KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,

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TAX COMPLIANCE IN GHANA: AN EXAMINATION OF TAXPAYERS'

COMPLIANCE DECISION BY THEIR PERCEPTIONS

BY

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(BSC ACCOUNTING)

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THE DEGREE OF MASTER OF SCIENCE IN ACCOUNTING AND

FINANCE

MARCH, 2022

DECLARATION

I hereby declare that this submission is my own work toward the award of the Master of Science in Accounting and Finance and that to the best of my knowledge, it contains no material previously published by another person, nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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(head of Department)   Signature   Date

DEDICATION

This thesis is dedicated to my wife

ACKNOWLEDGEMENTS

ABSTRACT

This study set out to examine tax compliance in Ghana: an examination of taxpayers' compliance decision by their perceptions. The study employed a quantitative research design to conduct the study. the study used mainly primary data by deploying structured questionnaire through google for. The analysis of the data was conducted with the help of IBM SPSS Statistics V.26 and Microsoft Excel and Amos v.23. The study employed Structural equation modelling to analyse the various objectives. The study revealed that, there is a significant positive of detection on tax compliance among SMEs within the Bolgatanga municipality. Also, there a positive but insignificant effect of government spending on tax compliance among SMES within the Bolgatanga

municipality. Lastly, there is a positive and significant effect of tax fairness on tax compliance among SMEs in the Bolgatanga municipality. The study recommended that the tax authorities should endeavour to put in place measure to enhance detection of tax evasion among SMEs, which will help in compliance among these SMEs, since they know that, they will be found out when they evade taxes. Also, although government spending does not seem to affect tax compliance, government should be transparent on how it spends the tax collected to engender more confidence in these SMEs to comply with their tax returns. Lastly, the tax authorities should make an effort to be fair as much as possible to generate the need support among these SMEs to enable them have trust in the tax administration which will go a long way to enhance tax compliance among these SMEs.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVATIONS

TTS	Transparent Tax System
VA	Voice and Accountability
OECD	Organisation for Economic Co-operation and Development
IFC	International Finance Corporation

EUT	Expected Utility Theory
PLS	Partial Lower Square
SEM	Structural Equation Modelling
ESSF	Extended Slippery Slope Framework
CMD	Cognitive Moral Development
GFI	Goodness of Fit
AGFI	Goodness of Fit
NFI	Normed Fit Index
CFI	Comparative Fit Index
RMSEA	The Root Mean Square Error of Approximation
RFI	Relative Fit Index
SMEs	Small and Medium Scale Enterprises
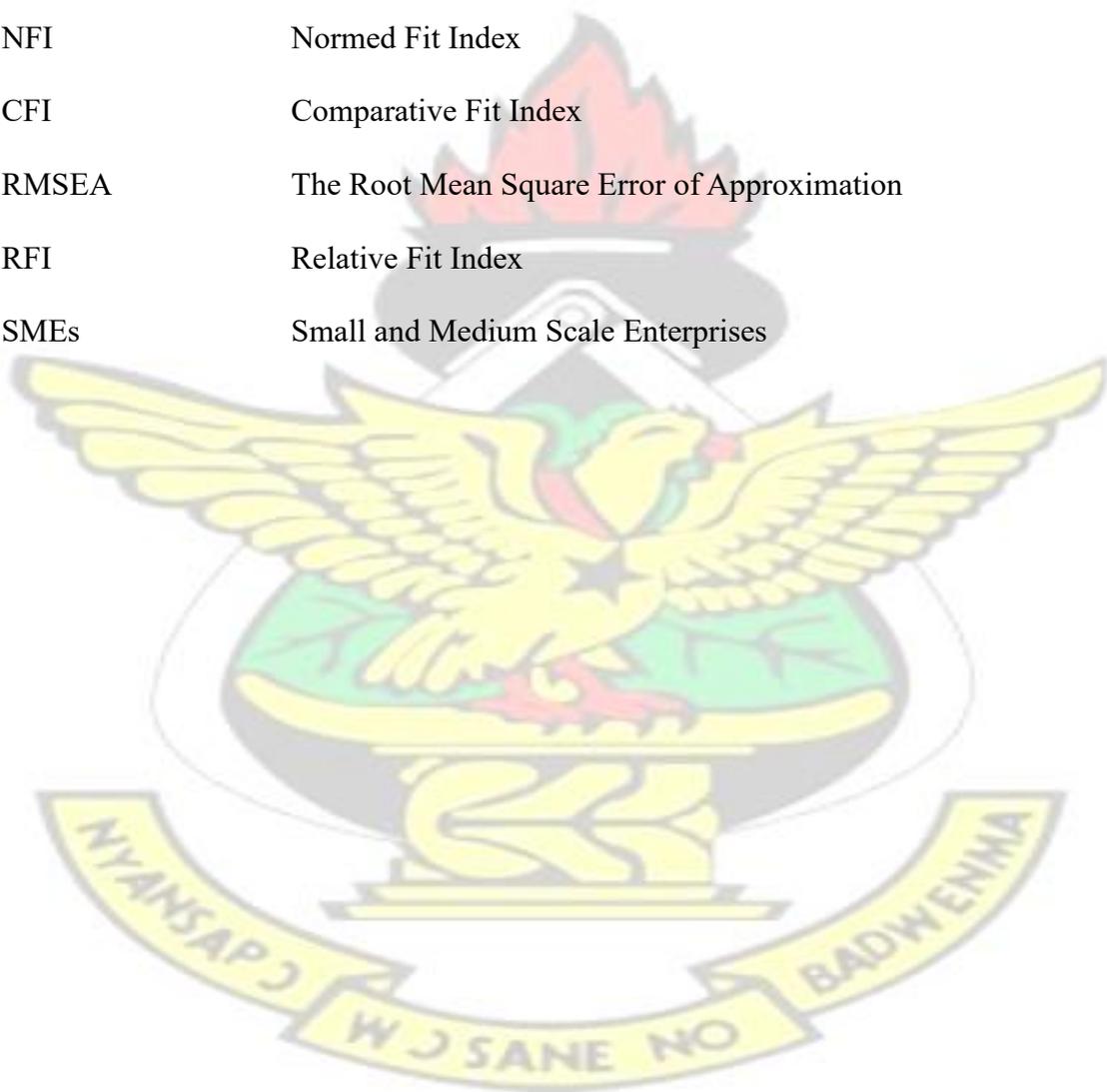
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The simplest way to define tax compliance is the degree to which taxpayers abide by the law. Compliance with tax laws is the extent to which a taxpayer complies or fails to abide by such laws. According to the IRS, ensuring one's tax obligations are met includes disclosing one's income, submitting a tax return, and making timely payments. People and other tax-paying entities might comply with their goals, tax law, and administration letter without enforcement operations being required. Academically, this study is important since it examines the elements that impact Ghanaian tax compliance attitudes and behaviour. Furthermore, from a policy perspective, this most recent investigation is crucial. In order to increase the tax base, it is necessary to understand how individuals experience and perceive tax administration, as well as if and how their tax behaviour is linked to how they view the state. The findings of this study may be used by policymakers and revenue administrators to make informed decisions about how to improve tax compliance in Ghanaian small and medium-sized enterprises.

The problem of compliance with taxation is as old as taxes themselves (Mukundi et al., 2017). A strong dominating characteristic of governments around the world is the identification and description of recorded trends of non-compliance with taxation and eventually seeking ways of reducing it. Tax compliance economics can be regarded as an issue of government finances, law enforcement, organizational design, labor supply, ethics or all of these combined (Hassan et al., 2021). Tax enforcement is a complex behavioral problem and the use of a number of instruments and data sources needs an investigation, since every instrument has strengths and weaknesses. Due to the criminal activity of evasion, field information is frequently incomplete. Tax compliance is clearly influenced by the executive efforts but also by the inhibitors inherent in

relationships between individual governments. Differences in the levels of tax enforcement can be explained by differences in fiscal fairness, the perceived fiscal exchange and the general approach to the respective governments (Cummings et al., 2009).

Ghana taxes its residents on income from jobs, industry, or investment, regardless of whether the source from which they derive their income has ceased. Residents are taxed on their worldwide income, and international income is, as such, taxable. By April 2020, the coronavirus (COVID-19) pandemic had some economic effects on Ghana. Tax revenues were similarly affected by a shortfall of 808 million cedis (GHS) in import duties and almost nearly 2.5 billion (around US$ 395 million) in tax revenue from nonoil. In all, government temporary and scheduled non-oil tax revenue stood at GHS 8.6 and 10.7 billion respectively (about $1.5 billion and $1.8 billion), starting in the second quarter of 2020. In addition, in Ghana, foreign trade taxes in the same quarter amounted to GHS 1.2 trillion (Oppong, 2021). Tax compliance is defined as the timing and accurate reporting on tax liability in keeping with tax law, legislation (Olaoye et al., 2017). Tax compliance is as much as taxpayers comply with tax rules and regulations under (Lois et al., 2019).

Lois et al. (2019) indicates profound problem about social and behavioural influences, including fiscal employee characteristics and tax morality. Factors of tax conformance should be considered through the processes of tax decision-making and efficient tax collection should be ensured. While Al-Ttaffi et al. (2021) Posit that taxpayers who thought tax to be totally permissible had more compliance than those who thought tax to be prohibited totally.

Studies have shown that taxpayers' compliance decisions are influenced by a variety of factors, including their perceptions of the tax system and the tax authority. For instance, research has shown that taxpayers are more likely to comply with tax laws if they

perceive the tax system as being fair and equitable, and if they have confidence in the tax authority's ability to enforce compliance (Evans, 2013).

In Ghana, tax compliance has been a challenge, particularly among small and mediumsized enterprises (SMEs). Studies have identified a range of factors that contribute to non-compliance among SMEs, including lack of awareness of tax laws and regulations, inadequate record-keeping, and limited financial resources (Akoto, 2015).

To address these challenges, the Ghana Revenue Authority (GRA) has implemented a range of measures aimed at improving tax compliance among SMEs. These measures include the introduction of a self-assessment system, which allows taxpayers to file their returns electronically, and the establishment of a taxpayer education program, which aims to increase tax awareness and promote compliance (GRA, 2020).

Despite these efforts, tax compliance remains a challenge in Ghana, particularly among SMEs. To better understand the factors that influence tax compliance among SMEs in Ghana, this study examines the perceptions of taxpayers regarding the tax system and the tax authority, and how these perceptions affect their compliance decisions.

In conclusion, the study on tax compliance in Ghana, an examination of taxpayers' perceptions and compliance decisions is a crucial research topic that aims to understand the factors that influence tax compliance among taxpayers in Ghana, particularly among SMEs. The study will contribute to the existing body of literature on tax compliance in developing countries and provide insights for tax authorities and policymakers on how to improve tax compliance in Ghana.

1.2 Statement of the Problem

Governments pay their financial liabilities and fund public spending mostly through tax revenues. State authorities in many developing countries, such as Ghana, continue to struggle with tax enforcement. Tax compliance economics can be described as a public economy, law enforcement, organizational planning, labour supply, ethics, or a mixture of these issues (Hassan et al., 2021). Nkundabanyanga et al. (2021) argues that the reasoning for tax enforcement or non-compliance is government efficiency, a transparent tax mechanism (TTS), and Voice and Accountability (VA), and as a tax administration approach it has an important influence on tax differences.

