of social sanctions that may be imposed once discovered and revealed publicly (Osebe, 2014). Research into the behaviour of tax payers in economic situations by (Banerjee et al., 2020) posited that, social influence may affect compliance level by influencing taxpayers perceived probability of detection. One of the most consistent findings about taxpayer attitudes and behaviour in the western countries is that, those who reportedly complied believe that their peers or fellow taxpayers comply, whereas those who evaded tax, believes that others were evading tax (Yankelovich et al., 1984). Evidence suggests that perceptions about the honesty of others may affect compliance behaviour. This theory is relevant to this study as it offers a comprehensive theoretical underpinning on why society's attitude towards tax compliance could influence an individual's compliance.

2.2.1.5 Comparative treatment (Equity theory)

The comparative treatment model is based on equity theory and posits that addressing inequalities in the exchange relationship between government and taxpayers would improve compliance (McKerchar & Evans, 2009). Property owners may not consider their relationship with the state in a vacuum where both parties are the only actors. Likewise, they may not think about their fellow citizens without considering their own relationship with the state. They may also consider how the state treat them relative to their fellow citizens. This phenomenon is likely to affect not only their judgment with the state, but also, how they view their fellow citizens (Nistotskaya & D'Arcy, 2021). If the state treats certain group preferentially, it may colour the citizen's relationship with the state and the group receiving favours. A crucial variable is what a person gets from the state and how the state treats the person relative to those who are in the person's wider community. Social psychology model

highlights the importance of equity theory in the study of compliance and taxpayer (property owners) behaviour. This theory is relevant as it provides a theoretical basis for asserting that perceived fairness in the tax administration could influence one's compliance as far as rent income tax is concerned.

2.2.1.6 Political legitimacy

Rent income tax compliance is influenced by the extent to which landlords trust their government (Gangl et al., 2015). Legitimacy or undisputed credibility could be described as a belief or trust in the authorities, institutions and social arrangements. Thus, taxpayers expect authorities to be fair and work for the common good of the citizens. Political scientists have addressed how political legitimacy and civic identification are fostered. (Feld & Frey, 2007) argues that African countries that emphasized building national identity over ethnic identity right after attaining independence have been more successful than those who allowed ethnicity to become the main animus of their politics. This theory is relevant as it provides a basis for asserting that trust in government is one of the major factors in influencing rent income tax voluntary compliance.

2.3 Empirical Review

This section bothers on the review of the extant literature on the determinants of tax compliance some of which are tax knowledge, tax fairness, tax morale, penalties, and peer influence. These are explained below.

2.3.1 Determinants of Tax Compliance

Doran (2009) examined the relationship between tax penalties and tax compliance. The study explored current accounts, drawing from deterrence theory and norms theory, assuming that the relationship is purely instrumental and that the

function of tax penalties is solely to promote tax compliance. The study found that tax penalties determine the standards of conduct that satisfy a taxpayer's obligations to the government. The study concluded that tax compliance in a self-assessment system should require the taxpayers to report their tax liabilities only based on legal positions that they reasonably and in good faith believe to be correct. Atawodi and Ojeka (2012) studied the factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. The study found that high tax rates and complex filing procedures are the most crucial factors causing non-compliance of SMEs. The study also found that multiple taxations and lack of proper enlightenment affect tax compliance among the SMEs surveyed only to a lesser extent. The study thus recommended that SMEs should be levied a lower percentage of taxes to allow enough funds for business development and better chances of survival in a competitive market.

Tax penalty was found to have a significant effect on tax compliance according to Ng'ang'a & Muturi (2015). This finding is further validated by other studies (Yoon et al., 2011; Arcand & Graziosi, 2005; Snow & Warren, 2005; Park & Hyun, 2003; Kaplan et al., 1997; Witte & Woodbury, 1985). Conversely, some researchers found no relationship between tax compliance and penalties (e.g., Engida & Baisa, 2014; Mohdali et al., 2014; Palil et al., 2012; Pommerehne & Weck-Hannemann, 1996; Alm et al., 1992). In this regard, Feld and Tyran (2002) reported that the penalties do not lead to increased obligation rates because it is only symbolic fine. In contrast, in the specific context of the indirect tax, Woodward and Tan (2015) and Webley et al. (2004) found that tax penalties have a positive relationship with sales tax compliance, whereas Sinnasamy and Bidin's (2017b) study found that tax penalty has a significant negative relationship with excise duty compliance. In another

study, Faridy et al. (2014) revealed that tax penalties do not influence sales tax compliance. Alshaibani's (2014) study revealed that the lack of taxpayers' awareness, tax unfairness, tax complexity and loopholes in the tax laws were the main reasons for a high level of tax evasion

Sapici et al. (2014) studied the determinants of taxpayer compliance behavior concerning corporate income tax reporting requirements in Malaysia. A researcher-administered questionnaire survey method for data collection was utilized. The findings of this study revealed that business age, tax liability and tax complexity consistently influence the likelihood of tax non-compliance behavior in the areas of under-reporting income, over-claiming expenses, and overall non-compliance. Nonetheless, the study found that the tax compliance costs have an insignificant relationship with the non-compliance behavior of corporate taxpayers.

Thiga and Muturi (2015) analyzed the factors influencing tax compliance among the SMEs in Kiambu County in Kenya using a case study design. The study used questionnaires and oral interviews to collect data from a sample of 400 SMEs. The findings of the study established that tax rates and tax compliance costs are the most significant contributing factors in tax compliance. The study concluded that tax compliance cost had the most significant effect on tax compliance and recommended that KRA should implement more tax incentives in order to encourage taxpayers. Also, Munyeki and Olweny (2016) examined how tax knowledge and tax remission laws affect tax remittance behavior of SMEs in Uasin Gishu County in Kenya. The study employed a qualitative research design and collected data using a questionnaire. The results of the study found that SMEs face different business conditions from large companies, which cause them to bear high tax remission burdens. The results also established that the perceptions of SME operators about tax fairness, tax service

quality and government spending priorities significantly affect their tax remission decisions while tax knowledge did not correlate with tax administration practices but weak negative correlations with tax collection procedure. The study established that tax laws had a negative correlation with tax remittance.

Osebe (2013) studied the effect of tax compliance cost, tax education and knowledge, fines and penalties and perceived opportunity for tax evasion on tax compliance in the real estate sector in Kenya. The study used an explanatory research design and sampled 271 respondents. The study collected data using structured questionnaires and analyzed using both descriptive and inferential statistics. The findings revealed that compliance cost had a negative effect on the level of tax compliance. However, tax knowledge and education had a positive effect on the level of tax compliance among real estate investors. The study also revealed that fines/penalties had a positive effect on the level of tax compliances, while the perceived opportunity for tax evasion had a negative effect.

A study by Bătrâncea et al., (2012) grouped the factors into five categories including (i) economic factors comprising audit probability, fines, tax rates, income (ii) political-legislative which are the complexity of fiscal legislation, instability of regulations, excessive regulations; (iii) socio-psychological which includes attitudes, norms, perceptions, motivational postures, trust in authorities, power of authorities; (iv) tax moral which is intrinsic motivation of paying tax levies and (v) neurological factors which are physical states corresponding to emotions, like happiness. Nichita stated that the classical economic model of tax evasion (Allingham & Sandmo, 1972) assumes there are four different determinants that shape taxpayers' behaviour such as audit probability, fines, tax rates and income. This model argues that tax compliance

depends only on enforcement, given that the declared income is a positive function of the penalty and the probability of being caught.

Gitonga and Memba (2018) sought to establish the determinants of tax compliance by public transport savings and credit cooperative societies in Kenya. The study adopted a descriptive research design, and a population of this study was made of 40 public transport Saccos in Kiambu County. The survey carried out a census of the 40 officer managers of the public transport Sacco's in Kiambu town and used a questionnaire to collect data. The collected data were summarized using descriptive statistics such as mean and frequencies, which helped in meaningfully describing the distribution of responses. Additionally, to establish the relationship between the tax compliance determinants and tax compliance by public transport Sacco's in Kiambu County, a Binary logit regression model was used. The findings revealed tax deterrence sanction, tax compliance costs and tax knowledge levels had a statistically significant relationship with tax compliance levels by public transport SACCOs in Kenya. The study, however, did not find a significant relationship between the tax system and tax compliance levels by public transport SACCOs in Kenya.

2.4 Conceptual Framework

This is the summary of the research objectives and research questions. Here, the framework models the determinants of rent income tax compliance. The independent variables include tax deterrence sanctions (tax audit probability, interest and penalties, and probability of detection), perceived tax fairness, peer influence, cost of living and rent income tax knowledge. The dependent variable is rent income tax compliance level. The model is illustrated in Figure 2.