Similarly, Alshira'h & Abdul-Jabbar (2020) indicated that the extent of income tax enforcement was positively linked to the tax audit and tax penalty, while the sales tax compliance was insignificantly linked to that. Their impact on the relationship between fiscal, tax and tax auditing and sales tax enforcement was also moderated by patriotism. This was buttressed the findings of Kiconco et al. (2019) who shows that SBEs have negatively influenced their compliance with tax regulations and their intention to comply with tax regulations. Between 2008 and 2017, African income from the Value Added Tax (0,7 percentage point) and the tax on individual income increased by 1.5 per cent, from 15.7 to 17.2 per cent (0.7 percentage points). The average ratio has stayed constant since 2015 at 17.2 percent, with rises offsetting drops in some nations. The low tax-to-GDP ratio means that the government's ability to raise tax revenue may be improved (OECD, 2020). Understanding business benefit taxpayers' perceptions of fairness would also assist tax authorities in improving the tax system in order to close the tax gap, promote business profit taxpayer enforcement, and, as a result, mobilize sufficient tax revenues.

Theory has shown that different drivers of fiscal compliance have been reported and that the economic approach has been a major policy for tax compliance throughout history. One of the pioneering economic studies on tax non-compliance is based on Becker's Model (1968) as cited in Obaid et al. (2020) , which argues that threats through legal sanctions would lead to the prevention of tax crimes. According to the rational conduct of the taxpayers, they use the tax non-compliance game to determine the advantages and risks they will face in the case of penalties and tax audits. Despite the fact that the issue of taxpayer perception and enforcement has aroused the interest of many Revenue Authorities in developed countries, literature and data on the subject are still scarce in Ghana. Moreover, very limited study was carried out to assess the perception of taxpayers which influence tax compliance especially among owners and managers of SMEs. Although the issue of tax compliance is old and has been heavily studied, this is relatively a new phenomenon in Ghana with some few studies such as (Dabuo Yelku-Ang, 2017; Mbilla et al., 2018; Okpeyo et al., 2019; Richard et al., 2018; Yin & Abugre, 2016). Most of these studies employed qualitative data analysis and descriptive data analysis. With the limitation of the earlier methodologies employed.

In the context of Ghana, tax compliance has emerged as a critical concern for both the government and taxpayers. Despite the implementation of various tax policies and regulations, there exists a persistent gap between the intended tax revenue and the actual amount collected. This tax compliance gap raises questions about the factors influencing taxpayers' decisions regarding compliance. One crucial aspect that demands exploration is the role of taxpayers' perceptions in shaping their compliance decisions.

The problem at hand revolves around understanding the intricate interplay between taxpayers' perceptions and their decisions to comply with tax obligations in Ghana. Perception, being a subjective and multifaceted construct, encompasses taxpayers' attitudes, beliefs, and interpretations of the tax system. These individual perceptions can significantly impact compliance behavior, influencing whether taxpayers willingly adhere to tax regulations or engage in non-compliant activities. Despite being a pivotal issue, there is a noticeable gap in the existing literature regarding the specific nature and extent of the influence of taxpayers' perceptions on their compliance decisions in the Ghanaian context. Unraveling this complexity is crucial for devising effective strategies to enhance tax compliance and bridge the revenue gap.

This study will use a more robust structural equation modelling to conduct the studies which will give the outcome a more generalisation ability. This study will therefore seek to examine payer perception on-tax compliance decision among SMEs in the Bolgatanga municipality.

1.3 Objectives of the Study

The study will seek to examined tax compliance decision by their perceptions among SMEs in the Bolgatanga municipality. The study will seek to address the following specific objectives;

1. To examined the effect of Perception of probability of detection on tax compliance by SMEs.

2. To examine the effect of Perception of government spending on tax compliance by SMEs.

3. To examine the effect of Perceptions of fairness of the tax system on tax compliance by SMEs.

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1.4 Research Questions

The study will therefore seek to ask the following questions:

1. What is the effect of Perception of probability of detection on tax compliance by SMEs?

2. What is the effect of Perception of government spending on tax compliance by SMEs?

3. What is the effect of Perceptions of tax fairness on tax compliance by SMEs?

1.5 Significance of the Study

The findings of this study will be used by tax authorities and other policy makers at different governmental levels to better understand taxpayer needs and perceptions of the tax system and to strengthen the tax system and tax policies.

The study's findings can also be used to determine and develop the competences of service members, ethical problems, and decision-making processes in revenue offices, in order to increase the willingness of taxpayers to adhere to tax laws. To taxpayers, this study offers insight into the tax system and improves their awareness and fairness mindset in order to promote compliance, and they will benefit from an enhanced tax system. Furthermore, it can be used as a starting point for other interested researchers to perform additional research.

1.6 Scope of the Study

The subject of the study is confined to the views on the tax system by SMEs. The study was conducted on SMEs in the municipality of Bolgatanga, which will include traders, manufacturers, and service providers. The research will primarily employ survey methodology. The data for this study was gathered through questionnaires

from a sample of 249 SMEs in the municipality. Any of the analysis and conclusions of as a result of time and budget constraints, the thesis does not include any additional subcategories.

1.7 Summary of Methodology

A descriptive survey design was used in this study. The advantages inherent in this design influenced the decision to use it. Surveys, for example, are a fast, low-cost, reliable, and effective way of investigating a population. Similarly, descriptive survey study designs are used in introductory and exploratory studies to enable researchers to collect and summarize information, present and interpret data for clarity, and so on. It is also important to note that descriptive analysis decides and relays items exactly as they are, determining the current status of the population under study (Kothari, 2004).

Primary data was included in the study. The primary sources of data would be the responses obtained from respondents after they complete the questionnaires. The questionnaires were distributed to the managers and owners of SMEs in the municipality of Bolgatanga in the upper east district. Questionnaires are utilized for main research data collection. The data for the analysis was gathered through an administered questionnaire to the respondents. Closed-ended questions was included in the questionnaires that was distributed. The questionnaire was divided into three sections: biographical details, company profile, and the final section seeks to quantify the variables understudy.

To facilitate analysis, the data was summarized in statistical tables, graphs, and maps. On these numbers, percentages were computed. Tables and charts were used to help create a connection between the variables under consideration. The research will also

employ structural equation modeling analysis to ascertain the intensity of the relationship that exists between the independent variables (tax compliance) and the dependent variable (perception of tax). This summarized data analysis was used to generate a debate, conclusion, and recommendation.

1.8 Limitations of the study.

Dealing with respondents in SMEs might be challenge because of the nature of their jobs and time period to conduct this study is limited. Also, most these respondents have minimal level of education and may not be able to understand the questionnaire. However, the researcher would endeavour to offer guidance and ensure that respondents are made to understand what is required of them from the questionnaire. The issue of trade secret will also be a challenge as most of the respondent might feel reluctant to answer the questionnaire as they may think it was used to assess their tax amount. To overcome this, the researchers will explain to the respondents on the need for this academic exercise and not otherwise.

1.9 Organisation of the Study

This study was structured as follows: Chapter one will provide the research background, this section presents an overview of the study area. Also, Research objectives which discuss the purpose the study seeks to achieve. Again, the importance of the study, its scope and the research's limitation. Research questions, which try to answer the objectives of the research. Furthermore, Relevance of Study which presents the area and contribution of the research to an existing or new body of knowledge in the study area was presented. The Scope of study, which discusses the variables used in the research and reasons for choosing those variables in the research and the

geographical location of the study. The organization of the dissertation, which presents the way the dissertation was organized.

Chapter two will comprise of theoretical literature review which argues the theoretical basis of the research. While the empirical literature presents the empirical investigation of related studies on the study area in Ghana and around the world. A conceptual framework discusses the linkage between the theories of the study area and the empirical literature. Chapter three will cover the methodology, which dictates how the research was being conducted, this includes the following sections, philosophy of research, research area, Data collecting, data sources, reliability and validity of data, ethics consideration, data analysis. Data gathering tool, data gathering tool, sample size. Chapter four presents the data analysis and the findings of the research and finally chapter five will present the summary, recommendations, conclusion and areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the researcher reviews the literature related to the study's topic. The chapter is composed of four main sections. Section 2.1 presents the conceptual review of relevant literature. Section 2.2 addresses the theoretical review of literature where the relevant theories applicable to the subject of investigation are reviewed. Section 2.3 presents the empirical review which deals with evidence from developed countries, evidence from developing countries and evidence from Ghana and section 2.4 presents the conceptual framework.

2.1 Conceptual Review

2.1.1 Tax Compliance

Tax compliance is described as filing all necessary tax returns on time and reporting tax liabilities correctly in accordance with the tax law, "regulations, and court rulings in place at the time the return is filed (Gangl et al., 2020). The amount to which a taxpayer conforms with tax laws and regulations is called tax compliance (Alshira'h& Abdul-Jabbar, 2020). Individuals and other taxable entities, in their view, are expected to operate in accordance with the spirit and letter of tax law and administration without the need of enforcement activities. In order to be tax compliant, taxpayers must declare all of their income and pay all applicable taxes. Compliance with tax laws is described as taxpayers filing their taxes on time and in accordance with the law. Compliance with tax rules is the most fundamental definition of tax compliance (IFC, 2017). Creating the circumstances for tax evasion or avoidance is a sign that a taxpayer has failed to complete their obligations on time and in their whole. Taxpayers may compare the fines and tax losses they would face if they are found to have engaged in tax evasion or tax loss to the amount of tax they would have paid if they had properly disclosed their income. You have to make your own decision about how much you're willing or unwilling to pay in taxes in the event that you're discovered to have evaded or underpaid your taxes. Taxpayer behaviour is influenced by disparities in financial quality, according to economic theory (Torgler, 2011). When it comes to tax compliance, there are more factors at play than money, according to the behavioural approach. It is hypothesized that variables such as tax morality, a belief in government's justice, and religious beliefs influence taxpayer compliance.

2.1.2 Determinants of Tax Compliance

2.1.2.1 Economic Factors

Nyamwanza et al. (2014) claim that there is a sizable and expanding body of information on taxpayer compliance that spans a variety of subjects, such as psychology and economics. According to Mukasa (2014), taxpayers are unethical economic evaders who would assess the benefits and drawbacks of engaging in unethical action against those of compliance. Some economic theories contend that tax payers take into account the potential cost of evading taxes (Kidder & Craig, 2011). No severe activities that led to noncompliance, according to a study conducted by Masarirambi (2013), have occurred. Sanctions are issued, but no additional legal action is taken. On the other hand, penalties never stop SMEs or new businesses from comparing their startup costs to the cost of paying off their old businesses' tax arrears.

Data was gathered and evaluated as a result of a survey conducted by Lumumba and Migwi (2010) to look into the attitudes and actions of taxpayers among Botswana businesses. The research showed that taxpayer perceptions do influence compliance behavior, and suggestions for enlightening firms on tax matters were made. Yahaya (2014) carried out a similar survey in Ghana, and the results showed that taxpayers there were worried about the amount of taxes they paid.

2.1.2.2 Psychological Factors

This study looks at the impact of taxpayer sentiments on tax compliance. Psychological variables have been identified as one of the most important aspects in determining tax compliance behavior in several studies (Jayawarden, 2015). The fundamental issue is one of behavior, which can reflect a wide range of views, and tax mindset looks to be a complex construct with multiple dimensions. The notion of political open government

can be divided into three categories: societal norms, public spending, and tax system fairness (Kicher, 2013). Taxpayers with more fiscal awareness have a greater tax ethic than those with less fiscal awareness. Lewis, Webley, and Furnham (2012) backed this up, claiming that a lack of fiscal knowledge is linked to negative attitudes toward taxation, and that better tax knowledge can improve these attitudes.

Kicher (2013) underlined how social elements emerge from interactions among taxpayers, their communities, and shared social values, culture, and beliefs, and how these aspects impact the taxpayer's decision. According to Mukasa (2014), the government's inability to satisfy taxpayer requirements leads to a disgusting attitude toward compliance. With regard to the effect it has on the taxpayer's attitude, the relationship between failure to comply and intricacy has been researched using a range of approaches, including surveys, trials, and case studies (Mckerchar & Evans, 2010). According to Baldry (2011), simplifying tax regulations to the point where they are understandable will promote compliance and precise tax liability calculation. Lack of transparency in the public sector is one of the main factors contributing to noncompliance among Ghanaian SMEs.