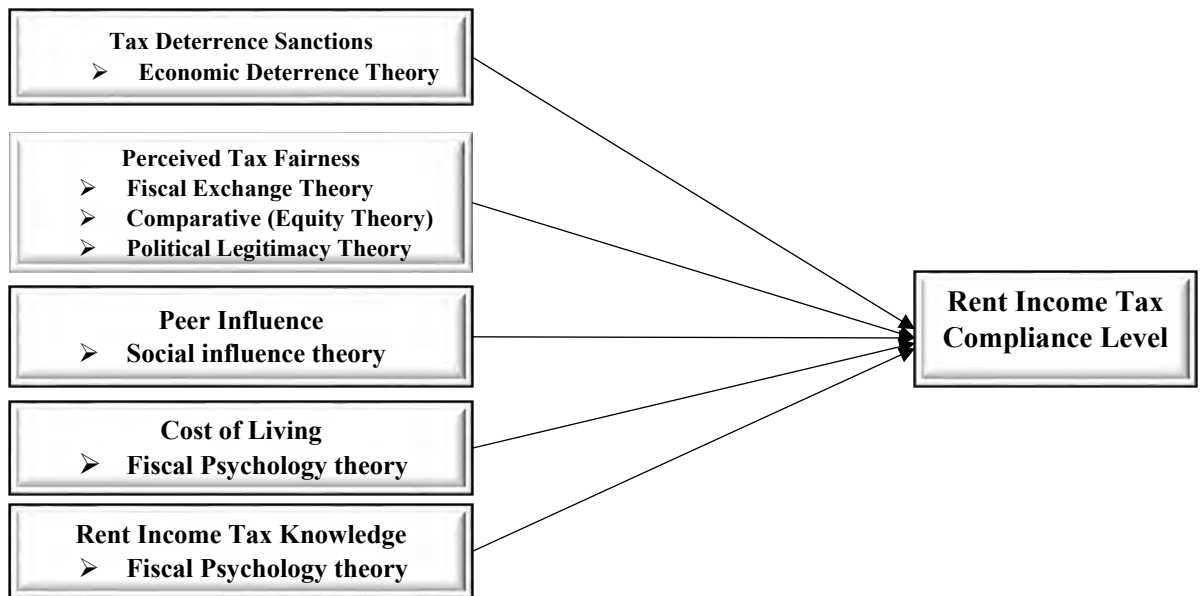


Figure 2: Determinants of rent income tax compliance

Source: Owners' Construct, (2022)



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the philosophical underpinning, research design, research approach, population of the study, sample size and sampling techniques, data and instrument for data collection, instrument development, data analysis techniques and ethical consideration.

3.1 Philosophical Underpinning

This study took the positivist/scientific paradigm which was premised on the realist ontological assumption and objectivism epistemology. Realism is the view that objects have an existence independent of the knower (Cohen et al., 2007). Thus, a discoverable reality exists independently of the researcher (Pring, 2000a). Most positivists assume that reality is not mediated by our senses. Language fulfils a representational role as it is connected to the world by some designative function; consequently, words owe their meaning to the objects which they name or designate (Frowe, 2001, p. 176). The positivist epistemology is objectivism. Positivists go forth into the world impartially, discovering absolute knowledge about an objective reality. The researcher and the researched are independent entities. Meaning solely resides in objects, not in the conscience of the researcher, and it is the aim of the researcher to obtain this meaning. Positivistic statements are descriptive and factual. The scientific paradigm is foundational as scientific propositions are founded on data and facts (House, 1991, p. 2). This discoverable knowledge is considered to be absolute and value free; it is not situated in a political or historic context.

Positivist methodology is directed at explaining relationships. Positivists attempt to identify causes which influence outcomes (Creswell, 2009, p. 7). Their aim is to formulate laws, thus yielding a basis for prediction and generalization. A deductive approach is undertaken. Correlation and experimentation are used to reduce complex interactions to their constituent parts. Verifiable evidence sought via direct experience and observation; this often involves empirical testing, random samples, controlled variables (independent, dependent and moderator) and control groups. Cohen et al. (2007, p. 8) identifies that an approach which is characterized by procedure and methods which are designed to discover general laws is nomothetic. Positivists view their methodology as value neutral, thus the knowledge generated is value neutral. The scientific paradigm seeks predictions and generalizations; thus, methods often generate quantitative data. Examples include standardized tests, closed-ended questionnaires and descriptions of phenomena using standardized observation tools (Pring, 2000a, p. 34). The analysis involves descriptive and inferential statistics. Inferential statistics allow sample results to be generalized to populations.

This study is premised on the positivist philosophy since the researcher objectively used questionnaires to gather information from landlords/landladies to make meaningful conclusions and inferences without giving room for any external or internal human manipulation (Collins 2010). Further, the study employed the positivist approach since statistical tools will be used to quantitatively analyse the data ascertained from the respondents to establish the determinants of rent income tax compliance so as to draw some inferences on whether or not those determinants are indeed significant in influencing rent income tax compliance which will then serve as a basis for making sound recommendations to the duty-bearers on how best to enhance rent income tax compliance in Ghana. It was adjudged that the use of a

deductive approach to data analysis and conclusion is the general rule of the positivism philosophy (Crowther & Lancaster, 2015).

3.2 Research Design

According to Nachmias and Nachmias (2014) research design is a logical model of proof devised to carry out a study. Further, Yin (2018) opined that research design is a blueprint that ideally provides linkage between the research questions and the information to be gathered and how it should be analyzed. Research design can therefore be termed as a sequential blueprint on how planned research is to be carried out, operationalizing elements in a way that can be measured and how the end results from the empirical test will be interpreted. This study, therefore, adopts the cross-sectional descriptive research design and inferential design. The descriptive design was adopted because descriptive research aims at defining a targeted population, condition, or phenomenon commutatively, accurately, and chronologically. This type of design mainly emphasizes answering questions about what, when, where, and how with no emphasis on why an identified phenomenon exists (McCombes, 2020). The inferential design was adopted because it is fit for helping to make inferences as to which factors as contained in the tax compliance theories could influence rent income tax compliance decisions of the landlords/landladies in the Gomoa East, Gomoa West Districts and Ga-South Municipality.

3.3 Research Approach

A research approach, according to Creswell (2013), is a plan and procedure that consists of the steps of broad assumptions to detailed methods of data collection, analysis, and interpretation. It is therefore based on the nature of the research problem being addressed. A research approach could be quantitative, qualitative or mixed approach (Jebreen, 2012). The study employed the quantitative approach in analysing

the determinants of rent income tax. This approach is justifiable as it is in tune with the positivist paradigm adopted, which supports the use of statistical models to make predictions and generalizations.

3.4 Population of the study

First, the 2021 population and housing census indicates that Gomoa East District has a population of 308,697. The sex distribution is: male population is 49.3% and female population is 50.7% (Ghana Statistical Service, 2021). Data from the Gomoa East District Assembly indicates that there are five hundred and three (503) residential facilities for rental purpose in the study area (Gomoa District Evaluation Report, 2021). Secondly, Gomoa West District has a population of 129,512. Male population constitute 45.9% and female 54.1% (Ghana Statistical Service, 2021). Data from the Gomoa West District Assembly shows that there Three hundred and ninety-five (395) residential facilities for rental purpose in the municipality (Gomoa West District Assembly Baseline Survey, 2021). Also, Ga South Municipality has a population of 350,121. The sex distribution is: male population is 49.3% and female population is 50.7% (Ghana Statistical Service, 2021). Data from Ga South Municipal Assembly indicates that three hundred and seventy-five (375) residential facilities are available for rental purpose (Ga South Municipal Evaluation Report, 2021). Thus, there are one thousand, two hundred and seventy-three (1273) residential facilities for rental purpose in the areas under review. Also, the target population of the tax officials was the total staff strength of 64 in the Kasoa branch of the Ghana Revenue Authority. However, the accessible population of the GRA officials was three (3) officials working in the rent tax department of the Kasoa branch.

3.5.1 Sample size determination

According to Kumar (2014), a sample size is the total number of elements from whom a researcher obtains the required responses and is denoted by n . The sample size for a study therefore refers to the total number of elements drawn from the entire population to be included or to participate in the study from which ideas and responses will be sought from. Yamane's (1973) sample size determination formula was used to determine the required sample size of landlords/landladies for the study.

This formula is given as $n = \frac{N}{1+N(e)^2}$, where N =Population, e = level of error and n = the sample size. Illustratively, the minimum sample size for the population of 1,278 is determined as follows; $n = \frac{1273}{1+1273(0.05)^2} = 304$

However, 360 landlords/landladies were sampled and questionnaires issued to them accordingly, in order to provide for risk of failure to collect all the questionnaires from the respondents. From the estimations, the study sampled 360 landlords/landladies representing 28.3% of the entire accessible population. According to Mugenda and Mugenda (2006), a sample size of between 10% and 30 % is a good representation of the target population, hence 28.3% of the study's population was appropriate for the study. Also, the study's sample size was in conformity with the criteria set according to Roscoe's rule of thumb (Sekaran, 2003) that a sample that is larger than 30 and less than 500 is appropriate for quantitative research. Table 1 contains the target population as well as the sample size estimated for each of the three municipalities based on the proportional allocation to size.

Table 1: Sample Size of Landlords/landladies

Area	Population	Sample
Gomoa West District	395	112
Gomoa East District	503	142
Ga South Municipality	375	106
Total	1273	360

Source: Field Survey, (2022)

3.5.2 Sampling Techniques

Sampling is the process of choosing from the total universe a sizeable unit out of the lot that bears the same number of traits as the rest chosen (Saunders et al., 2019). It is statistically efficient to choose a representative sample that could provide an efficient outcome from the study population. This study adopted the stratified random sampling technique to select the landlords/landladies from each Municipality. Stratified random sampling technique was used because it allowed all the landlords/landladies from each municipality to have an equal chance of being selected (Saunders et al., 2019) and also helps in making a good generalization of the findings. It also helped in having a proportionate representation of the municipality based on the population in a specific municipality. Finally, a purposive sampling technique was employed to select all the three (3) staff in the rent department of the Kasoa branch of the Ghana Revenue Authority.

3.7 Data and Instrument for Data Collection

Primary data on level of rent income tax knowledge, institutional mechanisms laid down to encourage compliance, level of rent income tax compliance as well as determinants of rent income tax compliance was collected using structured questionnaires.

3.8 Instrument Development

Based on the information gathered from the relevant literature reviewed among other crucial reasons, a questionnaire was designed. While preparing the questionnaire, utmost care was taken to ensure that the principles of the questionnaire such as the wording of questions, organization of questions as postulated by Kumar (2014) were incorporated to ensure that all questions asked to elicit the needed information to achieve the objectives of the study.

3.9 Data Analysis

Descriptive statistics and Exploratory Factor Analysis (EFA) were employed to analyze the collected data. The descriptive statistics such as frequencies and percentages was used to assess the level of knowledge of rent income tax by landlords/landladies (Objective 1), identify the various institutional mechanisms laid down to encourage compliance (Objective 2) and assess the level of rent income tax compliance (Objective 3). The Exploratory Factor Analysis (EFA) was employed to find out the various factors that could influence rent income tax compliance (Objective 4). Specifically, Principal Component Analysis was used to extract the number of factors and rotation of the data was done using Varimax with Kaiser Normalization.

3.10 Ethical Consideration

Taking the issue of ethics into account, the study questions were preceded with an ethical statement which include protection of personal data and confidential treatment of various responses. Again, each participant remains anonymous as names, emails and any other contact details will not be recorded. The researcher adhered to all international acceptable ethical procedures and practices including specific

procedures such as laid down ethical procedures to guide dissertation writing in University of Education, Winneba. They include the following: avoid plagiarism, divulging of recorded sensitive information regarding questionnaire respondents among others. The researcher approached eligible participants individually, invited them to participate, and explained the purpose of the study to them (Ngaya, 2016).

Using Oliver's (2010) treatise, participants were also notified that their participation was voluntary and that they also have the right to cease their participation at any time with or without giving any notice when they feel right to do so and without this decision affecting their work. Again, respondents were assured that their responses would be treated with utmost confidentiality and without disclosure of their identity. Written informed consent was obtained from all participants before collecting data from them (Al-Ghabeesh & Qattom, 2019). The researcher declared that no participants would be subjected under duress to respond to any part of the questionnaire that they feel insecure to answer. In totality, the study ensured that the two cardinal issues regarding ethical research thus, beneficence and non-maleficence were considered throughout the study. Again, all the five ethical research principles advocated by (Smith, 2003) were featured. Ensuring these acceptable principles in research does not only serve ethical importance but also practical ones as failure to incorporate this may lead to the study being criticized.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

The overriding purpose of this study is to empirically ascertain the factors that influence rent income tax compliance. This chapter bothers on the analysis and discussion of the collected data on the factors that influence rent income tax compliance. It begins with the evaluation of response rate. Further, instrument validity, reliability as well as respondents' demographic and rent income related information are also analyzed. The analysis goes further to assess the level of knowledge of rent income tax by the landlords/landladies (Objective 1). The various institutional mechanisms laid down by the Ghana Revenue Authority (GRA) are also explored using thematic analysis (Objective 2). Again, level of rent tax compliance is also assessed using descriptive statistics (Objective 3). Finally, the various factors that could influence rent income tax compliance by the landlords/landladies are also ascertained (Objective 4) using Exploratory Factor Analysis (EFA).

4.2 Response Rate

According to Heberlein and Baumgartner (1978), a response rate is the number of responses received as against the estimated sample. It is unclear from literature as to what response rate is acceptable or unacceptable as there are conflicting positions held by different authors. However, 90% and 95% were considered as excellent response rate according to Tsui (1995). A total of three hundred and sixty (360) questionnaires were administered to the landlords/landladies in the Gomoa East, Gomoa West Districts and Ga-South Municipality. However, three hundred and forty-two (342) were retrieved for the analysis. The study therefore

attained a response rate of 95%. Also, all the three (3) questionnaires issued to the tax officials in the rent department of the GRA were retrieved.

4.3 Instrument Validity

Instrument validity is concerned with structuring a study's questions in a manner that can measure exactly what the questionnaire intends to measure (Kumar, 2014). This study employed face validity and content validity in ensuring that the instrument measures what it purports to measure. With this, tax experts (i.e. Members of CIT and GRA officials) and my supervisor were consulted to assess the validity of the statements contained in the questionnaire. The assessment indicated that 22 (100.00%) of the statement were valid. The result of the instrument validity is shown in Table 2.

Table 2: Instrument Validity

Category	No. of Items	Valid Items	Validity (%)
Level of knowledge of rent income tax	4	4	100.00
Determinants of rent income tax compliance	19	19	100.00
Level of tax compliance	3	3	100.00
Total	22	22	100.00

Source: Field Survey, (2022)

4.4 Instrument Reliability

Reliability estimates both consistency and stability of data by means of Cronbach's Alpha (Nantambelele & Gopal, 2018; Yin, 2018). In addition, Cooper and Schindler, (2011) posit that a reliability test is important since it helps the researcher to evaluate the legitimacy and trustworthiness of the data collected. The Cronbach's Alpha reliability coefficient examines the degree at which concepts confidently correlate. The coefficient of Cronbach's Alpha is between zero and one and the more nearer it is to one, the greater reliability steadiness (Sekaran & Bougie, 2017).

Sekaran and Bougie, (2017) further posit that it is advisable to reverse all the negative worded items before used for reliability test in order to attain accurate reliability scores. In the case where the Cronbach's Alpha of a particular is low, that variable can be eliminated to enhance interterm consistency, but this can negatively affect the validity of the variables (Nantambelele & Gopal, 2018). For full reliability of a construct according to Pallant, 2010, the coefficient of Cronbach's Alpha should be at least 0.7.

To ascertain the reliability of the instrument, the instrument was piloted in Effutu Municipality using 35 randomly sampled landlords/ladies. Piloting of the instrument was conducted in Effutu Municipality since they have similar characteristics of those property owners in the Gomoa East, Gomoa West Districts and Ga-South Municipality. The purpose of the piloting was explained to the property owners sampled. After explaining the purpose of the piloting to them, the researcher distributed the draft copies of the questionnaire to them. The result of the reliability test indicated a Cronbach's Alpha coefficient above 0.70. The result of the analysis is shown in table 3.

Table 3: Test of Reliability

Category	No. of Items	Cronbach's Alpha
Level of knowledge of rent income tax	4	.789
Determinants of rent income tax compliance	19	.804
Level of rent income tax compliance	3	.794
Average		.800

Source: Field Survey, (2022)

4.5 Respondents' Demographic and Rent Income Related Information

This section bothers on describing the profile of the sampled landlords/landladies in the 3 municipalities under review on their demographic and

rent related information. This description covers gender, age, level of education, marital status, household size, religion, number of rooms used for rental purposes, number of years of ownership of the property, monthly rent charge per room and total income earned annually from the rental business.