2.1.2.3 Tax Knowledge

Clearly, education has a role in tax compliance, as evidenced by the findings of Prince and Anayduba (2014), who discovered a positive association between education and compliance, which was in complete accord with other writers such as Witt and Woodbury (2013), among others. Tax expertise is essential in attaining voluntary compliance, particularly when assessing the amount of responsibility due in an SAS setting (Kasipillai, 2010). Kicher (2013) conducted a number of studies that concluded that having knowledge improves compliance levels. In Palil and Mustapha's (2010)

study, knowledge of crimes, refunds, penalty rights, and fines were found to be connected to taxpayer behavior.

2.1.2.4 Income Level

Other elements that contribute to tax compliance include one's level of income, which academics like Dubin and Wilde (2014) believe is at the base of using the selfassessment system as a tool for evasion. Aside from tax complexity, the psychology theory also covers other aspects impacting compliance, such as tax justice, responsibility, burden, compliance costs, and tax policies. Authors such as Beck and Levine (2015) have identified tax policies as contributing to tax compliance.

2.1.2.5 Tax Fairness and Equity, Tax Morale and Social Norms

The perception of justice, in Friedman's opinion, impacts whether taxes are not paid (2011). The most acceptable condition for justice and fairness is that equal people are treated equally under equal conditions. According to earlier scholars like Junainah (2013), tax fairness can be either vertical or horizontal. When taxpayers are taxed differently based on their numerous business operations, according to Saad (2012), vertical tax fairness has taken place. The approach employed by tax authorities, according to Mukasa (2014), treats all taxpayers similarly regardless of their size. Tax fairness, according to Mukasa (2014), improves compliance, not only has a positive effect on economic growth, but also has been shown in other studies to increase revenue collected and close the tax gap. According to one theory, a just tax system would allow citizens to contribute to government spending in accordance with their financial means.

Hendy (2013) argues that as tax payers are ultimately responsible for compliance, tax legislation should place a strong emphasis on the role and responsibilities of the

taxpayer. To get rid of a bad attitude about taxes and lower the chance of evasion, taxpayers need to be aware of their responsibilities, claim Beck and Levine (2015). This also highlights how straightforward the tax laws are because it is related to knowledge. Self-assessment distributes responsibility for tax calculation to individuals, according to economists, who contend that this necessitates that individuals be informed of the tax code's requirements. The biggest drawback of adopting the self-assessment method to increase income in the years 2011 through 2014 is that a sizable part of taxpayers in the informal sector are uninformed and have tax attitudes influenced by political and economic considerations (Masarirambi, 2013).

Alm (2013) contends that the majority of small, prosperous businesses have an infinite capacity for tax evasion because they recognize the financial advantages of avoiding detection and the penalty of noncompliance. Tax morale is a term used to describe a taxpayer's motivation to follow the law. Studies have demonstrated a correlation between higher rates of tax evasion and low trust in tax officers and those in charge of governance. In nations with little bureaucracy and little corruption, the tax environment is often favorable (Baldry, 2011).

2.1.3 Importance of Tax Compliance

Since taxes are so vital to governments, following the law is essential to generating the required revenue. The capacity and willingness of a taxpayer to follow by the tax laws, file the necessary forms outlining the actual income earned, claim the appropriate relief and refunds, and pay any taxes due on time are known as tax compliance. Many efforts and policies have been put in place to ensure the generation of tax income. Governments implement measures to ensure the maximizing of tax revenues through compliance, including continual tax education and financing the tax agencies, according to Mukasa (2011). Governments have put policies in place to promote adherence to tax laws and

rules, which has the added benefit of raising tax revenue. These actions include levying interest and penalties, granting tax deductions, and facilitating cash flow. Palil (2010) asserts that self-assessment systems promote willingly paying taxes. The Ghana Revenue Authority (GRA) has also deployed the self-assessment system in an effort to boost the tax compliance of commercial businesses (Ghana Revenue Authority, 2013). Bird (2003) emphasizes the value of developing a climate that promotes compliance from a variety of taxpayers.

According to Mikesell and Birskyte, "Lawmakers and academicians do not comprehend that taxpayer compliance threatens the equity, efficiency, effectiveness, and yield of the tax system, and there is no comprehensive approach to addressing the necessary changes" (2007, P. 189). When evaluating overall tax compliance, the ease with which taxpayers fulfill their obligation to pay tax is an important factor. A taxpayer's decision to comply or not is based on the complexity of the tax legislation and their general degree of faith in the government, according to Wang's (2010) research on tax compliance in the South African corporate sector.

The primary means of generating revenue for the state is through taxes (Abdallah, 2014). Nevertheless, whether the government would be able to raise the anticipated tax revenue for a specific time period relies on how much pertinent information is known and how well the tax laws and regulations are followed. Taxes are necessary for the country's development because they account for a sizable portion of its overall income (Ministry of Finance, 2013). In 2011, tax collection accounted for 80% of overall revenue, and that percentage rose to 84 % in 2012. (Controller and Accountant General, 2012). The nation must improve the efficiency of obtaining tax revenue if it is to finance these expenditures and lower the national debt. This occurs as a result of growing government borrowing and escalating government spending (Ministry of Finance,

2014).

2.1.4 Challenges of Tax Compliance

The problem of compliance with taxation is as old as taxes themselves (Mukundi et al., 2017). A strong dominating characteristic of governments around the world is the identification and description of recorded trends of non-compliance with taxation and eventually seeking ways of reducing it. Tax compliance economics can be regarded as an issue of government finances, law enforcement, organizational design, labor supply, ethics or all of these combined (Hassan et al., 2021). Since there are various tools and data sources used in tax enforcement, each one has advantages and disadvantages, which calls for further research. Tax enforcement is a complicated behavioral problem. Field information is frequently inaccurate as a result of the unlawful act of evasion. Efforts made by the executive branch have a clear impact on tax compliance, but so do the roadblocks posed by intergovernmental relations. Differing perceptions of fiscal exchange, fiscal justice, and general approaches to the separate governments can all be used to account for variations in tax enforcement levels (Cummings et al., 2009).

Ghana taxes its residents on income from jobs, industry, or investment, regardless of whether the source from which they derive their income has ceased. Residents are taxed on their worldwide income, and international income is, as such, taxable. By April 2020, the coronavirus (COVID-19) pandemic had some economic effects on Ghana. Tax revenues were similarly affected by a shortfall of 808 million cedis (GHS) in import duties and almost nearly 2.5 billion (around US$ 395 million) in tax revenue from nonoil. In all, government temporary and scheduled non-oil tax revenue stood at GHS 8.6 and 10.7 billion respectively (about $1.5 billion and $1.8 billion), starting in the second quarter of 2020. In addition, in Ghana, foreign trade taxes in the same quarter

amounted to GHS 1.2 trillion (Oppong, 2021). Tax compliance is defined as the timing and accurate reporting on tax liability in keeping with tax law, legislation (Olaoye et al., 2017). Tax compliance is as much as taxpayers comply with tax rules and regulations under (Lois et al., 2019).

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Despite the enormous improvements, ongoing efforts to enhance facilitation and execution have not been sufficient to consistently produce more effective, progressive, and transparent tax systems. One of the major differences in revenue mobilization is the fact that the share of personal income taxes (PIT) revenue in many low- and middleincome countries is less than half of the share of PIT revenue in high-income countries. The policy of taxing the wealthy is still very ineffective as a result. There is mounting evidence that user fees and requests for informal contributions place heavy burdens on lower-income populations in places with inadequate governance. Subnational tax regimes frequently fail to provide significant revenues, especially from property taxes (Bird 2011; Franzsen and McCluskey 2017; van den Boogaard, Prichard, and Jibao

2019).

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Value added tax (VAT) performance has fallen short of expectations in lower-income nations, despite the fact that it has been heralded as a relative success (Baunsgaard and Keen 2010). In spite of decades of worldwide pressure for more openness, the collection of corporate taxes is still hampered by many and poorly handled exclusions. Recent estimates, however, indicate that revenue losses from international tax

avoidance and evasion2 are greater (as a proportion of GDP) in low- and middleincome nations than in Organization for Economic Co-operation and Development (OECD) member states (Cobham and Jansky 2017). Institutional reforms, on the other hand, have repeatedly underperformed in terms of promoting transparency, enhancing IT systems, decreasing corruption, restricting political involvement, and increasing engagement (Ahlerup, Baskaran, and Bigsten 2015; Bird and Zolt 2008; Dom 2019; Moore 2014).

2.1.5 Tax Perception

Taxes are seen as a way for the government to recoup its expenses. Taxpayers must have faith in the government in order to freely pay their taxes (Gangl et al., 2020). Tax revenues and government performance decline when public confidence in the government decreases. The more confident a taxpayer is, the more likely they are to comply with their tax obligations. Taxpayers' confidence in the government rises when the government operates in a manner that assures their trust, and they are more likely to fulfil their tax obligations as a result (Koranteng et al., 2017). As a consequence, the government's connection with taxpayers will be maintained in a good light. People who have faith in the government are more likely to pay their taxes on time than those who don't. More trustful taxpayers see the events unfavourably, whereas less trustful taxpayers see the events as favourable. Taxpayers who distrust the government are more sceptical of how their taxes are used by the government (Modugu&Anyaduba, 2014; Niway&Wondwossen, 2015; Benno Torgler, 2003). Government tax-related choices will be supported by taxpayers who feel the government is trustworthy, but they will not be supported by taxpayers who don't believe the government is trustworthy. Taxpayers who don't have faith in their government also feel that their taxes are too

expensive. Because of this, taxpayers who have a poor opinion of the government are more inclined to participate in illegal activities such as tax avoidance and fraud.

Tax fairness is a critical feature of tax compliance from a psychological standpoint. When taxpayers don't receive the services they pay for, they believe the tax system is unjust. The public's perception of the fairness of the tax system is changing in lockstep with the rise in the number of individuals employed by the federal government. Making taxes more egalitarian encourages people to pay their fair share (Kogler et al., 2015). I think that justice is a mental state. Tax compliance systems are more likely to be developed if the tax system is fair. In order to ensure that the tax system is fair, you must know what the taxpayers think about it. Public opinion on the fairness of taxation has an impact on government tax policy.

2.2 Theoretical Review

2.2.1 Economy Based Theory

The concept of economic-based theory was first developed from Becker's (1968) research in the late 1960s. The study analyzed criminal activity using an economic context. Becker (1968) made a narrow statement that deterrents like the possibility of detection, fines and penalties are beyond society's control. This theory is also known as the principle of economic dissuasion and emphasizes incentives. The hypothesis implies that taxpayers are amoral profit maximizers, since they are motivated by economic considerations such as earnings maximization. According to Becker's 1960s theory, Allingham and Sandmo (1972) derived a model based on various premises, which included taxpayers as utility maximizers with practical knowledge of penalties and levels of detection. They believed that people acted culturally and fairly. A costbenefit analysis leads, in their opinion, to enforcement or non-compliance. Individuals are compliant if the costs of evasion exceed the advantages of evasion and

fail to achieve the benefits if the balance shows. It seems like a theoretical construct that is not proven. In the wake of the contribution from Allingham and Sandmo in 1972, Srinivasan (1973) analysed the theory of economic dissuasion on the basis that taxpayers were the maximizer of utility. Srinivasan argues that the degree of evasion would also rise as taxpayers' income increases if the risk of detection were independent of income. Srinivasan (1973) recognizes, however, that the aim of the taxation system was not merely to increase the level of tax revenue.

Except if taxpayers could not agree, on the basis of the pure economic factors about whether to pay or not their taxes (Alm, Jackson & Mckee 1992), more taxpayers will be interested in the evasion of or fraud because of the low likelihood of identification and reduced penalties. Notwithstanding the shortcomings of this theory there have been a number of attempts to change the theory of economic regulation. Nevertheless, this did not contribute to a model explaining and effectively predicting tax actions (Kirchler, 2007). With this in mind, recent research on tax implementation has been focused on socio- and psychological factors more extensively.

2.2.2 Sociological and Psychological Theory

One of the early investigations of tax evasion, "tax mentality," was presented by Schmolders in 1960. The term is predicated on the idea that taxpayers have unique ideas regarding their own self-interest and not regarding supporting group objectives. Accordingly, the more optimistic a taxpayer is about paying taxes and cooperating with the tax authorities, the more enforcement there is. According to a theory of tax compliance proposed by Strumpel in 1969, rigorous enforcement by the tax authorities will probably result in lower levels of taxpayer compliance with the law.

Spicer (1974) focused his research in the 1970s on the idea of exchange equity, or the alleged unfairness of taxes imposed in exchange for goods and services provided by the government. Vogel (1974) examined how ethical principles affected how taxpayers applied the law or how taxpayer convictions and principles affected how particular elements of the tax system were implemented. According to the findings of their study, there was a strong correlation between enforcement behavior and non-economic factors like equity and morality. Ajzen and Fishbein (1980) claim that the Theory of Reasoned Behavior (TRA) is a further development of the psychological theory.

Ajzen (1991) postulated The Theory of Planned Behaviour (TPB) is a theory of socialpsychology. The TPB is an expanded theory from Ajzen & Fishbein's Theory of Reasoned Action (TRA) (1980), which is based on the premise that human beings are generally very logical and provide them with systematic use of the knowledge. People may weigh the consequences of their acts before they agree to participate in a given behaviour or not (Ajzen & Fishbein, 1980). Ajzen (1991) Planned Behaviour Theory (TPB) suggests that behavioural actions are influenced by three factors: Behavioural disposition, social expectations, and perceived regulation of behaviour.

Unlike economical theories, which emphasize audits and fines as a solution to enforcement problems, social psychological theories emphasize shifting attitudes towards tax systems. The study explores the effect of tax enforcement social factors with emphasis on enforcement with the tax payers' mindset, culture, tax awareness, and tax equity. Based on the above, this study adopts the theory of sociology and psychology because attitude, norms, perception and tax awareness affect tax enforcement.

2.2.3 Hofstede's Cultural Dimension Theory

The first work to describe a cultural variety was Hofstede's important work (1980). (Matsumoto, 2017). This also explains the widespread application of Hofstede's (1980) cultural features in social science research. Hofstede (1980) defined culture as the collective mental programming that distinguishes members of one community from members of other communities. More than 117,000 surveys given to IBM employees in 67 countries were used by Hofstede (1980) in his prior groundbreaking study. In this regard, when tax payers think there isn't fairness in tax distribution, they develop the cultural component of power distance and start to hesitate in paying taxes (Abdul, 2012). The second factor is the avoidance of uncertainty, which refers to how a culture reacts negatively to ambiguous and unpredictable situations and makes efforts to stay away from them.

The degree of choice in how tightly or loosely societies are connected is described by the third component, individualism-collectivism. In a collectivist society, people identify with social subgroups and are more likely to look out for the interests of the group than their own. People who believe they are a part of a society or a government believe that by paying taxes to the government, they would receive a portion of the gains made by the country. In turn, people become more interested in making tax payments. De Mooij claims that people are the sum of their culture and social groups, which have similar ideas, attitudes, conventions, and values (2014). Human conduct is the result of interactions between specialized identities in individual roles and societal roles with cultural roots (Matsumoto, 2017). The groundbreaking study by Kroeber and Kluckhohn (1952) synthesizes 164 cultural themes from many academic disciplines. Descriptive, historical, normative, psychological, pattern-structured, and genetic factors were used to classify culture into six subgroups.

According to Kroeber and Kluckhohn (1952), culture can be described as having symbols, being taught, a style of doing, an emotion and reaction, and involving an implicit culture that differs from one another in society. We also contend that subcultures—which may be national, economic, racial, professional, cliquish, or variations of all of these—form the core of what is meant by culture.

2.2.4 Economic Deterrence Theory

According to the economic deterrent theory, variables influencing the advantages and costs of avoidance, such as the tax rate, the risk of detection, and the penalty for theft, affect taxpayer conduct. This means that if tax evasion is likely and the fines are high, few people can do so (Castro & Scartascini, 2015). In comparison, the anticipated return to evasion is strong where audit probabilities are poor and fines are low, there will be significant noncompliance. While the model has been criticized for relying only on the punitive aspect of enforcement at the detriment of the consensual dimension, there is some research to suggest the importance of deterrent tactics in dealing with noncompliance. The theoretical concepts of economic deterrence have been broadly accepted by tax administrations while implementing compliance policies that focus primarily on fines and the fear of being detected. According to the economic deterrent principle, people who consider tax avoidance to be challenging are more likely to be tax compliant. As a result, it is vital to understand what influences attitudes toward tax compliance (Pui Yee et al., 2017). Trust, expectations of justice, and corruption have all been shown to be important factors in enforcement conduct (Olaoye et al., 2017).

This theory is important because it establishes that confidence in authorities and their ability to prevent and prosecute tax evaders are inextricably linked and that both are critical in ensuring tax enforcement.

2.3 Empirical Review

2.3.1 Evidence from Developed Countries

In Malaysia's self-assessment system, Pui Yee et al. (2017) looked at the relationship between tax fairness, tax knowledge, enforcement level, and social interaction in relation to taxpayers' attitudes toward tax morality. They also looked at the relationship between taxpayers' attitudes toward tax morality and taxpayers' perceptions of tax evasion. 400 taxpayers were surveyed using a questionnaire, and the results were analyzed. The findings show that taxpayers' perceptions of the morality of taxes are influenced by their familiarity with the tax code. To make matters worse, taxpayers who have strong opinions on tax morality tend to see tax evasion favorably.

Christina, Deborah and Gray (2013) conducted a study in the United States of America to identify the economic and behavioral factors that influence tax enforcement. The goal of the study was to determine in the tax amnesty program of Arkansas City the economic and behavioral factors that affect tax payer enforcement. Arkansas City has implemented an amnesty program that waives penalties and fines to non-compliant merchants, as far as they are ready to pay and do not pay tax liabilities. The interviewer described reasons that led him to not pay his taxes due within the prescribed timeframe and to fail to claim that the correct taxable income is a complication of tax laws. A substantial part of the inability to follow taxation laws and negligence was unintended since the majority of taxpayers did not understand their tax responsibilities or tax obligations. The results confirmed that the knowledge of taxation issues and voluntary tax compliance were significantly positive.

26

2.3.2 Evidence from Developing Countries

Musimenta et al. (2017) examined tax fairness and tax compliance among SMEs. SMEs in Uganda were asked to participate in a cross-sectional and correlational research to determine their perceptions of tax compliance. The study included two groups of respondents, representing the supply and demand sides of tax compliance. There are a number of variables that influence tax compliance, including tax equity and isomorphic characteristics. Strategic responses as well as significant tax fairness mediation effects are identified. The tax compliance challenge has been an increasing concern since the two kinds of respondents interpret the research criteria differently.

Faizal et al. (2017) explored the link between justice and trust and tax compliance behaviour Previous studies have shown that the impression of fairness influences tax compliance. Procedure, distributive equity, and retributive equity are all included in this study's classification of justice. Because of this, the goal of this research was to find out how these three kinds of justice affect tax compliance. Trust and justice are intertwined in the process of tax compliance. Questionnaires from previous research were used to gather data on individual taxpayer impressions of the tax system. Observations show that only fairness and faith in the administration of justice have an impact on taxpayer compliance with the tax code. Justice and obedience, on the other hand, are not mediated by trust. It will be a valuable addition to the body of knowledge on Malaysian tax justice as a result of this research.

Aktaş-Güzel et al. (2019) examined the impact of tax enforcement variables and government confidence on tax compliance. As measurements were taken, 392 independent accountants in Turkey. The results from this study show that the government's confidence in tax enforcement through the interpretation of tax justice has a strong and statistically important relationship. In addition, the trust's partnership

with the government on tax enforcement is constructive and statistically important. Once again, the government's trust in the understanding of fiscal justice has a positive and statistically relevant connection.

The impact of tax knowledge, tax awareness, and tax amnesty collections on tax compliance was studied by Nurkhin et al. (2018) in East Semarang Pratama Tax Office, Semarang City, and Central Java. A questionnaire created from numerous earlier studies was the method used in this study to collect data. The study used multiple linear regression analyses as well as descriptive statistical analysis. The results of this study have demonstrated that tax, taxpayer awareness, and impression of tax amnesty have a positive and significant impact on taxpayer compliance. The ability to comprehend and be aware of contributions are factors that have a greater impact than the perception of a changeable tax amnesty. The additional statistics indicate that sexual orientation can influence a taxpayer's compliance. More so than males, women taxpayers get along well with other taxpayers. Following that, it is suggested that tax authorities always implement tax education programs to improve taxpayers' understanding and awareness on a regular and ongoing basis.

The effects of Service Quality, Tax Penalties, Tax Amnesty, and Religion Convenience on taxpayers were studied by Rahmawati & Yulianto (2018). 100 effective Individual Taxpayers were selected for this study using the Slovin algorithm. The main instrument used to gather data is a questionnaire. Descriptive analysis and multiple linear regression were used to analyze the data. The study's findings indicate that a person's opinion of the caliber of a service has no impact on taxpayer compliance. The willingness of taxpayers to pay their fair share of taxes is unaffected by tax penalties. The impact of a tax amnesty variable on taxpayer compliance is significant and

advantageous. The level of tax compliance is significantly impacted by taxpayer religion. According to this study, factors that affect taxpayer compliance include tax amnesty and religious convictions. The level of service provided or the severity of the penalties imposed have little bearing on taxpayer compliance.

Olaoye et al. (2017) studied how taxpayer compliance is affected by tax administration, information, and knowledge. Tax information and expertise were shown to have a greater tendency to encourage tax compliance than tax administration. By conducting free seminars and symposia for prospective taxpayers, the government should educate them on tax laws and regulations, according to the paper. Inasius (2019) explored whether the effects of previously discovered power and trust dimensions in industrialised countries, such as Indonesia, exist in developing countries. The results show that authority does not support enforced tax compliance, but trust has a significant impact on voluntary tax compliance.

Farrar et al. (2019) examined the function and detection of the interactional fairness in terms of tax enforcement intentions. The salience of taxpayers' detection reflects their expectations of the tax authorities being audited. The study has found that the identification moderates the connection between interactive fairness and intentions of tax compliance, using insights from theory of conditional co-operation, which decreases the impact of interactive fairness on intentions of tax compliance.

Iqbal & Sholihin (2019) investigated the involvement of cognitive moral development in the decision on tax enforcement. In particular, in two different fiscal systems, the study compares the degree of tax compliance: synergy and anti-tax climate. In the study, 157 participants tested the hypotheses using an experiment on paper and the pencil. In

particular, for both pre-conventional and conventional taxpayers, the CMD has made a substantial contribution to decision on tax enforcement. However, even though tax conditions change, taxpayers at a post-conventional stage will not adjust their degree of conformity.

Kiconco et al. (2019) investigated the degree to which reasoned theory of measures can be used to justify tax enforcement among small businesses in Uganda and apply the application of the theory and its importance to a new field of fiscal compliance. The interviewer-administered questionnaires were used to conduct an intersectional study of various types of SBE. The analysis used a set of 384 SBEs. The TRA provides critical insight into small business' tax enforcement behaviour. It affects the behaviour of tax enforcement. The study shows that SBEs have negatively influenced their compliance with tax regulations and their intention to comply with tax regulations. Goal of tax enforcement is favourably influenced by subjective standards. In general, these intentions have a detrimental impact on the behaviour of tax enforcement.