Table 4: Respondents' Demographic and Rent Income Related Information

Variable	Options	Frequency	Percentage
Sex	Male	215	63%
	Female	127	37%
Age	20-30 years	25	7%
	31-40 years	188	55%
	41-50 years	85	25%
	Above 50 years	44	13%
Household size	1-5 persons	125	37%
	6-10 persons	162	47%
	Above 10 persons	55	16%
Marital Status	Married	264	77%
	Single	41	12%
	Divorced	37	11%
Religion	Christian	276	81%
	Muslim	60	18%
	Any other	6	2%
Level of Education	Basic	109	32%
	Secondary	171	50%
	Tertiary	45	13%
	Any other	17	5%
How long have you owned a house?	1-3 years	39	11%
	4-6 years	26	8%
	7-9 years	199	58%
How many rooms do you have for rental purpose?	10 years and above	78	23%
	1-3 rooms	49	14%
	4-6 rooms	79	23%
	7-9 rooms	125	37%
What is the monthly rent charge per room?	Above 9 rooms	89	26%
	Below GH¢ 200	49	21%
	GH¢ 200 - GH¢300	175	76%
Residential	GH¢ 301-GH¢ 400	87	38%
	Above GH¢ 400	31	14%
Commercial	GH¢ 300-GH¢ 400	75	22%
	GH¢ 401 - GH¢ 500	169	49%
	Above GH¢ 500	98	29%
How much do you earn from rent annually?	Below GH¢ 7,200	49	21%
	GH¢ 7200-GH¢10,000	71	31%
	GH¢10200-GH¢ 15,000	98	43%
	GH¢15500-GH¢20,000	72	31%
	Above GH¢ 20,000	52	23%

Source: Field Survey, (2022)

As indicated in table 4, out of the total of 324 respondents 215(63%) of them were male whereas 127(37%) of them were female. Also, majority of the respondents were found within the “31 – 40 years” age bracket with ‘20-30 years’ bracket seeing the least representation. Most of the landlords/landladies fall within “6-10 persons” household size category- an indication of a higher dependency ratio. Also, about 77 percent of the respondents are married and about 81 percent of them are Christians. A chunk of the respondents have basic and secondary education qualifications with 13 percent and 11 percent having tertiary educational qualification and no academic qualification respectively. Regarding the length of time of ownership of the building, 39(11%) were within “1-3 years” of ownership, 26(8%) were within “4-6 years of ownership”, 199(58%) were within “7-9 years” of ownership and 78(23%) found themselves within “10 years and above” of ownership category. Majority of the landlords/landladies have more than six (6) rooms for rental purposes. For example, it was shown that 125(37%) and 89(26%) of the respondents have “7-9 rooms” and “above 9 rooms” respectively for rental purposes. Again, most of the landlords/landladies have monthly rent charge between GH¢ 200.00 and GH¢ 400.00 for residential and above GH¢ 400.00 for commercial purposes. This is evident in Table 4, as 175(76%) and 87(38%) of the respondents confirmed charging a monthly rent per room of “GH¢ 200-GH¢ 300” and “GH¢ 301-GH¢ 400” respectively for residential. Again, 169(49%) and 98(29%) of the landlords/landladies charge monthly rent per room for “GH¢ 401-GH¢ 500.00” and “above GH¢ 500.00” respectively. As a result, 49(21%) of them earn annual rent income below GH¢ 7,200, 71(31%) earn between GH¢ 7,200.00 and GH¢ 10,000.00, 98(43%) earn “GH¢ 10,200.00 -GH¢ 15,000.00”, 72(31%) earn “GH¢ 15,500.00 - GH¢ 20,000.00” and 52(23%) of them earn above GH¢ 20,000.00.

4.6 Level of knowledge of rent income tax by landlords/landladies

This subsection is aimed at assessing the extent of awareness of the rent income tax, understanding and appreciation of same by the landlords/landladies. The result is shown in Table 5.

Table 5: Rent Tax Knowledge

	Yes (%)	No (%)
I am aware of the existence of rent income tax laws	137 (40.0)	205 (60.0)
I know that the property tax is not the same as rent income tax	127(37.1)	215(62.9)
I keep records on rent income and expenditure	77(22.5)	265(77.5)
Tax authorities offer me enough explanation about my rent income tax obligation	89(26.0)	253(74.0)
Average	107(31.3)	235(69.7)

Source: Field Survey, (2022)

As shown in Table 5, most of the landlords/landladies confirmed that they are not aware of the existence of rent income tax laws. This is evident as 205(60.0%) of the respondents were in disagreement with the assertion that they are aware of the existence of rent income tax laws. It was again disturbing to note that 215 (62.9%) of the landlords/landladies were not aware that there is a difference between property tax and rent income tax. The problem is compounded by the fact that 265(77.5%) of the sampled landlords/landladies do not keep records on their rental business which makes it difficult for any possible traces of their rent income as 253 (74.0%) of them confessed that the tax authorities do not offer them enough explanation about their rent income tax obligation.

4.7 Institutional mechanisms laid down to encourage compliance

The response from the Ghana Revenue Authority (GRA) officials revealed that there have been a number of mechanism that have been put in place over the years to encourage rent income tax compliance. A number of processes have been outlined to ensure that the landlords/landladies honour their rent income tax

obligations. First, the landlords are given two weeks to respond to first invitation. After the first notice, the property owners are served with a final demand notice which takes a week. If the person has still not responded to this invitation, he/she is processed for court to retrieve the rent income tax owed by the person. At this time, the person has the right to ask for a relief in case the building is under renovation or not being occupied by any tenant. The tax officials were of the view that once the property owner responds to the invitation and honours whatever amount is due, the process ends there and what is left is the annual payments. It was also revealed by the tax officials that they carry out awareness creation and education campaigns in order to encourage compliance. However, the respondents confessed that there is more room for improvement on their awareness and education campaign.

By means of triangulation, this information was also obtained from the landlords/landladies. It was confirmed that the GRA officials have put in place a number of measures to encourage compliance such as invitations of defaulted property owners and subsequent prosecution of same. However, it was asserted by the landlords/landladies that these measures have not been effective in compelling them to pay their rent income tax. This is because the landlords/landladies were of the view that their operations have not been captured in any database that will help determine how much they earn which could attract tax. Others were also of the view that not all of them were registered with the rent department of the assemblies so it makes it easier evading rent income tax.

4.8 Level of rent income tax compliance

Table 6 shows the extent of rent income tax compliance by the landlords/landladies under consideration. It is clear from the findings that rent income tax compliance has been very low as 255 (74.6%) of the sampled landlords/landladies

confirmed not filing their rent tax returns. Also, 253 (74.0%) of them do not file on time. This phenomenon is born out of the fact that majority of them confessed that they have problem complying with the rent tax.

Table 6: Rent Income Tax Compliance

Statement	Yes (%)	No (%)
I file my rent tax returns	87 (25.4)	255 (74.6)
I file my rent tax returns on time	89 (26.0)	253 (74.0)
I have no problem complying with rent income tax obligation	78 (22.8)	264 (77.2)
Average	85(24.9)	257(75.1)

Source: Field Survey, (2022)

4.9 Determinants of rent income tax compliance

This section bothers on assessing the extent to which the landlords/landladies identify themselves with some of the factors that could have the tendency of influencing their rent income tax compliance.

4.9.1 Testing of Assumptions

This subsection sought to confirm whether the data collected meet the requirement for conducting an exploratory factor analysis. The tests aimed at confirming the conditions/assumptions on (i) whether the correlation matrix is an identity matrix or not and (ii) whether the sample of each factor is adequate enough to conduct factor analysis.

4.9.1.1 Correlation Matrix

Results contained in Table 8 indicates that some of the variables are likely to be loaded together under same factor. For example, V1 was found to have a significant and strong correlation with V2, V3 and V4, an indication that these variables are highly likely to be loaded together to explain a particular factor.

However, it was observed that V1 and V5 do not have strong correlation and for that matter may not be likely to load together on one factor.

4.9.1.2 Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity

As indicated in Table 7, the coefficient of the Kaiser-Meyer-Olkin Measure of Sampling Adequacy showed a value of 0.719. This results indicates that the sample of the analysis is adequate enough to conduct factor analysis. The Bartlett's test of sphericity helps to test a hypothesis on whether or not the correlation matrix is an identity matrix. The following hypotheses have been stated: Null hypothesis (H_0): The correlation matrix is an identity matrix; Alternative hypothesis (H_1): The correlation matrix is not an identity matrix.