Inasius (2019) explored the possibility of emerging countries, such as Indonesia, the impacts of the power and confidence factor previously discovered still occur. Researchers conducted a survey of 274 SME taxpayers and then used linear regressions to examine the results. Analyses of data are performed. Research shows that trust has a significant influence on voluntary tax enforcement, but neither trust nor authority stimulates tax law enforcement.

Iqbal & Sholihin (2019) examine in a decision on tax conformity the role of cognitive moral development (CMD). The study analyses the degree of compliance with taxes in two different systems of taxation: synergistic and antagonistic tax environments. In the

study, 157 people participated in a laboratory experiment to test the hypothesis. The CMD has a substantial contribution to the choice on tax compliance, in particular for both pre-conventional and conventional taxpayers. However, even if the fiscal environment has altered, taxpayers at a postconventional level do not adjust their level of compliance. The current findings reinforce CMD theory.

Nurwanah & Sutrisno (2021) analysed and elaborated of tax compliance factors from the standpoint of planned behaviour theory and the theory of stakeholders. The study was carried out on a population of corporate taxpayers registered with the South Sulawesi Directorate General of Taxation. The samples are determined with the use of proportionate random samples. The analysis is performed with a partial lower square (PLS). The results demonstrate that the taxpayers' behaviour affects the intent to respect taxes positively and significantly. The creation of a compliance professional tax behaviour can motivate taxpayers to conduct themselves positively, therefore achieving the good of the society. The subjective standard has a favourable and substantial effect on tax compliance intent.

Hassan et al. (2021) explored the relationships among voluntary tax compliance behaviour of individual taxpayers with selected economic, social, behavioural and institutional factors. This individual behaviour in tax compliance is examined via the multiple lenses of theory, equity theory, anticipated utility theory, and the theory of social exchanges. The study used quantitative design survey approach. The approach of structural equation modelling has been utilised to investigate the relationship between components using mediation and moderation tests. The findings revealed that the simplicity of tax compliance affects tax filings more than the perception of

government spending and tax morals. In addition, fairness is an important mediator of the strengths of morality, simplicity, public expenditure and compliance.

Al-Ttaffi et al. (2021) examined Muslims' prospects of government taxation, which were summarised in three categories: prohibited, permitted and permissible under certain circumstances. A self-administered survey was done to collect data from a sample of 500 SMEs in Yemen. Failure to comply is measured in a single hypothetical fiscal scenario that covers four different types of taxation. However, the perspective of Muslims on the right of taxation by the government was measured in the above three perspectives. The study indicated that the prospect of Muslims for taxation influences their prospective tax compliance behaviours. In particular, taxpayers who considered tax to be completely allowable were more compatible than those who regarded tax to be fully prohibited. In addition, the choices of taxpayer infringement relate to tax and penalties statistically.

Sawmar & Mohammed (2021) constructed a conceptual framework explained by the notion of organisational legitimacy the relationship between Zakat Institutions governance and zakat payment compliance. The paper includes analysis of content and a revision of the multidisciplinary literature, mainly on zakaah, public administration and compliance. The results show that the relationship between governance and compliance by Zakat has a moderating effect.

Nkundabanyanga et al. (2021) examined relationship between perceived reasons for tax noncompliance or compliance habits and perceived tax compliance factors. The study used a correlational and cross-sectional sample methodology to get a better understanding of tax enforcement based on taxpayer expectations. Data from 205

questionnaire respondents were analysed using structural equation modelling and moment structure analysis. Governmental effectiveness, a transparent tax system (TTS), and voice and accountability (VA) are factors that influence whether taxes are enforced or not, and as measures of tax administration, they significantly affect variations in tax compliance. The perceived value and allocation of public spending (WDPE), the level of taxation, the inequities in the tax code, and tax evasion are used to gauge the effectiveness of the tax system.

Gangl et al. (2020) examines the extended framework of the slippery slope (eSSF) which distinguishes the tools of the tax authorities in different power qualities and the confidence of authorities so as to shed light on the influence of power and trust disparities. We examine eSSF assumptions using survey data on the sense of authority, trust, climate interaction and tax reasons of taxpayers from three culturally different nations. The findings support the eSSF assumptions. Coercive authority and fiscal compliance have been mediated through implicit trust across all countries. The link between legal power and tax compliance is mediated in part by reason-oriented trust. Confidence and engagement in cooperation mediate the relationship between implicit trust and tax compliance.

Alshira'h & Abdul-Jabbar (2020) Studied the effects of fiscal audit, tax rates and the tax penalty on compliance with tax on sales and investigate the moderating influence of patriotism on associations between tax audit, tax and sales tax penalties between small and medium-sized Jordanian manufacturing companies (SMEs). The systemic random sampling of Jordanian SMEs distributed 660 questionnaires, which resulted in an analysis of a total of 385 questionnaires to be considered appropriate. In validating the research model and structural model and its statistical relevance, partially less

square structural equation modelling (PLS-SEM) was used. The results indicate that the extent of income tax enforcement was positively linked to the tax audit and tax penalty, while the sales tax compliance was insignificantly linked to that. Their impact on the relationship between fiscal, tax and tax auditing and sales tax enforcement was also moderated by patriotism.

Amponsah et al. (2019) examine tax stamp evasion in the central region of Ghana. The utilisation of multi-stage sampling techniques was used to test 305 micro-taxpayers in a cross-sectional survey design. Micro-taxpayer's main data have been acquired by means of structured interviews. To reverse tax stamp evasion by economic and noneconomic factors, binary and multinomial regression models have been utilised. The study showed, according to age, penalties, guilt, transportation and taxation costs to the tax agency and tax audit rate, that micro-taxpayers are likely to avoid tax stamps.

Lois et al. (2019) analysed the conception of citizens about tax compliance and analyse the tax-related elements. A sample and questionnaires included closed-end questions were done through a stratified survey. IBM statistical package for social sciences did a linear regression and a series of reliability tests including variance analysis. The majority of respondents are favourable about tax compliance and the tax authorities that motivate them. However, although the fairness of the tax system is obvious, the data reveal a more profound social and behavioural effect, including tax administrative personnel qualities and fiscal morale.

2.3.3 Evidence from Ghana

Amponsah & Adu (2017) looked at elements that impact tax stamp compliance. With the aid of a cross-sectional survey methodology and a multi-stage selection strategy,

783 micro-taxpayers were selected for the study's sample. A structured interview was used to collect primary data from micro-taxpayers. The connection between tax stamp compliance and socio-demographic variables in the research area was investigated using an ordered logit regression model. According to the researchers, people's vocations, locations, genders, and levels of education all play a part in tax stamp compliance in this study area.

Adu & Amponsah (2020) examined the correlates of self-employment tax registration and tax compliance. A total of 783 self-employed people were interviewed, and a discrimination analysis was used to determine what variables influenced their choice to register with the Ghana Revenue Authority. A variety of factors were considered in the research, including the number of times tax authorities visited and inspected private citizens, the company's history and years of schooling, the distance from the tax office, and an organization's anticipated yearly profit.

Ottabil (2015) studied taxing of the informal sector in the municipality of Komenda Edina-Eguafo-Abram (KEEA), which found that taxation of the informal sector was high, business non-profitability was not possible, tax distance was difficult to pay, unnecessary or misuse income tax by government, tax non-compliance, low income tax training, expert advice, business non-recording and lack of capital stocks. Otabili (2015) therefore proposed to boost tax enforcement in municipalities through welleducated regular tax education, tax evaders refuge, incentive encouragement for taxpayers, taxpayer engagement in tax choices, enhanced practices on tax culture, tax equity, closer tax collectors to taxpayer and have a master list of all informal sector firms.

Sarfo (2015) did research on the role of tax audit in revenue mobilization in the Ghanaian government's Ashanti Region. Both qualitative and quantitative case study research methods were used in this study. The study used sixty auditing employees from all of the DTRD of GRA's Ashanti Region offices as a case study. A field survey was used to acquire primary data, while secondary data from the GRA's DTRD was collected for the quantitative investigation. And qualitative research was seen as a way to acquire access to unquantifiable information. The study's findings revealed that all of the respondents agreed that tax audit is critical to increasing revenue collection and plays a critical role in Ghana's tax administration. Despite the fact that the tax audit unit's workers possess the essential abilities to carry out their tasks and responsibilities. It is recommended that they receive enough short-term and refresher training to stay up with current auditing and investigation trends, as well as the various tax law revisions. Finally, a better-equipped tax audit unit can help the country achieve its goal of being self-sufficient in domestic income creation through taxation. The study did not, however, examine the impact of tax audits on taxpayer compliance.

2.4 Conceptual Framework

The researcher's understanding of the interrelationships between the many variables under inquiry forms the conceptual framework. As a result, the study's variables are determined. As a result, it serves as a road map for the investigator's subsequent actions. Schübeler (1996) contends that conceptual frameworks serve as a basis for presenting the specific research topic that motivates the investigation. An investigation's issue statement highlights the context and obstacles that motivated the researcher to conduct the study. In the following sections, we'll explain the theoretical framework that underpins our inquiry.
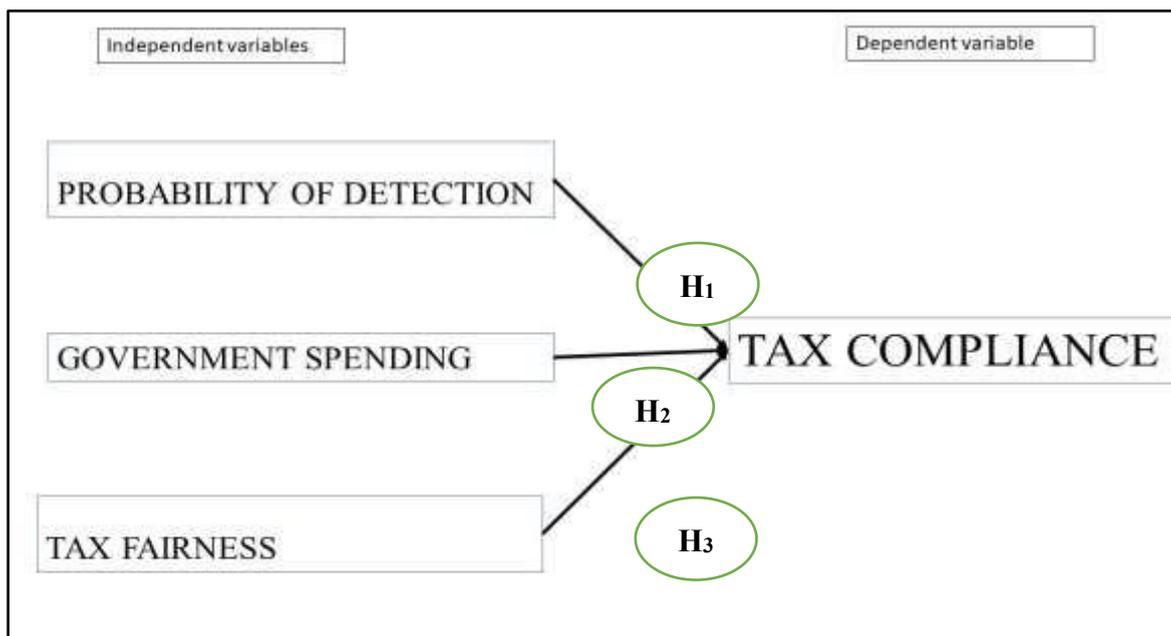
Figure 2.1 Conceptual framework

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology. It includes ten sections. Section 3.1 is the research design. Section 3.2 is the research population and it presents the population of the study. Section 3.3 is the sample and sampling technique. Section 3.4 is the data and collection. Section 3.5 is the data collection method and shows the procedure adopted in collecting data. Section 3.6 presents the ethical consideration. Section 3.7 is the chapter summary.