From the test, as shown in Table 7, the Bartlett's test of sphericity shows a chi-square value of 684.250 with p-value of $0.000 < 0.05$. Drawing from this result, the null hypothesis is rejected and conclusion is made that the correlation matrix is not an identity matrix which implies that apart from each variable correlating with itself, there are inter-correlations among the variables under study. Since the correlation matrix is not an identity matrix, factor analysis is appropriate to be conducted.

Table 7: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.719
Bartlett's Test of Sphericity	Approx. Chi-Square	684.250
	df	341
	Sig.	.000

Source: Field Survey, (2022)

Table 8: Correlation Matrix

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15	V16	V17	V18	V19
Correlation V1	1.000																		
V2	.644	1.000																	
V3	.842	.366	1.000																
V4	.795	-.442	.533	1.000															
V5	.652	-.017	.420	.121	1.000														
V6	.049	.011	.107	.036	.633	1.000													
V7	.070	-.108	.008	.129	.725	.345	1.000												
V8	.130	-.026	.060	.016	.091	.317	.378	1.000											
V9	-.054	.253	-.069	.022	-.021	-.139	-.080	.366	1.000										
V10	.103	-.106	.106	.048	.183	.488	.474	.458	-.110	1.000									
V11	.129	.059	.087	.284	.179	.133	.020	.366	.027	.037	1.000								
V12	-.107	.313	-.047	.031	.046	-.080	-.008	-.092	.316	-.092	.083	1.000							
V13	.009	-.047	.035	.345	.100	-.055	.004	.012	.115	-.056	.243	.635	1.000						
V14	-.055	.272	.016	.080	-.009	-.140	-.027	-.050	.359	-.157	.083	.625	.442	1.000					
V15	.008	.287	.011	-.039	-.005	-.149	-.056	-.066	.360	-.202	.048	.536	.255	.300	1.000				
V16	.399	.002	.408	.035	.356	.009	.067	-.057	-.059	-.021	.111	-.026	.046	.003	.063	1.000			
V17	.230	.089	.121	.077	.324	.225	.114	.033	-.021	.223	.122	-.088	.220	.055	.350	.722	1.000		
V18	-.114	.211	.087	.113	.066	.133	.201	.099	.085	.125	.220	.045	.077	.221	.112	.556	.350	1.000	
V19	.089	.072	-.025	.121	.055	.321	.058	.122	.052	.255	.155	.223	.144	.252	.220	.825	.365	.522	1.000

Source: Field Survey, (2022)

4.10 Communalities

This section seeks to assess the proportion of the variability in the variables that can be explained by common factors as shown in Table 9.

Table 9: Test of communalities

	Initial	Extraction
I don't pay my rent tax because I don't receive enough social services and public goods from the taxes I pay to the government	1	0.599
I don't pay my rent tax because I believe other taxpayers are not paying rent tax	1	0.626
I don't pay my rent tax because tax authorities do not offer me enough advice and information that I can rely on	1	0.583
I don't pay my rent tax because I believe penalties imposed are not fairly applied by the tax authorities	1	0.6
I don't pay my rent tax because people who are important to me think I should not report all my rent income tax return	1	0.561
I don't pay my rent tax because most people I know think that the tax they pay is not fair given the services they get from the government	1	0.538
I don't pay my rent tax because most people I know approve of me engaging in rent tax evasion	1	0.543
Tax audit is an effective programme in convincing landlords/landladies to pay their rent tax	1	0.462
I believe penalty of not paying rent tax is not punitive enough so, I don't pay rent tax	1	0.462
I don't pay my rent tax because there is a small chance that I will be caught	1	0.651
If I evade tax payment, I don't believe I will be criminally prosecuted so I don't pay my rent tax	1	0.415
I don't pay my rent tax because of high cost of maintenance of the facility	1	0.511
I don't pay my rent tax because of high cost of living	1	0.576
I don't pay rent tax because of high dependency ratio	1	0.482
I don't pay my rent tax because I huge family to take care of	1	0.534
I don't pay my rent tax because I am not aware of the existence of rent income tax laws	1	0.442
I don't know how to declare actual rent income received to the GRA so, I don't pay my rent tax	1	0.633
I don't know how to keep records on rent income and expenditure	1	0.522
I don't pay my rent tax because tax authorities do not offer me enough explanation about my rent income tax obligation	1	0.415

Extraction Method: Principal Component Analysis

As indicated in Table 9, it was observed that a considerable proportion of the variability in each of the variables under study can be explained by common factors. For example, 59.9% of the variability in V1 can be explained by common factors. Also, about 63% of the variability in V2 can be explained by common factors. Also, 58.3% of the variability in V3, 60% of the variability in V4, 56.1% of the variability in V5, 53.8% of the variability in V6 and 54.3% of the variability in V7 could be accounted for by common factors. A considerable proportion of the variability in the V8, V9, V10, V11, V12, V13, V14, V15, V16, V17, V18 and V19 can be accounted for by common factors.

4.11 Extraction of factors using principal component analysis

As indicated in Table 10, five (5) factors have been extracted from the nineteen factors. These factors have were found to have Eigen values more than 1 and that these factors cumulatively can explain at least 50% of the variability in the variables under study.

Table 10: Total Variance Extracted

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.88	15.16	15.16	2.88	15.16	15.16	2.72	14.32	14.32
2	2.58	13.59	28.75	2.58	13.59	28.75	2.66	14	28.32
3	2.13	11.21	39.96	2.13	11.21	39.96	2.23	11.74	40.05
4	1.77	9.33	49.28	1.77	9.33	49.28	1.81	9.53	49.58
5	1.55	8.18	57.46	1.55	8.18	57.46	1.5	7.89	57.47
6	0.99	5.22	62.68						
7	0.98	5.14	67.82						
8	0.88	4.65	72.47						
9	0.82	4.33	76.81						
10	0.72	3.79	80.6						
11	0.67	3.5	84.1						
12	0.55	2.9	87						
13	0.51	2.67	89.67						
14	0.48	2.51	92.18						
15	0.44	2.32	94.5						
16	0.4	2.12	96.61						
17	0.23	1.23	97.84						
18	0.21	1.11	98.95						
19	0.2	1.05	100						

Extraction Method: Principal Component Analysis

4.12 Factor Loadings and naming of factors

This section gives an indication on the group of variables that are highly correlated with a particular factor which will make it easy to name these factors and to conclude that these factors are responsible for influencing the decision of landlords/landladies to comply or not with the rent income tax regulations.

Table 11: Rotated Component Matrix

	Component				
	1	2	3	4	5
I don't pay my rent tax because I don't receive enough social services and public goods from the taxes I pay to the government	.700				
I don't pay my rent tax because I believe other taxpayers are not paying rent tax	.682				
I don't pay my rent tax because tax authorities do not offer me enough advice and information that I can rely on	.674				
I don't pay my rent tax because I believe penalties imposed are not fairly applied by the tax authorities	.588				
I don't pay my rent tax because people who are important to me think I should not report all my rent income tax return		.633			
I don't pay my rent tax because most people I know think that the tax they pay is not fair given the services they get from the government		.768			
I don't pay my rent tax because most people I know approve of me engaging in rent tax evasion		.762			
Tax audit is an effective programme in convincing landlords/landladies to pay their rent tax			.766		
I believe penalty of not paying rent tax is not punitive enough so, I don't pay rent tax			.625		
I don't pay my rent tax because there is a small chance that I will be caught			.790		
If I evade tax payment, I don't believe I will be criminally prosecuted so I don't pay my rent tax			.732		
I don't pay my rent tax because of high cost of maintenance of the facility				.699	
I don't pay my rent tax because of high cost of living				.755	
I don't pay rent tax because of high dependency ratio				.771	
I don't pay my rent tax because I huge family to take care of				.754	
I don't pay my rent tax because I am not aware of the existence of rent income tax laws					.756
I don't know how to declare actual rent income received to the GRA so, I don't pay my rent tax					.688
I don't know how to keep records on rent income and expenditure					.654
I don't pay my rent tax because tax authorities do not offer me enough explanation about my rent income tax obligation					.599

Source: Field Survey, (2022) Note: Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization

As shown in Table 11, V1(I don't pay my rent tax because I don't receive enough social services and public goods from the taxes I pay to the government), V2 (I don't pay my rent tax because I believe other taxpayers are not paying rent tax), V3(I don't pay my rent tax because tax authorities do not offer me enough advice and information that I can rely on) and V4(I don't pay my rent tax because I believe penalties imposed are not fairly applied by the tax authorities) were seen to have higher loadings on factor 1. Also, V5 (I don't pay my rent tax because people who are important to me think I should not report all my rent income tax return), V6 (I don't pay my rent tax because most people I know think that the tax they pay is not fair given the services they get from the government), V7 (I don't pay my rent tax because most people I know approve of me engaging in rent tax evasion) were also found to have higher loadings on factor 2. Again, V8 (Tax audit is an effective programme in convincing landlords/landladies to pay their rent tax), V9 (I believe penalty of not paying rent tax is not punitive enough so, I don't pay rent tax), V10(I don't pay my rent tax because there is a small chance that I will be caught), V11(If I evade tax payment, I don't believe I will be criminally prosecuted so I don't pay my rent tax) were also found to have higher correlation with the factor 3. Additionally, V12 (I don't pay my rent tax because of high cost of maintenance of the facility), V13 (I don't pay my rent tax because of high cost of living), V14 (I don't pay rent tax because of high dependency ratio) and V15 (I don't pay my rent tax because I huge family to take care of) also had higher correlation with factor 4 which is an indication that these variables are suitable to be used as indicators of factor 4. Finally, V16(I don't pay my rent tax because I am not aware of the existence of rent income tax laws), V17(I don't know how to declare actual rent income received to the GRA so, I don't pay my rent tax), V18 (I don't know how to keep records on rent income and

expenditure) and V19 (I don't pay my rent tax because tax authorities do not offer me enough explanation about my rent income tax obligation) were also found to be highly correlated with factor 5.

Considering the four (4) variables loaded under factor 1, the dominating concern in all of them is fairness in the tax administration, therefore, factor 1 will be named; fairness in tax administration. Also, the overriding concern in all the variables under factor 2 influence from society, thus, factor 2 will be named peer influence. Again, the central idea in all the variables under factor 3 is geared towards penalty and tax audit, thus, the factor 3 will be named deterrence sanctions. Furthermore, all the four (4) variables under factor 4 are focused on cost of living, thus, factor 4 will be named cost of living. Finally, all the four (4) variables under factor 5 bother on awareness of the rent income tax regulation, thus, factor four will be named; level of knowledge of rent income tax. From all the revelations, it can be hypothesized that rent income tax compliance is determined by perceived fairness in tax administration, peer influence, deterrence sanctions, cost of living and tax knowledge.

4.13 Discussion of Results

This section is dedicated to discussing in details the analysis of the collected data. The discussion is classed into four (4) sections such as i) the level of knowledge of rent income tax by landlords/landladies, ii) the institutional mechanisms laid down to encourage compliance, iii) the level of rent income tax compliance and iv) the determinants of rent income tax compliance. These are discussed below.

4.13.1 Level of knowledge of rent income tax by landlords/landladies in the Gomoa West, Gomoa East Districts and Ga-South Municipality (Objective 1)

From the foregoing analyses as contained in Table 5, it was found that 235(69.7%) of the landlords/landladies are not aware of the existence of any rent income tax laws as most of them were of the view that the rent income tax is not different from property tax. This is an indication that the tax officials are not performing well with respect to rent income tax awareness creation and education on how to file rent income tax returns. This phenomenon can be deemed to be one the reasons behind the low revenue generation from the real estate sector of the economy as most people are not in the known of these laws. This assertion is confirmed by the results from the factor analysis which indicates that rent income tax knowledge is one of the major factors influencing rent income tax compliance.

4.13.2 Institutional mechanisms laid down to encourage rent income tax compliance (Objective 2)

The response from the Ghana Revenue Authority (GRA) officials as confirmed by the property owners also indicates that the GRA as an institution has also laid down some measures to encourage rent income tax compliance. However, these mechanisms proved futile as rent income tax non-compliance has been on the ascendancy as shown in subsection 4.13.3. It is important to concede that the tax officials and the government have not been effective in ensuring rent income tax compliance. This is because, drawing from the mechanisms laid down indicates that they are much focused on enforced compliance through deterrence sanctions. It also worthy of note that even the application of the deterrence sanctions have also not been effective as it has yielded no positive results in compliance.

4.13.3 Level of rent income tax compliance in the Gomoa West, Gomoa East Districts and Ga-South Municipality (Objective 3)

Furthermore, as contained in Table 6 of the study, the level of rent income tax compliance was found to be very poor as 257(75.1%) of the sampled landlords/landladies confirmed not filing for their rent income tax returns. This owes to the fact that they most of them are not aware and those who are aware of its existence deem compliance as a problem. This revelation could be the end product of the fact that these landlords/landladies do not perceive the tax administration to fair and are also influenced by their peers not to comply. It may also be as a result of the fact that the tax authorities are not intensifying deterrence sanctions to compel the property owners to comply with the rent income tax laws. Again, the poor level of compliance may also be born out the fact that most of the landlords/landladies have a lot of responsibilities to shoulder as revealed in the analysis that most of the property owners have larger family size. These propositions are well corroborated in the subsequent paragraphs.

4.13.4 Determinants of rent income tax compliance (Objective 4)

From the foregoing results as contained in Table 11, it was found that perceived fairness in the tax administration was one of the factors that could influence rent income compliance decision of landlords/landladies. This indicates that the more the taxpayers perceive the tax administration to be fair, the more they will be willing to pay rent income tax. This finding is in conformity with fiscal exchange theory, comparative treatment theory (equity theory) and political legitimacy theory. This confirms the assertion that tax fairness is one of the main factors of a good tax system (Thomas, 2012) and is considered one of the main determinants of tax compliance (Jackson & Milliron, 1986). It is widely believed by tax administrators and the

taxpayers that growing dissatisfaction towards the fairness of tax system is the major cause behind the increase in the tax non-compliance (Chau & Leung, 2009). This finding is also in agreement with previous empirical studies (Alshira'h, & Abdul-Jabbar, 2019; Fochmann & Kroll, 2015; Woodward & Tan, 2015; Maseko, 2014; Muche, 2014; Samuel & Dieu, 2014; McKerchar et al., 2013; Ross & Mcgee, 2012; Ajaz & Ahmad; 2010; Kirchler & Wahl, 2010; Cummings et al., 2009; Mikesell & Birskyte, 2007; Feld & Frey, 2007; Woodward & Tan, 2015; Sinnasamy & Bidin, 2017b). For example, Samuel and Dieu (2014) reported that fairness of tax departments and the governmental procedure lead to instilling trust in the community and convincing the taxpayers that the tax laws are fair, and in turn, this leads to increased tax compliance.

According to Jayawardane (2015), a good tax system should be designed on the basis of a suitable group of principles, such as fairness and confidence. Consequently, Berkeley (2006) and Cummings et al. (2009) argue that tax compliance is increased when the perception of the taxpayers about a fair fiscal exchange is also increased. Again, Sinnasamy and Bidin (2017b) found that tax fairness has a significant positive relationship with excise duty compliance. However, this finding is found to be in disagreement with other related studies (Azmi et al., 2016b; Mohamed, 2016; Enginda & Baisa, 2014; Palil et al., 2012; Benk et al., 2011; Abdul-Jabbar, 2009; Faa, 2008; Tumwesigye, 2011). For instance, Tumwesigye (2011) revealed a significant negative correlation between tax fairness and tax compliance. Again, Faa (2008) found that the fairness of the tax system has an insignificant relationship with tax compliance.

Furthermore, tax deterrence sanction was also found to be one of the major factors that can influence rent income tax compliance, an indication that once the tax authorities are able to intensify their operations in terms of instituting severe fines and penalties in connection with tax non-compliance and effective tax audit systems, a much-improved rent income tax compliance will be achieved. This finding is in full agreement with Becker's Economics of Crime Theory of Compliance (Allingham & Sandmo, 1972) which posits that utility-maximizing taxpayers will comply with tax regulations if the consequence of committing a crime outweighs the benefit of the crime itself, the individual will be deterred from committing the crime. The finding is on the same wavelength with other related empirical studies (Sinnasamy & Zainol, 2017a; Inasius, 2015; Woodward & Tan, 2015; Modugu, 2014; Feld & Larsen, 2012; Naibei et al., 2012; Abdul-Jabbar, 2009; Alm & Mckee, 2006) which support the view that tax audit have statistically significant and positive effect on tax compliance.

In terms of tax penalties, previous studies (Ng'ang'a & Muturi, 2015; Yoon et al., 2011; Park & Hyun, 2003) were found to have established positive effect on tax compliance. For example, it was confirmed that penalties are one of the significant factors of tax system structure that affects tax compliance (Devos, 2013; Chau & Leung, 2009), since threat of penalties has been considered one of the efficient ways to prevent tax non-compliance (Mohdali et al., 2014). In other words, tax punishments have significant objectives However, other studies were found to be in disagreement with the finding of this study (Palil et al., 2012; Tumwesigye, 2011; Faridy et al., 2014; Tehulu & Dinberu, 2014; Modugu et al., 2012; Faa, 2008) which found a significant negative effect and insignificant effect of tax audit on tax compliance.