3.1 Research Philosophy

3.1.1 Positivism and objectivism

Positivism, which is an epistemological position, focuses on the importance of objectivity and evidence in searching for truth and the world is unaffected by the researcher. Also, in positivism, facts and values are very distinct, thus making it possible to conduct objective and value-free inquiry (MacIntosh, 2016). In addition,

positivism epistemology holds the position that meaning and meaningful realities already reside in objects awaiting discovery and they exist apart from any kind of people's consciousness. Therefore, according to this view, when we recognize objects around us, we simply discover meanings which have been lying in them all along. Furthermore, according to the positivism/objectivism paradigm, truth is static and is always objective. This truth is objectified in the people being studied and this objective truth can be discovered if we go about it in the right way. Nevertheless, the positivist and objectivist traditions and thinking have been subject to criticism since the early twentieth century. The rejection of the positivist thinking and tradition was based on the ground that if rules and laws are only derived from observation, then it is also quite possible that a future observation proves an exception to a current rule or law (Chirchir et al., 2017).

3.1.2 Interpretivism and constructionism

In a total rejection to the positivist and objectivist traditions, opposing views of the world and knowledge then appeared known as interpretivism and constructionism. According to these views, there are ways of knowing about the world other than direct observation; namely, our perceptions and interpretations of the world around us. People use their perceptions to interpret what their senses tell them (MacIntosh, 2016). As such, knowledge of the world is based on our understanding which arises from our reflection on events rather than only on lived experiences. In a clear opposition to the positivist and objectivist tradition, interpretivism and constructionism approaches argue that knowledge is produced by exploring and understanding the social world of the people being studied, focusing on their meaning and interpretations, i.e., meanings are social constructed by the social actors in a particular context (Andriukaitiene et al., 2013).

In this opposing tradition, however, researchers also construct meanings and interpretations based on those of their participants. In addition, the research process is

considered to be largely inductive in the sense that the aim is to generate a theory from the data collected rather than use the data to test an already existing theory. Another important distinction between the former and latter approaches is that facts and values in interpretivism and constructionism approaches are not distinct and totally objective and value-free research is impossible. In other words, the researcher cannot detach him or herself from the research; they inevitably become personally engaged in the research and, as such, findings are influenced by their perspectives and values. Finally, in interpretivist and constructivist traditions, the methods used in studying the natural sciences are not suitable for the study of the social world and that social reality cannot be captured or portrayed accurately because there are different perceptions and understandings of reality (Saunders et al., 2019).

3.1.3 Research paradigm adopted for the study

There exist various philosophical views and debates about the kind and nature of knowledge and truth and, as such, there exist various methodologies and frameworks employed in the study and understanding of this knowledge. In this research, the philosophical paradigm taken is that of positivism, where objectivism is the positivist epistemology. With the positivists, the consciousness of the researcher does not affect the results. This implies that, Connotation lies exclusively in objects, not in the researcher's consciousness and this significance is the goal of the researcher in this research. Positivist findings are generally reported in a descriptive and factual way (Saunders et al., 2019).

3.2 Research Design

The research design used for the study is the survey research design study which uses a quantitative approach. This method enables the study to obtain primary data for the research. Primary data and information for the research is obtained through the use of

survey questionnaires. The quantitative method enables the study to gather relevant data through questionnaire administration to the targeted respondents.

3.3 Study Population

A population refers to the entire set of individuals, items, or data points that meet certain criteria and are the subject of study. This set is often too large or impractical to examine in its entirety, so a subset, known as a sample, is typically taken for analysis. The target population will be defined and restricted to all SMEs registered with Business Advisory Centre (BAC) of the NBSSIs in Bolgatanga Municipality.

3.4 Sample and Sampling Techniques

According to the National Board for Small Scale Industries, Bolgatanga Municipal has 480 small businesses (NBSSI). Random sampling was used to find 216 small businesses using the sample calculated table developed by Krejcie and Morgan (1970). Due to the limits of time, money, and the availability of data to the general public, sampling is necessary (Cohen, et al., 2007). Probability sampling was used in this investigation. Random sampling was used in probability sampling. To ensure that each small business loan applicant had an equal chance of being selected, basic random sampling was used. Random sampling was used to choose the participants in the research.

3.5 Data and Data Collection

The study employed primary data as the main source of data. Primary data was obtained through questionnaire administration to targeted respondents or participants. Participants in this study completed self-administered questionnaires, which the researcher then administered. Semi-structured questionnaires with five Likert scales

were used in this investigation. When a questionnaire is issued to a group of people, they are asked to answer a set of questions and send the completed questionnaire back to the researcher (Kothari, 2004).

3.6 Validity and Reliability Constructs

The results obtained from the questionnaires correctly and meaningfully reflected a theoretical idea in this research, which employed construct validity. The test-retest technique used to evaluate instrument validity yielded consistent findings (100% consistency). A test-pre-test strategy was employed to check for questionnaire dependability. According to some authors, validity has to do with whether the researcher's description of a phenomenon and the measurements he or she presents are in accord, or with the problem of goodness of fit.

Validity refers to the ability to accurately depict the subject matter at hand. Research colleagues and other experts were called in to double-check the questionnaires' appearance and content validity. Before creating the final instrument, we used their feedback and ideas to refine the questions.

Model Specification

Multivariate Regression

According to Parramore and Watsham (1997), a regression analysis tests the statistical strength of the model as hypothesized. Thus the researcher will conduct a regression analysis in order to ascertain the relationship between the dependent and independent variables.

The panel regression model is based on the Ordinary Least Squares, which generally takes the form of:

$$Y_{it} = \beta_o + \beta_1 X_{it} + \mu_t \qquad [1]$$

where Y_{it} is the dependent variable, $\square 0$ is the constant or intercept term, X_{it} represents the explanatory or regressors, or independent variables, and u is the residual or error term. The error term is assumed to have zero mean and independent across time period. The panel regression estimation technique uses least squares regression line of y on x is the line that makes the sum of the squares of the vertical distances of the data points from the line as small as possible (Moore, 2009). For the purposes of this research, a model similar to that used previously by other researchers will be employed, considering that there is more than one independent variable. Therefore, the researcher needs to move from single-independent-variable regressions to equations with more than one independent variable. Implying that, multivariate regression model needs to be introduced.

$$Y_{it} = \beta_o + \beta_1 X_{it} + \beta_2 X_{2t} + \ldots\ldots + \beta_k X_{kt} + \mu_t$$
[2]

A multivariate regression coefficient indicates that a change in the independent variable is associated with an increase in the dependent variable, holding other independent variables constant. Based on all the information above, the researcher will therefore perform the following regressions:

$$TAXCOM = \beta_o + \beta_1 TAXDET_{it} + \beta_2 TAXFAIR_{2t} + \beta_3 GOVSPEN + \mu_t$$

[3]

where *TAXCOM* is Tax Compliance, *TAXDET* is Tax Detection, *TAXFAIR* is Tax Fairness, *GOVSPEN* is Government Spending, and u is the error term.

3.7 Ethical consideration

This covered ethical concerns about the respondents, such as data collecting procedures, permission seeking, incentive offers, requesting sensitive information, the risk of causing damage to participants, and protecting anonymity. The incentive provision was handled in accordance with KNUST policies.

Ethical considerations in research are crucial to ensure that studies are conducted in a manner that respects the rights and well-being of participants, as well as upholds the integrity and credibility of the scientific community. These considerations encompass a wide range of principles and guidelines that researchers must adhere to throughout the entire research process, from the design and implementation of studies to the dissemination of findings. Ethical considerations in research involve issues such as informed consent, confidentiality, privacy, potential risks and benefits, fairness, and transparency.

Informed consent is a fundamental ethical principle in research that requires researchers to obtain voluntary and informed agreement from individuals before they participate in a study. This means that participants should be provided with clear and understandable information about the purpose, procedures, potential risks and benefits, and any other relevant aspects of the research. Informed consent ensures that individuals have the autonomy to make an informed decision about their participation without coercion or undue influence.

Confidentiality and privacy are essential ethical considerations in research. Researchers have an obligation to protect the personal information and data collected from participants. Confidentiality refers to the protection of participants' identities and ensuring that their personal information is not disclosed without their consent. Privacy involves safeguarding participants' right to control access to their personal information and ensuring that their privacy is respected throughout the research process.

43

3.7 Chapter Summary

This chapter discussed the methodology for the study. It was made up of the research design, research population, sample and sampling technique, data and collection, data collection method and ethical considerations.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the results and discussions of the study. It is made up of six parts. Section 4.1 shows the results and analysis of the biodata of respondents. Section 4.2 shows reliability analysis. Section 4.3 presents the descriptive statistics of the variables Section 4.4 provides the estimation results. Section 4.5 presents the discussions.

4.1 Bio Data of Respondents

The table 4.1 presents the biographical distribution of the respondents. 40.3% were males and 59.7% female. This shows that, majority of the respondents were female.

Also, the age distribution of the respondents shows that, about 14.4% of the respondents are between the ages of 18-25 years, 63% of the respondents are between the ages of 26-35 years, the ages between 36-45 years constituted 22% of the respondents. This shows that, most of the respondents are relatively young. On the educational qualification of the respondents, the results show that, 10% of respondents had no education, about 62% of the respondents have attained at least SHS certificate qualification while 27% of the respondents have tertiary qualifications. This means that, the respondents have the requisite qualification to answer the questions posed on the questionnaire. This implies that, the respondents understand the imports of their answers to the questions posed.

Table 4.1 Bio Data of Respondents

	Frequency	Percentage
Gender		
Male	87	40.3
Female	129	59.7

45

Age		
18-25 years	31	14.4
26-35 years	137	63.4
36-45 years	48	22.2
Qualification		
No education	22	10.2
Basic/SHS School	135	62.5
Tertiary	59	27.3
Legal ownership of firm		
Sole proprietorship	54	25
Partnership	61	28.2
Cooperative	51	23.6
Limited liability	50	23.1
Stage of development		
Early beginning (below 1 yr)	56	25.9
Young (1-5 yrs)	87	40.3
Established (more than 5 yrs)	73	33.8
Number of employees in the firm 1-9 employees	57	26.4
10-49 employees	119	55.1
50-249 employees	40	18.5
Sector within which business operates		
Retail	32	14.8
Manufacturing	39	18.1
Transport	19	8.8
Construction	36	16.7
Hospitality	30	13.9
Agriculture	35	16.2
Telecommunication/ICT	25	11.6

Source: Field Survey 2022

The results indicate that on the legal status of the SMEs understudy about 25% of the SMES were into registered as sole proprietorship, those registered as partnership constituted about 28.2%, the corporative were made up of about 23/6% while those registered as limited liability company were about 23% of the businesses understudy.

The table presents responses from on the stage of development of the SMEs. The results show that, about 25.9% of the businesses had existed for less than a year, about 40.3% had existed for between 1-5 years, while those in their established stage constituted about 33% of the SMEs. This implies that, most of the firms had existed long enough to understand and appreciate the issues of tax perception and how it influences their tax compliance.

The sector of a business the respondent engaged in show that 18.1% of the SMES are into manufacturing, 16.2% are engaged in agriculture cultivation and production, 27.3% of the SMES deals in retail trade while 8.8% are found within the transportation sector. Those SMES into telecommunication were about 11.6%. The results depict that most of the respondents are either engaged in agriculture on are into the retail business.

4.2 Reliability Analysis

The table 4.2, presents the reliability analysis of the independent variables employed in this study. The reliability was computed based on the Cronbach's Alpha. The scales have the highest reliability recorded alpha coefficients between 0.87 and 0.92. It follows that all the items under each scale were reliable and therefore the instrument, in general, is reliable for the study because their reliability coefficients exceeded the prescribed threshold of 0.70 (Muijs, 2004).