More so, peer influence was also found to be one of the determining factors that influences rent income tax decision by landlords/landladies, which is in compliance with the social influence theory. This finding gives credence to the fact that the society taxpayers find themselves in and the kind of companies they keep have an influence on their rent tax compliance behaviour as postulated by Puspitasari and Meiranto (2014). It is further confirmed that a taxpayers' behaviour is defined by social norms to a considerable extent (Edlund & Aberg, 2002) which assist in determining tax obligation intentions (Bobek et al., 2007). This finding conforms with previous research efforts (William, 2015; Bobek et al., 2013; Çevik & Yeniçeri, 2013; Tusubira & Nkote, 2013; Benk et al., 2011; Ayuba, 2015; Faa, 2008). On the contrary, other previous studies are incongruous with this finding (Sinnasamy & Bidin, 2017a; O'Shaughnessy, 2014; Palil et al., 2012; Torgler, 2012; Frey & Torgler, 2007) as they found peer influence to have a negative effect on tax compliance. For example, Sinnasamy and Bidin (2017a) found that peer influence has a significant negative relationship with excise duty compliance. However, some other studies declared that peer influence has no impact on the tax reporting decisions (Wenzel, 2004a; Chan et al., 2000).

In addition, cost of living was also found to be one of the major factors affecting the compliance behaviour of landlords/landladies in the Gomoa East, Gomoa West Districts and Ga-South Municipality. This factor is very important because a continuous increase in cost of living will cause a reduction in the disposable income of the landlords/landladies, hence hampering their effort to comply with rent income tax laws.

Finally, rent income tax knowledge was also found to be a major factor that can influence the rent income tax compliance decision of landlords/landladies. This is an indication that once tax authorities intensify rent income tax awareness and education campaigns, there is a high probability of seeing an improved level of compliance. This was further confirmed that knowledge about taxation, the benefits of taxation and the dangers of non-compliance remain a key impediment to tax compliance in many countries (Thananga et al., 2013). This finding is in also in support of Osebe (2013) who establishes that tax knowledge and education had a positive effect on the level of tax compliance.

4.14 Summary of Chapter

This chapter was dedicated to analyzing and discussing the results of the study. The study began by assessing the response rate of which it was found that a response rate of 95% was attained. Further, demographic and business-related information was analyzed and it was found that majority of the landlords/landladies were males, have ages ranging between 31 and 50 years, married with household sizes ranging from 5 to 6 persons and were Christians. It was also found that most of them earn a considerable income from the rental business.

The analysis went further to assess the level of knowledge of the rent income tax by the landlords/landladies. The result indicated that majority of the landlords/landladies do not have any idea about the existence of rent income tax laws as majority of them indicated that there was no difference between the rent income tax and property tax. Institutional mechanisms laid down to encourage compliance was also assessed and it was revealed that a number of measures have been put in place to encourage compliance except that they yielded no positive results. The level of rent

income tax compliance by the landlords/landladies was also assessed and it was also found that there is a culture of non-compliance of rent income tax in the Gomoa West, Gomoa East Districts and Ga-South Municipality.

It was further revealed that factors such as fairness in tax administration, deterrence sanctions, cost of living, peer influence and rent income tax knowledge all were found to be major factors influencing rent income tax compliance. This is therefore a clarion call on government and tax authorities to intensify their game by embarking on massive rent income tax awareness and education campaigns, reviving confidence and trust in government, enforcing much harsher non-compliance punitive measures, and ensuring conscientization of the taxpayers to increase their intrinsic motivation to be able to honour their tax obligations.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter aims at offering a summary of the study, making inferences and drawing insightful conclusions and offering recommendations based on the findings to shape policy, guide practice and future studies as far as rent income tax compliance is concerned.

5.1 Summary of the study

This section bothers on providing a summary to the study in terms of the purpose of the study, specific objectives, the general methodology employed as well as key findings of the study. These are presented in subsections 5.1.1 and 5.1.2.

5.1.1 General Summary

The overarching aim of this study was to explore the various factors that can influence rent income tax compliance decision of landlords/landladies in the Gomoa West, Gomoa East Districts and Ga-South Municipality. The specific objectives to achieve this aim were to (1) to assess the level of knowledge of rent income tax by the landlords/landladies in the Gomoa West, Gomoa East Districts and Ga-South Municipality (2) to identify the institutional mechanisms laid down to encourage rent income tax compliance (3) to ascertain the level of rent income tax compliance in the Gomoa West, Gomoa East Districts and Ga-South Municipality (4) to find out the various determining factors that could influence rent income tax compliance decision by the landlords/landladies in the Gomoa West, Gomoa East Districts and Ga-South Municipality.

A sample of 342 landlords/landladies were drawn from the Gomoa East, Gomoa West Districts and Ga-South Municipality of Ghana using a stratified random sampling technique. Primary data on rent income tax compliance influencing factors, level of rent income tax compliance, institutional mechanisms and level of knowledge of rent income tax was collected using a structured questionnaire. Descriptive and inferential research designs with a quantitative approach premised on a positivist paradigm were employed in attaining the objectives of the study. Descriptive statistics, including frequencies and percentages were used to achieve objective 1, 2 and 3. Exploring the various factors that could influence rent income tax compliance decisions was done using Exploratory Factor Analysis (EFA).

5.1.2 Summary of key findings

- The results indicate that majority of the landlords/landladies do not have knowledge about the existence of rent income tax laws as majority of them indicated that there was no difference between the rent income tax and property tax.
- Institutional mechanisms laid down to encourage compliance was also assessed and it was revealed that a number of measures such as invitation of defaulted landlords/landladies and prosecution have been put in place to encourage compliance except that they yielded no positive results.
- The level of rent income tax compliance by the landlords/landladies was also assessed and it was found that there is a culture of high non-compliance of rent income tax in the Gomoa West, Gomoa East Districts and Ga-South Municipality.

- It was further revealed that factors such as fairness in tax administration, deterrence sanctions, cost of living, peer influence and rent income tax knowledge are the major factors influencing rent income tax compliance. This is therefore a clarion call on government and tax authorities to intensify their efforts by embarking on massive rent income tax awareness and education campaigns, reviving confidence and trust in government, enforcing much harsher non-compliance punitive measures, and ensuring conscientization of the taxpayers to increase their intrinsic motivation to be able to honour their tax obligations.

5.2.1 Conclusions

Based on the findings, it can be concluded that majority of the landlords/landladies do not see the need to honour their tax obligations and for that matter do not pay their rent income taxes. This owes to the fact that they perceive the tax administration to be unfair and for that matter, they do not have trust and confidence in government to provide the social goods that will approximate the taxes they pay. Also, most of them do not have any idea of the existence of rent income tax laws. The matter is compounded by the fact that most of the landlords/landladies do not keep any rent income records which makes it difficult for tax authorities to conduct tax audits and subsequent punitive measures meted out.

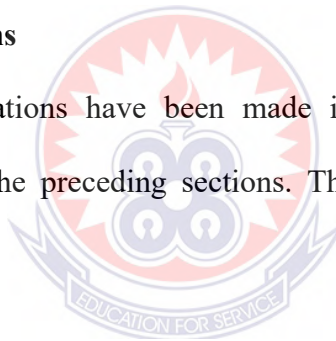
It can also be concluded that there is a weak political will enforcing rent income tax laws, rendering the tax authorities less efficient in collecting rent taxes. As a result, rent income tax education and awareness has been ineffective. It can also be concluded that the deterrence sanctions have not been deterrent enough to enforce compliance. There is so much money in the real estate sector to be taxed to widen the

tax net. Ghanaians have not come to the realization that honouring their tax obligation is a morale responsibility to contribute to society and for that matter even those who are aware of the existence of this tax are doing everything possible to evade it. It can undoubtedly be concluded that Ghana is where it is today because of the inability of governments over the years to mend the tax net one of which is the rent income tax.

It can again be concluded that introducing new taxes is an avenue of overburdening the already existing few taxpayers in the formal sector. The way to go is to direct all energies towards incorporating the informal sector into the tax net to enhance revenue mobilization which could help reduce the annual ballooning budget deficits.

5.3 Recommendations

Two recommendations have been made in light of the observations and conclusions reached in the preceding sections. These are presented in subsections 5.4.1 and 5.4.2.