Table 4.2 Reliability Statistics

Variable	Cronbach's Alpha
Government spending	0.88
Tax detection	0.87
Tax fairness	0.92

Source: Field Survey 2022

R >0.70 is extremely high dependability; 0.50 – 0.70 is strong; 0.20 – 0.50 is moderate;

0.10–0.10 is poor; r 0.10 is negative or zero reliability.

4.3 Descriptive statistics

The tables below present the descriptive statistics of the various statement employed to describe the various issues in the study. these were measure based on a five-point Likert scale with 1 being strongly disagree and 5 been strongly agree.

4.3.1 Government spending

On the statement that the respondents believe the government utilizes a reasonable amount of tax revenue to achieve social goals (Mean=3.0, SD=1.1), implying that the respondent were not sure as to how government spent reasonable tax revenue to achieve targets. On the issue of whether the respondents believe everyone pays their fair share of income tax under the current income tax system, the results recorded were (Mean= 2.96, SD=1.45), indicating that most of the respondent disagreed with the statement. On the assertion that, the respondents think the government spends too much tax revenue on unnecessary welfare assistance (Mean=2.82 SD=1.44) showing that most of the respondents disagreed with that assertion.

Table 4.3 Government spending

	N	Min.	Max.	Mean	Std Dev.
I think the government uses tax funds to achieve social goals in an appropriate quantity.	216	1	5	3.097	1.486
I think that under the current tax system, everyone pays their fair amount of income taxes.	216	1	5	2.963	1.456
I believe government wastefully use lot of the tax money on welfare.	216	1	5	2.824	1.446
Valid N (listwise)	216				

4.3.2 Tax detection

On the claim that, the respondents pay their taxes because there are severe punitive measures for tax evaders, the score (Mean=3.99, SD=0.84) implying that, most of the respondents agreed with that claim. On the issue of whether, the respondents pay their taxes because, the penalties accompanying tax evasion deter me from evading taxes, the score (Mean=3.97, SD=0.81) implying the most of the respondents agreed with that statement. On the claim that, the respondents pay their taxes because, enforcement actions of tax authorities as effective, the score recorded was (Mean=3.91, SD= 0.87), suggesting that most of the respondents agreed with that assertion.

Table 4.4 Tax detection	N	Mean	Min.	Max.		Std. Dev.
I pay my taxes because there are severe punitive measures for tax evaders.	216	3.991	1	5		0.846
I pay my taxes because, the penalties accompanying tax evasion deter me from evading taxes.	216	1	5	3.977	0.815	
I pay my taxes because, enforcement actions of tax authorities as effective.	216	1	5	3.912	0.877	
Valid N (listwise)		216				

Source: Field survey, 2022

4.3.3 Tax fairness

Respondents believe they obtain a reasonable return on their taxes paid, as evidenced by their (Mean=3.92, SD=0.83) response to the question of whether they feel they receive a fair return on their taxes paid. The majority of respondents believed that it is fair for low-income people to get more government aid than high-income people (Mean=3.91, SD=0.81). The majority of respondents (Mean=4.02, SD=0.84) agreed with the statement.

Table 4.5 Tax fairness

	N	Min.	Max.	Mean	Std. Dev.
In exchange for my income tax payment, I receive fair value from the government.	216	1	5	3.9259	0.832
It is fair that low-income earners receive more government subsidies than highincome earners.	216	1	5	3.912	0.811
Given the benefits I receive from the government, the income taxes I must pay are exorbitant.	216	1	5	4.0278	0.840
Individuals with comparable incomes should pay an equivalent amount of income tax.	216	1	5	4.0324	0.837
I believe it is equitable for me to pay a comparable share of income tax as other taxpayers earning an equivalent amount of income.	216	1	5	3.9167	0.885
It is only fair that high-income people pay progressively greater tax rates than low-income ones.	216	1	5	4.0139	0.871
Low-income earners should be taxed at a lower rate than middle-income ones.	216	1	5	4.0463	0.845
Individuals who purposefully avoid paying their taxes should be fined the same amount regardless of the amount of tax evaded. Valid N (listwise)	216	1	5	3.9815	0.894
	216				

Source: Field survey, 2022

Asked if it was fair for people with similar earnings to pay the same amount of income taxes, the majority of respondents (Mean=4.03, SD=0.83) agreed with the proposition.

The data (Mean=3.91, SD=0.88) indicate that the majority of respondents agreed with the argument that they should pay the same percentage of income tax as other taxpayers earning an equal amount of money. The majority of respondents (Mean=4.01, SD=0.87) agreed with the premise that high-income people should pay progressively higher tax rates than low-income earners. More over four out of five respondents (Mean=4.01,

SD=0.84) agreed that low-income earners should be taxed at a lower rate than middle-income earners (Mean=4.01). It's safe to say that the vast majority of those polled (Mean= 3.98, SD=0.89) agreed with the statement that people who avoid taxes on purpose should be penalised with the same penalty amount, regardless of how much they owe in back taxes.

4.3.4 Tax compliance

The answer to the claim that respondents honour their tax commitments because they have excellent morals was (Mean=3.93, SD=0.90), indicating that respondents agree with that assumption. The answer to the assumption that there are harsh punitive actions for tax evaders was (Mean=3.99, SD=0.86), indicating that the respondents agreed with that assertion. On the question of whether the penalties associated with tax evasion dissuade them from dodging taxes, the findings (Mean= 3.81, SD=0.84) suggest that the majority of respondents stated that penalties deterred them from avoiding taxes. On the argument that taxpayers are typically unwilling to pay taxes, the score was (Mean=3.90, SD=0.90), suggesting that the majority of respondents agreed with that assumption. On the question of whether taxpayers believe tax authorities' enforcement activities are ineffectual, the score was (Mean=3.89, SD=0.89), indicating that the respondents agreed with that assessment. On the assumption that some taxpayers' noncompliance attitude negatively impacts other taxpayers, the findings were (Mean=3.95, SD=0.89), suggesting agreement with that statement. The argument that group norms and expectations impact tax compliance among SMEs had a score of (Mean=3.85, SD=0.93), indicating that the majority of respondents agreed with that assumption.

Table 4.6 Tax compliance N Mean		Min.	Max.		Std. Dev.
I keep my tax commitments because I am a good person.	216	1	5	3.940	0.905
There are severe penalties for tax evaders.	216	1	5	3.991	0.863
The penalties associated with tax evasion discourage me from dodging taxes.	216	1	5	3.815	0.848
Taxpayers are generally unwilling to pay their taxes.	216	1	5	3.903	0.907
When taxpayers believe that tax authorities' enforcement activities are ineffectual.	216	1	5	3.894	0.896
Some taxpayers' noncompliance attitude has a negative impact on other taxpayers.	216	1	5	3.954	0.893
Tax compliance among SMEs is influenced by group norms and expectations. Valid N (listwise)	216	1	5	3.857	0.936
	216				

Source: Field survey, 2022

4.5.1 The effect of Perception of probability of detection on tax compliance by SMEs.

The findings of the regression indicated that there is a substantial positive of detection on tax compliance with (R=0.31, P=0.000) for the first aim of investigating the influence of Perception of likelihood of detection on tax compliance by SMEs. This means that, all else being equal, a unit increase in the chance of ta detection leads to a 31% increase in tax compliance.

4.5.2 The effect of Perception of government spending on tax compliance by SMEs

The findings of the second objective, which was to examine SMEs' perceptions of government expenditure on tax compliance, revealed that there was a positive but negligible impact of government spending on tax compliance (R=0.023, P=0.488). This

suggests that, all else being equal, government expenditure has little effect on tax compliance among SMEs understudied.

### 4.5.3 The effect of Perceptions of tax fairness on tax compliance by SMEs

The third goal is to investigate the impact of tax fairness on tax compliance among SMEs. The findings revealed that tax justice has a favourable and substantial influence on tax compliance (R=0.126, P=0.015). All else being equal, a unit rise in sense of tax justice leads to a 12.6 % increase in tax compliance.

<u>**Table 4.7 Estimation Results**</u>

		Estimate	S.E.	C.R.	P	Label
TAX COMP. <--	TAX FAIRNESS	0.126	0.052	2.436	0.015	Supported
TAX COMP. <--	DETECTION	0.31	0.071	4.383	0.000	Supported
TAX COMP. <--	GOV. SPENDING	0.023	0.034	0.693	0.488	Not supported

Note: TAX COMP is Tax compliance, GOV SPENDING is Government spending.

The estimation model is present below.
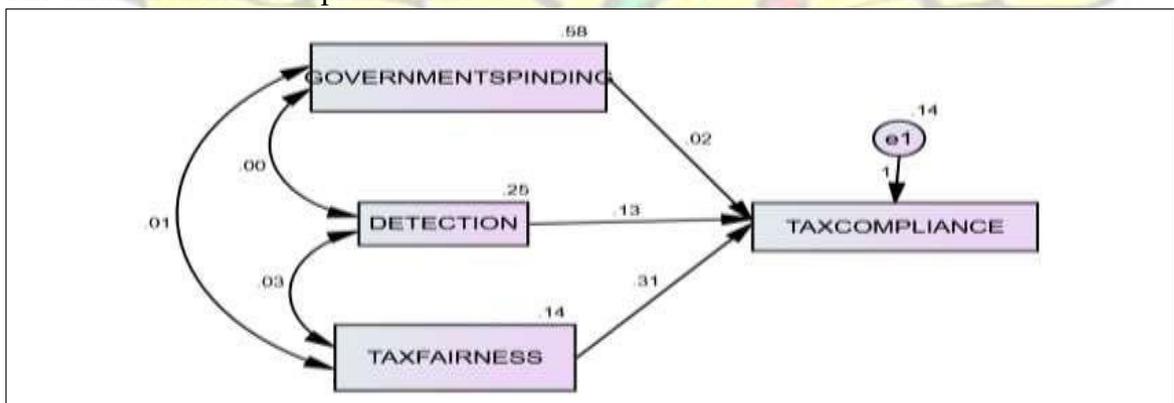
Figure 4.1 Estimation model

4.6 Discussion of Findings

4.6.1 The effect of Perception of probability of detection on tax compliance by SMEs.

On the first objective of examining the effect of Perception of probability of detection on tax compliance by SMEs, the study revealed that there is a significant positive of detection on tax compliance. This findings buttress the findings of Farrar et al. (2019)

who examined the function and detection of the interactional fairness in terms of tax enforcement intentions. The study has found that the identification moderates the connection between interactive fairness and intentions of tax compliance.

4.6.2 The effect of Perception of government spending on tax compliance by SMEs

On the second objective of examining the of perception of government spending on tax compliance by SMEs, the results showed that, there a positive but insignificant effect of government spending on tax compliance. This indicates that, all things been equal, government spending dies not affect tax compliance among SMEs understudy. This finding supports that of Hassan et al. (2021), who investigated the connections between voluntary tax compliance behavior of individual taxpayers and chosen economic, social, behavioral, and institutional factors. The results showed that tax filings are more influenced by the ease of tax compliance than by opinions on public spending and tax ethics.

4.6.3 The effect of Perceptions of tax fairness on tax compliance by SMEs

On the third objectives of examining the effect of tax fairness on tax compliance among SMEs. The study showed that, there is a positive and significant effect of tax fairness on tax compliance, suggesting that, all thing held constant, a unit increase in perception of tax fairness, will lead an increase in tax compliance. This findings support that of Lois et al. (2019) who analysed the conception of citizens about tax compliance and analyse the tax-related elements. The study revealed that fairness of the tax system affects tax compliance. Musimenta et al. (2017) who sought to establish a link between tax fairness and tax compliance in Ugandan small and medium-sized businesses

(SMEs). The study showed that tax fairness has an impact on tax compliance. Also, Faizal et al. (2017) who investigated the relationship between justice and trust and tax compliance behaviour. According to the findings, only procedural justice and trust affect tax compliance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter is the final chapter of the study. It is composed of three four main sections. Section 5.1 presents the summary of main findings. Section 5.2 presents the conclusion. Section 5.3 shows the recommendations for further studies. Section 5.4 presents the recommendations for further studies.