5.3.1 Recommendation for action

- Gathering from the foregoing revelations, it is therefore recommended to government, tax authorities and other key stakeholders in the fiscal space to put in place better mechanisms to ensure an enhanced compliance in the real estate sector. This could be done by ensuring intensification of rent tax education and awareness campaigns, restoring trust and confidence in the government so that citizens can see the need to honour their rent tax obligations. Trust and confidence can be restored if the government ensures equitable distribution of public goods and services.

- Additionally, measures should be intensified to identify the various players in the real estate business and ensure that they keep proper records on their rent income to make tax audit and compliance possible. Religious leaders must make deliberate attempt to conscientize their members on the need to honour their rent income tax obligations.

5.3.2 Recommendations for Further Research

Further studies could be conducted on the tax-compliant influencing factors under consideration in other jurisdictions not captured in this work. Further studies could also delve into this subject matter by assessing the degree at which the rent income tax determining factors identified in this work can influence rent income tax compliance by employing ordinal regression techniques.



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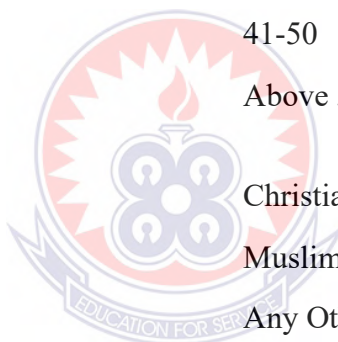
APPENDIX
QUESTIONNAIRE
UNIVERSITY OF EDUCATION, WINNEBA
SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING
QUESTIONNAIRE ON THE DETERMINANTS OF RENT INCOME TAX
COMPLIANCE

This study is carried out to find out the various factors that influence rent income tax compliance decision of landlords/landladies in the Gomoa East, Gomoa West Districts and Ga-South Municipality. The questionnaire is grouped into six (6) sections; section A, section B, section C, section D, section E and section F. Section A contains six items bothering on the background information of landlords/landladies. Section B contains 4 questions seeking to obtain the background information on each household. Section C contains 4 statements seeking to assess the level of knowledge of rent income tax by landlords/landladies. Section D seeks to obtain information on the various institutional mechanisms laid down to encourage rent income tax compliance in the Gomoa East, Gomoa West Districts and Ga-South Municipality. Section E contains 3 statements bothering on assessing the level of rent income tax compliance. Finally, section F contains 19 statements seeking to identify the various factors influencing rent income tax compliance. You have been selected to take part in this exercise. Your responses will be treated with strict confidence and your identity will remain anonymous.

SECTION A: BACKGROUND INFORMATION OF THE RESPONDENT

[PLEASE TICK APPROPRIATELY]

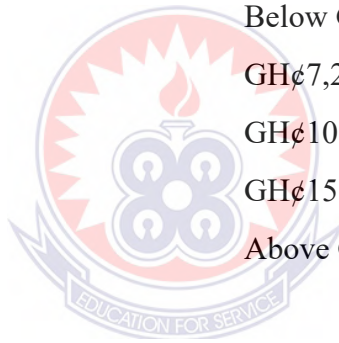
- | | | |
|------------------------|------------------|-----|
| 1. Sex: | Male | [] |
| | Female | [] |
| 2. Marital Status: | Married | [] |
| | Single | [] |
| 3. Household Size: | 1-5 | [] |
| | 6-10 | [] |
| | Above 10 persons | [] |
| 4. Age: | 20-30 | [] |
| | 41-40 | [] |
| | 41-50 | [] |
| | Above 50 years | [] |
| 5. Religion: | Christian | [] |
| | Muslim | [] |
| | Any Other | [] |
| 6. Level of Education: | Basic | [] |
| | Secondary | [] |
| | Tertiary | [] |
| | Any Other | [] |



SECTION B: BACKGROUND INFORMATION ON HOUSEHOLD

- | | | |
|-------------------------------------|--------------------|-----|
| 7. How long have you owned a house? | 1-3 years | [] |
| | 4-6 years | [] |
| | 7-9 years | [] |
| | 10 years and above | [] |

8. How many rooms do you have for rental purpose? 1-3 rooms []
4-6 rooms []
7-9 rooms []
Above 10 rooms []
9. What is the rent charge per room?
- | | | |
|------------------|------------------------|-----|
| Residential | Below GH¢ 200.00 | [] |
| | GH¢200.00-300.00 | [] |
| | GH¢ 301.00- GH¢ 400.00 | [] |
| | Above GH¢ 400.00 | [] |
| | GH¢300.00- GH¢ 400.00 | [] |
| Commercial Below | GH¢401.00- GH¢ 500.00 | [] |
| | Above GH¢ 500.00 | [] |
10. How much do you earn from rent per year?
- | | | |
|--|---------------------------|-----|
| | Below GH¢7200.00 | [] |
| | GH¢7,200.00-10,000.00 | [] |
| | GH¢10,200.00-15,000.00 | [] |
| | GH¢15,500.00-GH¢20,000.00 | [] |
| | Above GH¢20,000.00 | [] |



SECTION C: LEVEL OF KNOWLEDGE OF RENT INCOME TAX BY LANDLORDS/LANGLADIES

This section seeks to solicit information from you on your level of knowledge of rent income tax laws. Please indicate whether you have knowledge of the rent income tax of Ghana by ticking the appropriate options.

	RENT TAX KNOWLEDGE	YES	NO
1	I am aware of the existence of rent income tax laws		
2	I know how to declare actual rent income received to the GRA		
3	I keep records on rent income and expenditure		
4	Tax authorities offer me enough explanation about my rent income tax obligation		

SECTION D: INSTITUTIONAL MECHANISMS LAID DOWN TO ENCOURAGE COMPLIANCE

This section seeks to solicit information from you on the various institutional mechanisms put in place by your institution to encourage rent income tax compliance.

Kindly provide your response to the question in the space provided below.

What institutional mechanisms have been laid down by Ghana Revenue Authority to encourage rent income tax compliance?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

In your estimation, do you think these mechanisms have yielded the needed results as far as rent income tax compliance is concerned?

.....

SECTION E: LEVEL OF RENT INCOME TAX COMPLIANCE

This section seeks to solicit information from you on your level of rent income tax compliance. Please indicate your agreement or disagreement with the statements in the table below. Tick (✓) appropriately. Use scale: 5=Strongly Agree, 4= Agree, 3=Neutral, 2=Disagree 1=Strongly Disagree

SN	STATEMENTS	1	2	3	4	5
1	I file my rent tax returns					
2	I file my rent tax returns on time					
3	I have no problem complying with rent income tax obligation					

SECTION F: DETERMINANTS OF RENT INCOME TAX COMPLIANCE

This section seeks to solicit information from you on factors influencing your rent income tax compliance/noncompliance (determinants of rent income tax compliance). Please indicate your agreement or disagreement with the statements in the table below. Tick (✓) appropriately. Use scale: 5=Strongly Agree, 4= Agree, 3=Neutral, 2=Disagree 1=Strongly Disagree

SN	DETERMINANT OF RENT INCOME TAX	1	2	3	4	5
1	I don't pay my rent tax because I don't receive enough social services and public goods from the taxes I pay to the government					

2	I don't pay my rent tax because I believe other taxpayers are not paying rent tax					
3	I don't pay my rent tax because tax authorities do not offer me enough advice and information that I can rely on					
4	I don't pay my rent tax because I believe penalties imposed are not fairly applied by the tax authorities					
5	I don't pay my rent tax because people who are important to me think I should not report all my rent income tax return					
6	I don't pay my rent tax because most people I know think that the tax they pay is not fair given the services they get from the government					
7	I don't pay my rent tax because most people I know approve of me engaging in rent tax evasion					
8	Tax audit is an effective programme in convincing landlords/landladies to pay their rent tax					
9	I believe penalty of not paying rent tax is not punitive enough so, I don't pay rent tax					
10	I don't pay my rent tax because there is a small chance that I will be caught					
11	If I evade tax payment, I don't believe I will be criminally prosecuted so I don't pay my rent tax					
12	I don't pay my rent tax because of high cost of maintenance of the facility					
13	I don't pay my rent tax because of high cost of living					
14	I don't pay rent tax because of high dependency ratio					
15	I don't pay my rent tax because I huge family to take care of					
16	I don't pay my rent tax because I am not aware of the existence of rent income tax laws					
17	I don't know how to declare actual rent income received to the GRA so, I don't pay my rent tax					
18	I don't know how to keep records on rent income and expenditure					
19	I don't pay my rent tax because tax authorities do not offer me enough explanation about my rent income tax obligation					

THANK YOU