5.1 Summary of Main Findings

This study set out to examine tax compliance in Ghana: an examination of taxpayers' compliance decision by their perceptions. The study employed a quantitative research design to conduct the study. the study used mainly primary data by deploying structured questionnaire through google for. The analysis of the data was conducted with the help of IBM SPSS Statistics V.26 and Microsoft Excel and Amos v.23. The study employed Structural equation modelling to analyse the various objectives. The study findings showed that;

On the first objective of examining the effect of Perception of probability of detection on tax compliance by SMEs, the study revealed that there is a significant positive of detection on tax compliance.

On the second objective of examining the of perception of government spending on tax compliance by SMEs, the results showed that, there a positive but insignificant effect of government spending on tax compliance.

On the third objective of examining the effect of tax fairness on tax compliance among SMEs. The study showed that, there is a positive and significant effect of tax fairness on tax compliance.

5.2 Conclusions

This study set out to investigate the factors influencing tax compliance among Small and Medium-sized Enterprises (SMEs). Through a comprehensive examination of the perception of the probability of detection, government spending, and tax fairness, the research aimed to contribute to the understanding of SMEs' tax compliance behavior. The following key conclusions can be drawn from the findings:

The study found a significant positive relationship between the perception of the probability of detection and tax compliance among SMEs. This suggests that as SMEs perceive a higher likelihood of being detected for non-compliance, their adherence to tax regulations improves. The results build upon existing research, emphasizing the importance of enforcement mechanisms in shaping tax compliance behavior. Contrary to expectations, the study revealed a positive but statistically insignificant effect of the perception of government spending on tax compliance. This implies that, within the studied context, SMEs' compliance behavior is not significantly influenced by their perceptions of how government allocates its expenditures. This nuanced relationship underscores the need for further exploration into the contextual factors that may mediate the impact of government spending perceptions on tax compliance. The findings strongly support the idea that perceptions of tax fairness play a crucial role in influencing tax compliance among SMEs. A positive and significant relationship was observed, indicating that as SMEs perceive the tax system as fair, their compliance

behavior tends to increase. This aligns with prior research highlighting the importance of procedural justice and trust in shaping tax compliance.

In conclusion, this study contributes valuable insights into the complex dynamics of tax compliance among SMEs. The results underscore the multifaceted nature of these relationships, emphasizing the interplay between perceived enforcement, fairness, and the role of government spending. Policymakers and tax authorities should consider these nuanced findings when designing strategies to enhance tax compliance among SMEs. Future research could delve deeper into the contextual and cultural factors that may further explain the observed relationships, providing a more comprehensive understanding of the intricacies surrounding tax compliance in the SME sector.

5.3 Recommendations

Based on the findings of the study, it is recommended that;

The tax authorities should endeavour to put in place measure to enhance detection of tax evasion among SMEs, which will help in compliance among these SMEs, since they know that, they will be found out when they evade taxes.

Also, although government spending does not seem to affect tax compliance, government should be transparent on how it spends the tax collected to engender more confidence in these SMEs to comply with their tax returns.

Lastly, the tax authorities should make an effort to be fair as much as possible to generate the need support among these SMEs to enable them have trust in the tax administration which will go a long way to enhance tax compliance among these SMEs.

5.4 Recommendation for Further studies.

Due to the limitations of this study, it is recommended that, other studies should be conducted on tax morale and how its impact on tax compliance. Also, since Ghana is predominantly, a religious nation, studies should be conducted to know how religiosity impact on tax compliance.

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APPENDIX

QUESTIONNAIRES

I am a final year graduate student of the Kwame Nkrumah University of Science and Technology (KNUST). This questionnaire is to collect data for the study on TAX COMPLIANCE IN GHANA: AN EXAMINATION OF TAXPAYERS' COMPLIANCE DECISION BY THEIR PERCEPTIONS. Data collected is solely meant for academic purposes and for this study only. Also, note that your participation in this questionnaire is voluntary and you are not to be coaxed nor given cash reimbursement for your participation. However, your contribution to the study is highly valued and your responses will be useful in completing the study. Your response will be used anonymously and to this end, you are requested not to write your name, ID or Passport number or other identifying information in the questionnaire. Confidentiality of information gathered from respondents is assured.

Thank you

PART A.

GENERAL INFORMATION

1. Gender:

   a. Male

   b. Female

2. Age:

a. 18-25 years

b. 26-35 years

c. 36-45 years

d. 46-55 years

e. Over 55 years

3. Qualification:

a. No education

b. Basic/SHS School

c. Tertiary

4. What best describes the ownership of your firm?

a. Sole proprietorship

b. Partnership

c. Cooperative

d. Limited liability

5. In terms of development, at which stage would you say your business is:

a. Early start-up (Less than 1 yr)

b. Young (1-5 yrs)

c. Established (more than 5 yrs)

6. Number of employees in the firm
a. 1-9 employees

b. 10-49 employees

c. 50-249 employees

7. Sector within which business operates

a. Retail

b. Manufacturing

c. Transport
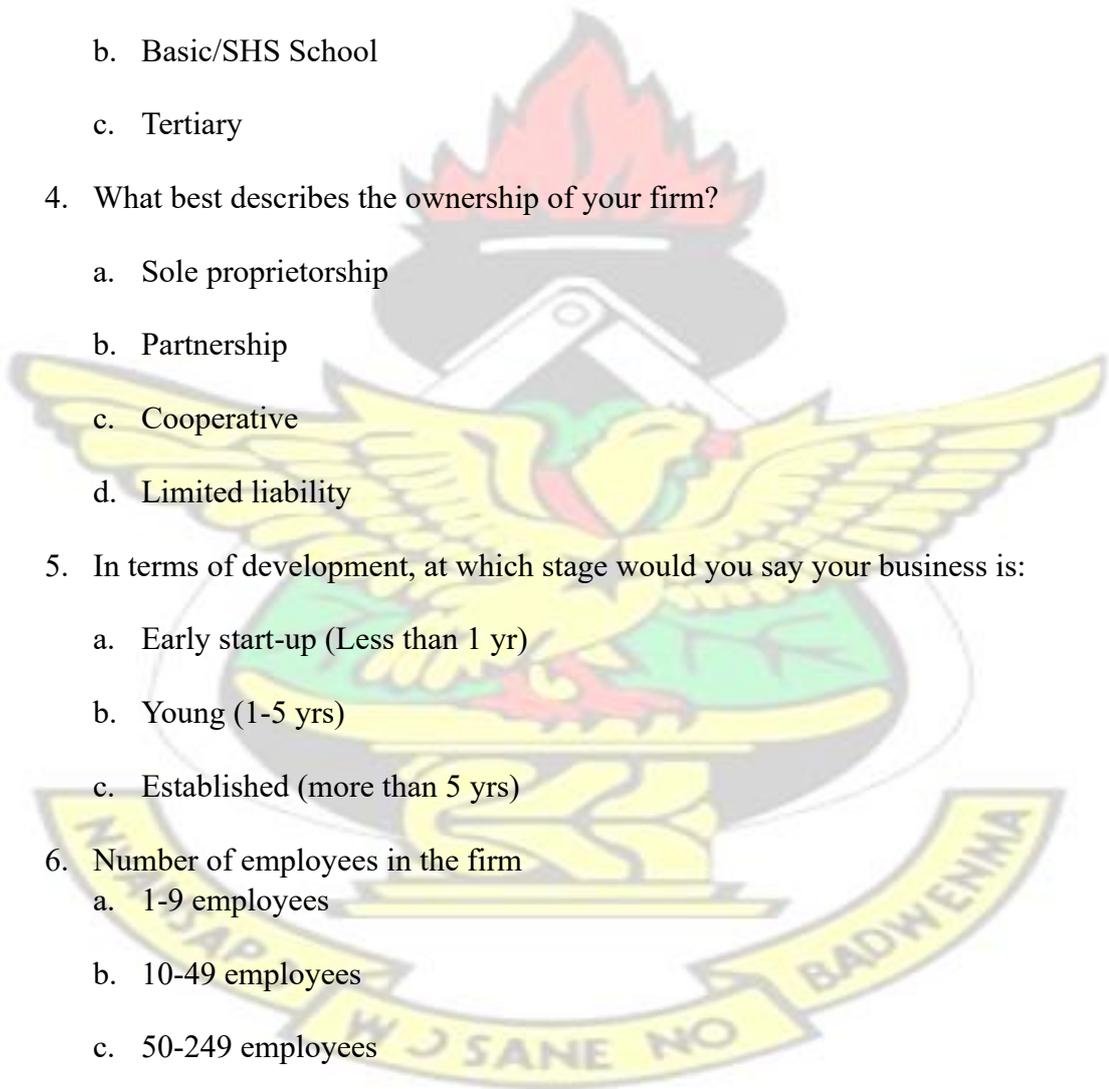
d. Construction

e. Hospitality

f. Agriculture

g. Telecommunication/ICT

SECTION B

Please indicate the extent to which you either agree or disagree with the following statements.

1= Strongly Disagree   2=Disagree   3=Neutral   4=Agree   5=Strongly Agree

	GOVERNMENT SPINDING					
GPS1	I believe the government utilizes a reasonable amount of tax revenue to achieve social goals.	1	2	3	4	5
GPS2	I believe everyone pays their fair share of income tax under the current income tax system	1	2	3	4	5
GPS3	I think the government spends too much tax revenue on unnecessary welfare assistance.	1	2	3	4	5

Please indicate the extent to which you either agree or disagree with the following statements. **1= Strongly Disagree   2=Disagree   3=Neutral   4=Agree 5=Strongly Agree**

	DETECTION					
DET1	I pay my taxes because there are severe punitive measures for tax evaders	1	2	3	4	5
DET2	I pay my taxes because, the penalties accompanying tax evasion deter me from evading taxes	1	2	3	4	5

DET3	I pay my taxes because, enforcement actions of tax authorities as effective.	1	2	3	4	5

Please indicate the extent to which you either agree or disagree with the following statements. **1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree**

	TAX FAIRNESS					
TF1	I receive fair value from the government in return for my income tax paid	1	2	3	4	5
TF2	It is fair that low-income earners receive more benefits from the government compared to high-income earners.	1	2	3	4	5
TF3	The income taxes that I have to pay are high, considering the benefits I receive from the government.	1	2	3	4	5
TF4	It is fair for individuals with similar amounts of income to pay an equivalent amount of income tax.	1	2	3	4	5
TF5	I believe it is fair for me to pay a similar share of income tax compared with other taxpayers earning an equivalent amount of income.	1	2	3	4	5
TF6	It is fair that high-income earners are subject to tax at progressively higher tax rates than low-income earners.	1	2	3	4	5
TF7	It is fair that low-income earners are taxed at a lower rate than middle-income earners.	1	2	3	4	5
TF8	It is fair that individuals who deliberately evade paying their taxes should be penalized with the same amount of penalty regardless of the amount of tax evaded.	1	2	3	4	5

Please indicate the extent to which you either agree or disagree with the following statements.

1= Strongly Disagree   2=Disagree   3=Neutral   4=Agree   5=Strongly Agree

	TAX COMPLIANCE					
TC1	I honour my tax obligations because I have good morals	1	2	3	4	5
TC2	There are severe punitive measures for tax evaders	1	2	3	4	5
TC3	The penalties accompanying tax evasion deter me from evading taxes	1	2	3	4	5
TC4	Generally, taxpayers are hesitant in paying taxes	1	2	3	4	5
TC5	When taxpayers perceive the enforcement actions of tax authorities as ineffective,	1	2	3	4	5
TC6	The non-compliance attitude of some taxpayers adversely affects other taxpayers	1	2	3	4	5
TC7	Group norms and expectations influence tax compliance amongst SMEs	1	2	3	4	5